

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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POLICY

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Russia Begins Selling Intervention Grain

Report Categories:

Grain and Feed

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Report Highlights:

Sales of grain from the intervention fund will begin on February 4, 2011. By the end of June 2011 the Government plans to sell at the commodity exchange up to 2.5 million metric tons to livestock producers, feed and flour mills. The start-up price of grain sales will vary by types and by provinces, but the minimum is set at 6,000 rubles (\$200) per metric ton.

General Information:

The Russian Government ordered sales of milling and feed wheat, food quality rye and feed barley from the Intervention Fund. Order No. 63-p of January 26, 2011, was posted on the Russian government web-site on February 1, 2011: <http://www.government.ru/gov/results/13992/> which will allow up to 500,000 metric tons of grain to be sold every month until the end of June 2011, at the weekly auctions conducted by the Russian commodity exchange. The minimum price will vary by quality and location from 6,000 rubles (\$200) to 7,535 rubles (\$251). Grain will be sold to registered livestock producers and to feed and flour mills. The Ministry of Agriculture updated instructions for selling grain from the intervention fund and posted these instructions on the MinAg's web-site on January 28, 2011: <http://www.mcx.ru/documents/document/show/15180..htm>.

Current Market Prices of Grain in Russia

Despite the decreased railway tariffs domestic grain marketing was not active in the fall 2010, and volumes of trade began increasing only in December 2010. Grain consumers in the drought affected provinces were waiting for federal support and distribution of grain from the intervention fund. Even the export ban did not stimulate sales. Grain prices in the domestic market continued to increase, reflecting Russia's tense grain supply and steadily growing prices in the international markets.

From beginning of July 2010 to mid January 2011 the price of 1 metric ton of milling wheat Class 3 increased by 50 percent to 6,400 rubles (\$213) in the Southern Federal District, by 100 percent to 7,750 rubles (\$258) in the Central Federal District, by 120 percent to 8,000 rubles (\$266) in the Volga Valley Federal District, by 160 percent to 8,500 rubles (\$283) in the South Ural, and by 185 percent to 7,700 rubles (\$257) in Siberia. Increases in prices of milling wheat Class 4, feed quality wheat, food rye, and feed barley were even sharper. Thus, price of feed wheat Class 5 increased by 115 percent to 7,300 rubles ((\$243) in the Central Federal District, and by more than 200 percent in the Ural Federal district to 7,900 rubles (\$263) per metric ton ^[i].

Comments

Mass media reported that by the end of January the Grain Intervention Fund held 9.5 million metric tons of grain, primarily milling quality wheat. In the middle of December 2010 the Russian Government ordered the Ministry of Agriculture to distribute up to 1.2 MMT of intervention grain directly at fixed prices ^[ii] to feed and flour mills in areas surrounding Moscow and St. Petersburg. According to the Russian First Deputy Prime Minister Viktor Zubkov, the Government plans to add another 2 MMT of intervention grain for direct distribution among livestock producers, feed and flour mills at the fixed price ^[iii]. However, as of end of January 2011 Russian enterprises have not yet received this promised grain.

The beginning of intervention sales at auction prices is a signal to the market that the government takes care of socially important industries, such as livestock producers, flour and feed mills, and will be using market instruments. According to the Order No. 63-p, the Government might sell up to 2.5 MMT of intervention grain by the beginning of the next grain marketing year (July 1, 2011).

The volumes of sales will almost match the proposed volume of direct distribution at fixed prices, but the total volume will not exceed 6 MMT, and will hardly change trends in market prices. Russia's domestic grain prices most likely will be driven by the remaining grain stocks at farms, spring sowing, 2011 grain crop forecast, and actual consumers' demand.

Attachment 1. Order No. 63-p of January 26, 2011 and Annex to the Order

BEGIN UNOFFICIAL TRANSLATION

Order No. 63-p of January 26, 2011

ON THE SALES OF MILLING AND FEED QUALITY WHEAT , FOOD QUALITY RYE AND FEED BARLEY FROM THE FEDERAL INTERVENTION FUND OF AGRICULTURAL PRODUCTS AT THE COMMODITY EXCHANGE AUCTIONS IN THE 1-st AND THE 2-nd QUARTER OF 2011.

1. To agree with the proposal of the Russian Ministry of Agriculture to sell in the 1-st and the 2-nd quarters of 2011, milling and feed quality wheat, food quality rye, and feed quality barley from the federal intervention fund of agricultural products (hereinafter – intervention grain), which were purchased in course of state procurement interventions in 2005-2006 and in 2008-2009, at the weekly commodity exchange auctions in the amount of up to 500,000 tons monthly.
2. To determine the minimum start-up price of sales of intervention grain at the commodity exchange auctions in accordance with the Annex to this Order.
3. The Ministry of Agriculture makes sure that in course of commodity exchange auctions the intervention grain is sold to agricultural producers that producer livestock products, and to enterprises that produce flour and compound feeds.

Chairman of the Government
of the Russian Federation

V. Putin

Annex
to the Order of the
Russian Government

MINIMUM PRICES FOR SALES OF INTERVENTION GRAIN
AT THE COMMODITY EXCHANGE AUCTIONS

1. For grain purchased in course of state procurement interventions 2005-2006:
 - soft milling quality wheat Class 3, for all subjects of the Russian Federation 6,000 rubles per metric ton, including value added tax (hereinafter – VAT);
 - soft milling wheat Class 4, for all subjects of the Russian Federation – 6,000 rubles per metric ton, including VAT.

2. For grain purchased in course of state procurement interventions in 2008-2009:
 - a) soft milling quality wheat Class 3:
 - for subjects of the Russian Federation in the Ural and Siberia Federal Districts, and for Orenburg oblast - 6,600 rubles (\$220) per metric ton;
 - for subjects of the Russian Federation in the Central Federal District (Belgorod, Voronezh, Kursk, Lipetsk, Orel, Ryazan, Tambov, and Tula oblasts), in the Southern Federal District (Kalmykiya Republic, Krasnodar kray, Volgograd and Rostov oblasts), in the North-Caucasian Federal District (Dagestan Republic, Stavropol kray), in the Volga Valley Federal District (Bashkortostan Republic, Mordovia Republic, Tatarstan Republic, Nizhniy Novgorod, Panza, Samara, Saratov and Ulyanovsk oblasts) – 6,050 rubles (\$202) per metric ton, including VAT;
 - for subjects of the Russian Federation in the Central Federal District (Vladimir, Ivanovo, Moscow, Smolensk and Yaroslavl oblasts), Perm kray, and Kaliningrad oblast – 7,535 rubles (\$251) per metric ton;

 - b) soft milling wheat Class 4:
 - for subjects of the Russian Federation in the Ural and Siberia Federal Districts, in the Central Federal District (Belgorod, Voronezh, Kursk, Lipetsk, Orel, Ryazan, Tambov, and Tula oblasts), in the Southern Federal District (Kalmykiya Republic, Krasnodar kray, Volgograd and Rostov oblasts), in the North-Caucasian Federal District (Dagestan Republic, Stavropol kray), in the Volga Valley Federal District (Bashkortostan Republic, Mordoviya Republic, Tatarstan Republic, Nizhniy Novgorod, Orenburg, Penza, Samara, Saratov and Ulyanovsk oblasts) – 6,000 rubles (\$200) per metric ton, including VAT;
 - for subjects of the Russian Federation in the Central Federal District (Moscow city, Bryansk, Vladimir, Ivanovo, Kostroma, Moscow, Tver, Smolensk and Yaroslavl oblasts), North-Western Federal District (Kareliya Republic, Arkhangelsk, Vologda, Kaliningrad and Leningrad oblasts) – 6,875 rubles (\$229) per metric ton, including VAT;

 - c) soft feed quality wheat Class 5, for all subjects of the Russian Federation – 6,000 rubles (\$200) per metric ton, including VAT;

 - d) food quality rye, Group A, for all subjects of the Russian federation – 6,000 rubles (\$200) per metric ton, including VAT;

e) feed barley, for all subjects of the Russian Federation – 6,000 rubles (\$200) per metric ton, including VAT.

END UNOFFICIAL TRANSLATION

^[i] Source: ProZerno.

^[ii] Government Order was not published, and mass media reported that the Order was not for public distribution.

^[iii] <http://top.rbc.ru/economics/25/01/2011/533084.shtml>