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GAIN Report

Global Agricultural Information Network

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Date: 5/31/2011

GAIN Report Number: RS1127

Russian Federation

Post: Moscow

Russian Grain Exports Will Restart on July 1

Report Categories:

Grain and Feed

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Report Highlights:

The Russian government will not extend grain export ban beyond July 1, 2011. Experts estimate Russia's grain export potential in MY 2011 at 13-15 million metric tons depending on the grain crop 2011.

General Information:

On May 28, 2011, Viktor Zubkov, the First Deputy Prime Minister and the top official on agricultural issues reported to Prime Minister Vladimir Putin on the grain situation in Russia, and the Prime Minister made the decision not to extend the grain export ban beyond July 1, 2011. It appears that no additional Government resolution is needed, since GOR Resolution #853 of October 20, 2010, prolonged the grain export ban only until July 1, 2011^[i]. Since then, the government discussed the possibility of extending the ban beyond July 1, 2011, if the 2011 crop forecast was low, but no official documents were issued.

The Russian Ministry of Agriculture has recently increased its grain crop forecast for 2011 from 82-85 MMT to 85-90 million metric tons, enough to meet domestic needs and to renew grain exports in MY 2011. However, Russian analysts consider that it is not the crop forecast, but other factors that were the major reasons for opening grain exports including:

- Under-estimation of the real grain crop in 2010 by 3-6 MMT. Analysts point out that reliable, unbiased data on grain production is still absent in Russia, and some farmers and authorities in the drought affected provinces reported 100 percent losses in order to get disaster compensations and subsidies while they still managed to get 0.2-0.3 metric tons of grain from each hectare.
- Over-estimation of domestic grain consumption. Official data on domestic grain consumption is limited, and the information is not available on how this consumption data is calculated. In the beginning of CY 2010, the Agricultural Ministry estimated Russia's total grain consumption at 77 MMT, while by the end of CY 2010, these estimates were decreased to 67-68 MMT.
- Poor logistics. Despite the decreased railway transportation tariffs, movement of grain from Siberia and from Southern European Russia to the drought-affected provinces in the Central Russia and Volga Valley was slow because the final price of grain was still too high for consumers in these provinces.
- Uncertain government grain policy. Switching from selling interventions to direct distribution from the Intervention Fund at prescribed prices has hampered balancing grain supply and demand by market mechanisms^[iii].
- High grain carry-over stocks. Some Russian analysts estimate Russia's carry-over grain stocks (mostly wheat) by the end of MY 2010 at around 18-20 MMT. Most of these stocks are concentrated at the elevators of the Southern, grain exporting provinces of European Russia, and will hamper storing of the new crop, which is estimated to be good in 2011.

The Government decision not to extend the ban beyond July 1, 2011, has animated Russia's grain market, and sources report that traders have already began preparing to export grain stored in the southern elevators. Domestic prices of milling wheat Class 3 and 4, major export commodities, began increasing at the end of May, driven by rumors of a lifting ban, but they are still lower than the world prices, making exports attractive. The price of milling wheat Class 3, EXW, European Russia increased from 5,450 rubles (\$192.3) per MT on May 20, 2011, to 5,750 rubles (\$204.9) per MT on May 27, 2011, and the price of milling wheat Class 4 increased at the same time from 5,225 rubles (\$184.4) to 5,420 rubles (\$193.1) per MT. Analysts estimate that in Summer 2011, Russia may export up to 3 MMT of the 2010 grain harvest, and another 10-12 MMT may be exported in the fall and winter depending on the 2011 grain harvest.

^[i] For more information see GAIN RS1062 _ Grain Export Ban Extended to July 1 _ Moscow _ Russian Federation _ 10/25/2010.

^[ii] For more information see GAIN report RS1122 _ Government Measures Lowered Grain Prices and Spring Planting Expansion _ Moscow _ Russian Federation _ 5/10/2011