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Grain and Feed Update

October 2013 Update

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Report Highlights:

FAS/Moscow has reduced the estimate for Russia's 2013 grain production by 1 million metric tons (MMT) to 90 MMT as a result of a lower estimate for barley production (from 17 MMT to 16 MMT). Wheat and corn estimates remain unchanged at 53 MMT and 9 MMT respectively, and production of other grains and pulses is estimated at 12 MMT. FAS/Moscow forecasts grain exports at up to 22 MMT, including 16 MMT of wheat, 3 MMT of barley, 2 MMT of corn, and 1 MMT of other grains and pulses. Winter grain sowing is lagging behind the last 3 years. As of September 20th, farmers planted only 6.6 million hectares, while the previous two years, area planted to winter crops had reached 8.3 million hectares (2012) and 8.25 million hectares (2011) by this date. This delay is caused by a number of weeks of continual rainy weather in European Russia.

Production

FAS/Moscow's estimate of Russia's 2013 total grain production has been reduced by 1 million metric tons (MMT) to 90 MMT, due to a 1-MMT-decrease in the estimate for barley to 16.0 MMT. Wheat and corn estimates remain unchanged at 53 MMT and 9 MMT respectively, and production of other grains and pulses is estimated at 12 MMT. The estimate for rice (milled production) has been decreased from 650,000 MT to 615,000 MT.

Harvest progress

As of September 20, 2013, Russia harvested 72.7 million metric tons of grains and pulses in bunker weight¹ from 32.5 million hectares, or 70.5 percent of grain sown area. The amount of grain collected so far is considerably higher than last year (when 63.3 MMT was harvested by this same date) but below the excellent crop of 2011 (when 81.1 MMT was harvested by this same date). For Siberia, although the harvest is two weeks later than average, recent weather has been favorable and allowed for rapid harvest progress. As a result, an average to above-average crop is expected in this region. Continued rainy weather in the European Russia has delayed harvesting of late spring grains, although the situation is not yet of major concern.

Of the 72.7 MMT in grain harvested as of September 20, wheat accounts for 45.2 MMT. Current wheat area already harvested is 18 million hectares or 72 percent of the total sown wheat area in 2013. In 2011, on the same date Russia had harvested 50.6 MMT from 20.3 million hectares and in 2012 had harvested only 37.0 MMT from 19.8 million hectares. For barley, as of September 20th, farmers harvested 14.2 MMT from 7.1 million hectares, or 78.5 percent of all sown area. These results are only slightly better than last year when farmers harvested 13.6 MMT from 7.3 million hectares, and considerably below 2011 levels (16.2 MMT from 7.1 million hectares by this date).

Farmers in European Russia have begun harvesting corn, and as of September 20, 1.2 MMT of corn were harvested from 257,000 hectares (10.5 percent of sown area). Yields of corn are 4.85 MT/ha, and so far are exceeding yields in 2011 (4.54 MT/ha) and in 2012 (4.27 MT/ha). However, as the corn harvest moves from South European Russia to Central European Russia, corn yields are expected to decrease, and heavy rains in the European Russia through the first three weeks of September may impact the corn harvest. However, given that area sown to corn increased in 2013, Russia is still expected to harvest a record corn crop of 9 MMT this year.

Farmers have also started harvesting rice, and as of September 20, have harvested 174,500 metric tons (rough equivalent) from 31,200 hectares (16.5 percent of sown area). On the same date last year farmers harvested 527,800 MT from 85,200 hectares. Yields to date are lagging behind those in 2012, at 5.59 MT/ha in 2013 compared to 6.2 MT/ha in 2012.

Grain Quality

The quality of wheat, the major grain crop for domestic milling industry and for exports, is a major concern in Russia this year. It has been reported that the majority of grain (winter and spring) harvested in European Russia has had quality characteristics closer to feed quality than milling quality. While industry analysts differ on the exact quality of the crop this year (with estimates of top grade milling quality wheat, Class 3+, varying from 27 to 35 percent of the total crop), all agree it will be sharply

¹ All weights are in bunker weight, that is 5-8 percent bigger than the clean weight.

below last year's wheat crop (where Class 3+ accounted for 50 percent of the total). Quality concerns have had a strong impact on the prices for different wheat classes with milling wheat prices climbing at the same time feed wheat prices have fallen (see price section below).

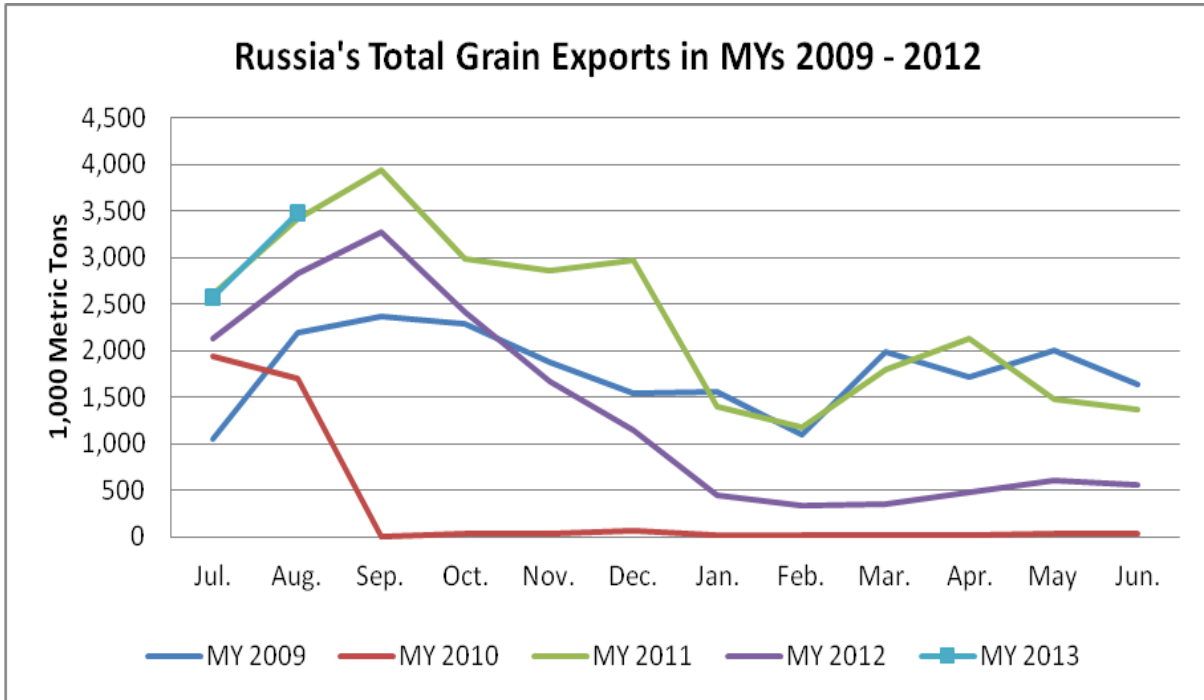
Winter sowing

Winter sowing is substantially delayed this year, and as of September 20th, 2013, Russian farmers had sown only 6.6 million hectares to winter grains or 40.4 percent of planned winter grain sown area. On the same date in 2012 farmers had already planted 8.3 million hectares, and in 2011 – 8.26 million hectares. Heavy rains have continued from the end of August and through September and have postponed winter grain sowing in many provinces of the Central Federal District of European Russia. If these rains continue it could significantly decrease the total winter grain area for next year's crop.

Trade

FAS/Moscow forecasts Russia's total grain and pulses exports (including flour in grain equivalent) at 22 MMT, including 16 MMT of wheat, 3 MMT of barley, 2 MMT of corn, and approximately 1 MMT of other grains and pulses. In July –August 2013 Russia exported 6.1 MMT of grain and pulses, including 2.58 MMT in July and over 3.53 MMT in August. Russian grain exports in August were a record for this month (0.1 MMT higher than in the previous record August in 2011). Exports in August included 3.04 MMT of wheat, 0.4 MMT of barley, 24,000 MT of corn, 46,000 MT of pulses, and 19,000 MT of other grains and flour in grain equivalent. Despite this very strong start to the season for exports, competition from other suppliers, and concerns over a lack of sufficient quantities of high-quality milling wheat for Russia's traditional buyers, could limit exports in subsequent months.

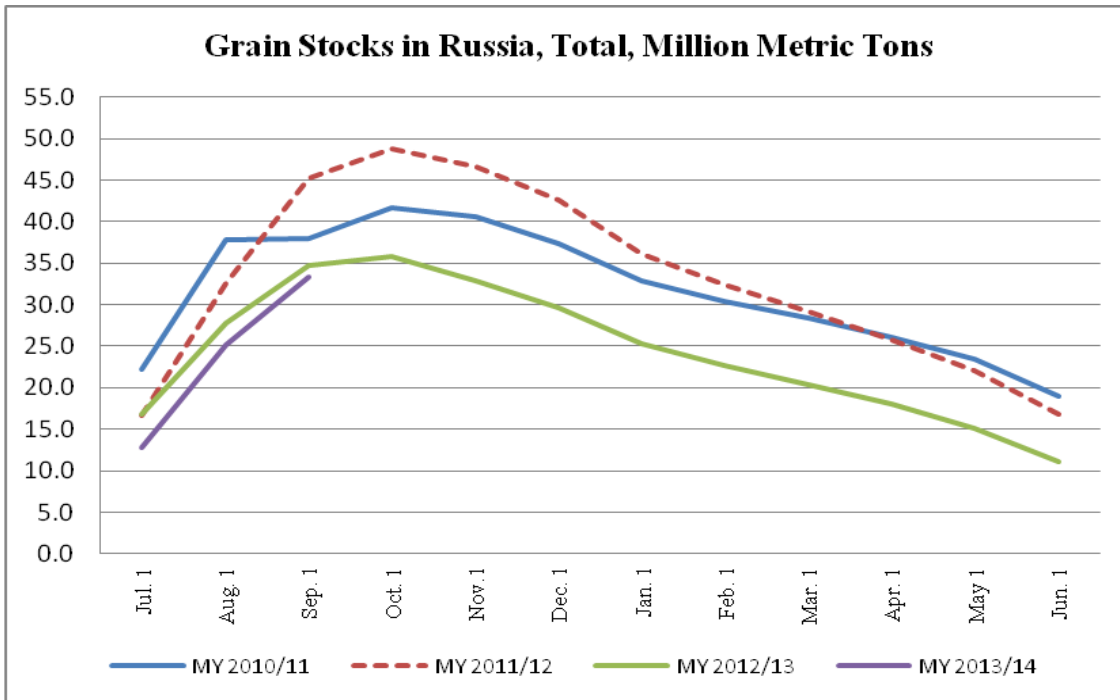
FAS/Moscow forecasts Russia's imports of grain at slightly over 1 MMT, including 0.5 MMT of wheat, 0.3 MMT of barley and 0.3 MMT of rice. Russian rice production is forecast lower than last year, and rice imports are expected to increase slightly from 0.2 MMT to 0.25 MMT. In the beginning of September, Russia lifted the ban on imports of rice and peanuts from India. The ban lasted for almost 8 months from February 2013 as a result of concerns over *khapra beetle*, and its lifting may stimulate imports from India. Also, import duties on rice have been decreased in accordance with Russia's WTO commitments, and this may also stimulate imports.



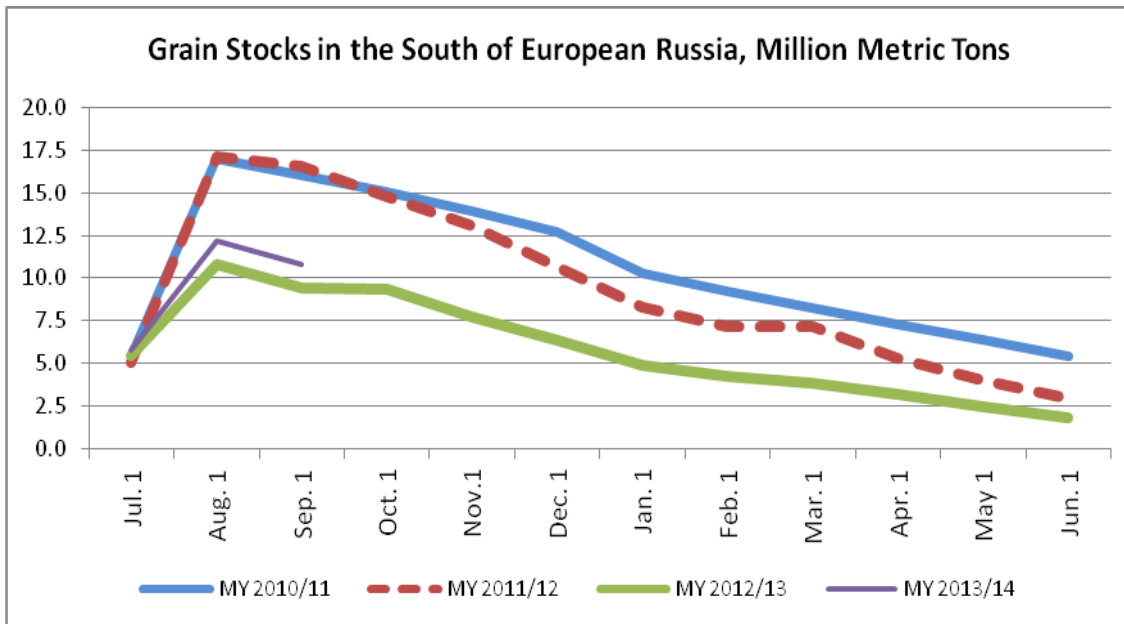
Source: State Customs Service

Stocks

Despite higher grain production this year, grain stocks in Russia in July, August and September continue to lag behind the levels of the previous 3 years, partially because of lower Government intervention stocks. Stocks in Southern European Russia, however, are slightly above last year.



Source: Russian State Statistical Service (Rosstat)



Source: Rosstat

Policy

The Russian Government added additional funds for the state support of agriculture, including 10 billion rubles (\$303 million) to decoupled (per acre) support of incomes of crop producers. Thus the total amount of decoupled support to crop producers will reach 25.2 billion rubles (\$764 million) in CY 2013. For more information see FAS/Moscow GAIN Report [Agricultural Budget 2013 Increased by 20 Billion Rubles](#). Despite these additional funds, support for crop farmers remains a lower priority (compared to support of livestock and poultry industries) in Russian agricultural policy.

The State Intervention Fund grain purchases have not begun and the Federal Government has not announced when these would start. Also, the Ministry of Agriculture has decreased its plans for intervention purchases in MY 2013/2014 from 6 MMT to 5 MMT. Of these 5 MMT, the Ministry of Agriculture has announced plans to purchase up to 2 MMT by the end of 2013, including 1.5 MMT of top grade milling wheat and 0.5 MMT of feed wheat. The remaining 3 MMT would be purchased in 2014 and would be entirely milling wheat. The Ministry of Agriculture also has announced plans for intervention purchases of corn if corn prices continue declining.

Industry analysts expect that intervention purchases are unlikely to begin earlier than the end of October, and report that it will be difficult for the Government to purchase sufficient milling wheat (especially in European Russia) at the prices that have been announced. The Government has announced a tender to select an agent for intervention in 2014, as the functions of the United Grain Company (which has been the agent for interventions for many years) expire at the end of 2013. If the Government chooses a different agent, the transfer of functions could take a substantial amount of time and this could lead to delays in procurement in 2014.

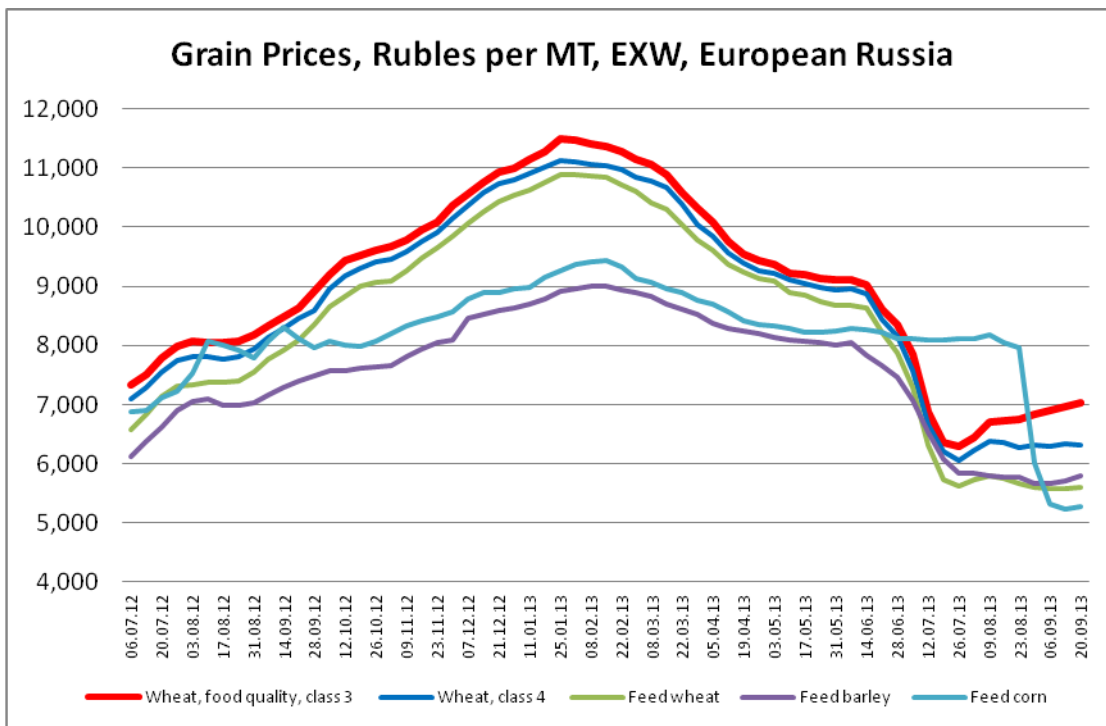
Beginning September 3rd, 2013, a coefficient of 0.33 (67 percent discount) came into effect for rail tariffs charged by the Russian Railroads for grain, legumes, soybeans and milled grain products for

transportation over 2,000 kilometers. In addition, a coefficient of 0.28 came into effect for tariffs charged by the Russian Railroads for feed meals and oilseed cakes transportation over 2,500 kilometers. The preferential tariffs will not be region or direction specific, and apply to transporting grain, pulses and meals all over Russia. Given the location of Russia’s grain export points and the major Russian grain consuming regions, these lower tariffs are expected to primarily benefit producers in Siberia who move their grain to European Russia.

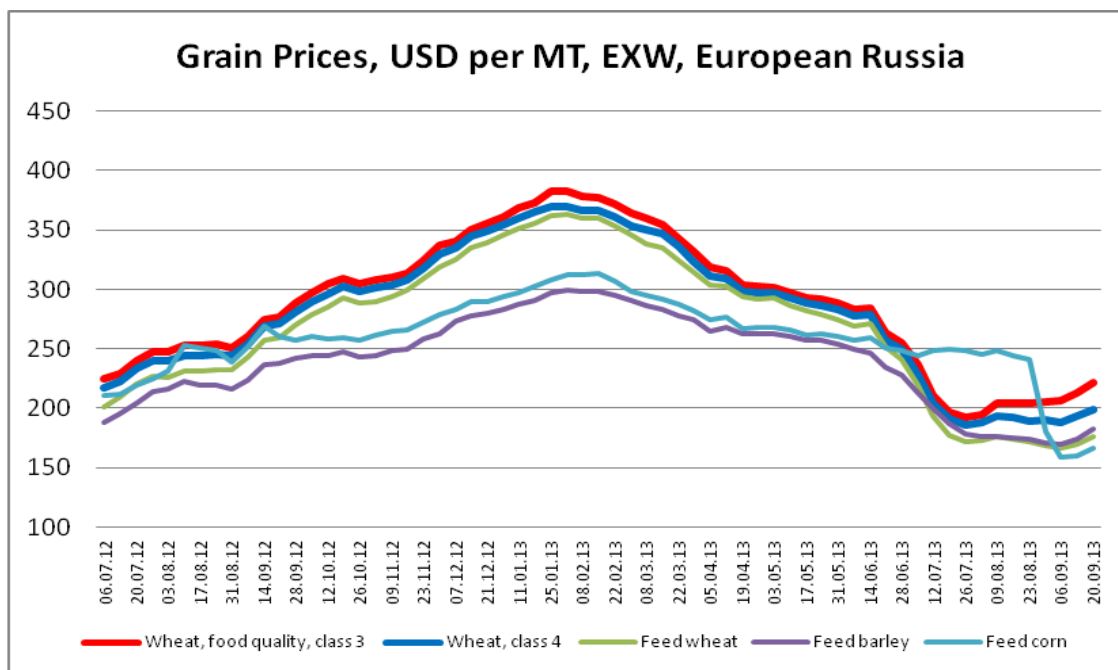
Marketing

Quality concerns are currently the primary driver of wheat prices in European Russia. After falling sharply in June, a lack of sufficient supplies of high quality milling wheat coupled with strong exporter demand has resulted in a rise in 3rd Class wheat prices recently. Prices for 4th Class wheat, however, have been largely stable, and feed wheat prices have continued to fall as a result of a very large supply of this class this year. The below-average quality of the new crop has created a significant gap in prices between the different classes for wheat. While in May, 3rd Class wheat had only a \$5/MT premium over 4th Class wheat and \$10/MT premium over feed wheat, by mid-September this had widened to \$23/MT and \$45/MT respectively.

Corn prices dropped sharply in the beginning of August as the prospects of a very large corn crop became evident. However, by mid-September this decline slowed, possibly as a result of the Government announcement that it is planning to purchase corn to the State Intervention Funds, and also as a result of the slowdown of corn harvesting caused by heavy rains in the Central Federal District of Russia.



Source: ProZerno



Source: ProZerno

PSD

PSD Wheat

Wheat Russia	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jul 2011		Market Year Begin: Jul 2012		Market Year Begin: Jul 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	24,814	24,885	21,296	21,296	24,000	24,000
Beginning Stocks	13,736	13,271	10,899	10,899	5,180	5,180
Production	56,240	56,240	37,720	37,720	54,000	53,000
MY Imports	550	550	1,400	1,400	500	500
TY Imports	550	550	1,400	1,400	500	500
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	70,526	70,061	50,019	50,019	59,680	58,680
MY Exports	21,627	21,627	11,289	11,289	17,000	16,000
TY Exports	21,627	21,627	11,289	11,289	17,000	16,000
Feed and Residual	15,500	15,035	11,900	11,900	14,500	14,500
FSI Consumption	22,500	22,500	21,650	21,650	22,000	22,000
Total Consumption	38,000	37,535	33,550	33,550	36,500	36,500
Ending Stocks	10,899	10,899	5,180	5,180	6,180	6,180
Total Distribution	70,526	70,061	50,019	50,019	59,680	58,680

1000 HA, 1000 MT, MT/HA

PSD Barley

Barley Russia	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jul 2011		Market Year Begin: Jul 2012		Market Year Begin: Jul 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	7,695	7,695	7,631	7,760	8,200	8,000
Beginning Stocks	1,386	1,380	848	848	714	714
Production	16,938	16,938	13,952	13,952	17,000	16,000
MY Imports	368	368	250	250	250	300

TY Imports	372	372	250	250	250	300
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	18,692	18,686	15,050	15,050	17,964	17,014
MY Exports	3,544	3,544	2,236	2,236	3,300	3,000
TY Exports	3,668	3,668	2,300	2,300	3,300	3,000
Feed and Residual	9,800	9,794	7,700	7,700	8,500	8,500
FSI Consumption	4,500	4,500	4,400	4,400	4,800	4,400
Total Consumption	14,300	14,294	12,100	12,100	13,300	12,900
Ending Stocks	848	848	714	714	1,364	1,114
Total Distribution	18,692	18,686	15,050	15,050	17,964	17,014
1000 HA, 1000 MT, MT/HA						

PSD Corn

Corn Russia	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,604	1,550	1,937	1,937	2,150	2,200
Beginning Stocks	72	94	350	350	313	313
Production	6,962	6,680	8,213	8,213	9,000	9,000
MY Imports	43	50	50	50	50	50
TY Imports	43	50	50	50	50	50
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	7,077	6,824	8,613	8,613	9,363	9,363
MY Exports	2,027	2,027	2,000	2,000	2,000	2,000
TY Exports	2,027	2,027	2,000	2,000	2,000	2,000
Feed and Residual	4,000	3,747	5,500	5,500	6,100	6,100
FSI Consumption	700	700	800	800	900	900
Total Consumption	4,700	4,447	6,300	6,300	7,000	7,000
Ending Stocks	350	350	313	313	363	363
Total Distribution	7,077	6,824	8,613	8,613	9,363	9,363
1000 HA, 1000 MT, MT/HA						

PSD Rice

Rice, Milled Russia	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jan 2012		Market Year Begin: Jan 2013		Market Year Begin: May 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	207	207	192	185	185	195
Beginning Stocks	89	89	28	28	22	22
Milled Production	686	686	684	684	650	615
Rough Production	1,055	1,055	1,052	1,052	1,000	946
Milling Rate (.9999)	6,500	6,500	6,500	6,500	6,500	6,500
MY Imports	194	194	200	200	220	250
TY Imports	194	194	200	200	220	250
TY Imp. from U.S.	4	0	0	20	0	20
Total Supply	969	969	912	912	892	887
MY Exports	281	281	210	210	180	160
TY Exports	281	281	210	210	180	160
Consumption and Residual	660	660	680	680	690	700
Ending Stocks	28	28	22	22	22	27
Total Distribution	969	969	912	912	892	887
1000 HA, 1000 MT, MT/HA						

PSD Rye

Rye Russia	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jul 2011		Market Year Begin: Jul 2012		Market Year Begin: Jul 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,522	1,520	1,421	1,450	1,800	1,500
Beginning Stocks	250	282	129	129	128	111
Production	2,967	2,967	2,132	2,132	3,500	3,000
MY Imports	0	0	0	0	0	0
TY Imports	0	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	3,217	3,249	2,261	2,261	3,628	3,111
MY Exports	238	236	133	150	100	100
TY Exports	284	284	125	125	100	100
Feed and Residual	200	200	100	100	300	200
FSI Consumption	2,650	2,684	1,900	1,900	2,900	2,500
Total Consumption	2,850	2,884	2,000	2,000	3,200	2,700
Ending Stocks	129	129	128	111	328	311
Total Distribution	3,217	3,249	2,261	2,261	3,628	3,111

1000 HA, 1000 MT, MT/HA

PSD Oats

Oats Russia	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jul 2011		Market Year Begin: Jul 2012		Market Year Begin: Jul 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2,930	2,930	2,856	2,850	3,000	2,800
Beginning Stocks	167	194	485	485	203	202
Production	5,332	5,334	4,027	4,027	5,000	4,500
MY Imports	0	0	0	0	0	0
TY Imports	0	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	5,499	5,528	4,512	4,512	5,203	4,702
MY Exports	14	14	9	10	10	0
TY Exports	18	18	10	10	10	0
Feed and Residual	3,500	3,529	2,900	2,900	3,500	3,000
FSI Consumption	1,500	1,500	1,400	1,400	1,500	1,500
Total Consumption	5,000	5,029	4,300	4,300	5,000	4,500
Ending Stocks	485	485	203	202	193	202
Total Distribution	5,499	5,528	4,512	4,512	5,203	4,702

1000 HA, 1000 MT, MT/HA

PSD Millet

Millet Russia	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jul 2011		Market Year Begin: Jul 2012		Market Year Begin: Jul 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	632	630	337	335	500	400
Beginning Stocks	0	0	0	0	0	0
Production	878	878	334	334	600	500
MY Imports	0	0	0	0	0	0
TY Imports	0	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	878	878	334	334	600	500
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	600	578	100	100	300	200

FSI Consumption	278	300	234	234	300	300
Total Consumption	878	878	334	334	600	500
Ending Stocks	0	0	0	0	0	0
Total Distribution	878	878	334	334	600	500

1000 HA, 1000 MT, MT/HA