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Russian Federation

Grain and Feed

Grain Interventions and Export Tariffs Likely 2007

Approved by:

Allan Mustard
American Embassy

Prepared by:

Allan Mustard and Kimberly Svec

Report Highlights:

Russia will impose barley export tariffs in November, and wheat export tariffs may follow. Domestic commodity interventions (release of grain stocks) are highly likely, but could be timed to coincide with upcoming elections. Commodity releases are likely to have a marginal impact on prices as most government-owned stocks are reportedly distant from major population centers.

Includes PSD Changes: No
Includes Trade Matrix: No
Trade Report
Moscow [RS1]
[RS]

Grain Harvest Progress

The Russian Federation Ministry of Agriculture press service reported September 24 that 38 million hectares of grains (84.3% of "plan") had been harvested, yielding 80.2 million metric tons bunker weight. Average grain yields are 2.12 metric tons per hectare. Corn for grain is being combined in the Central, Southern, and Volga federal districts. Nationwide, 552,000 hectares of corn for grain (34% of "plan") has been harvested, yielding so far 1.8 million metric tons.

Grain Market Situation

Low old-crop carryout stocks depressed wheat exports over the early summer, to only 434,000 metric tons in July, but exports rebounded in August to 1.7 million metric tons as new crop wheat came on the market. September wheat exports are expected to fall between 1.6 and 1.8 million metric tons, making the third quarter of 2007 a record breaker, according to the private market research firm SovEcon.

With world wheat prices at extraordinarily high levels and wheat exports booming, Russian grain traders are eyeing Russian government intentions to limit export sales and to release stocks to keep domestic wheat prices down. This is an election year (lower house of parliament in December, and presidential elections in March) so there is considerable political pressure to control inflation and to keep food prices from rising. At the annual Russian Grain Union conference September 10, attendees voted to ask the government not to conduct government interventions. Nonetheless, stock releases are almost certain, probably timed around the Russian presidential elections.

Minister of Agriculture Aleksey Gordeyev announced on September 21 imposition of an export tariff on barley, to go into effect in November. Speaking in Ufa, Minister Gordeyev said the current proposal is for an export tariff of 30% ad valorem but not less than 70 Euro per metric ton. He added that export restrictions on wheat will also be introduced but did not reveal either when or what form they would take, and added that they would be imposed in coordination with domestic market interventions. However, Deputy Prime Minister Aleksandr Zhukov told Russian media September 25 that recent softening of grain prices might make grain interventions (i.e., release of government stocks) unnecessary. He added that the government would monitor the grain market through October, and if necessary would release stocks over the winter. Some commodity analysts discount the potential price impact of commodity interventions, however, noting that most government-owned stocks are far from major population (consumption) centers.

Russia: Average Grain Prices, EXW European Russia, as of September 14, 2007

Commodity	Price, rubles per metric ton	Week-on-week change, rubles per metric ton	Price, \$/metric ton	Week-on-week change, \$/metric ton
Wheat, Class 3 (23% gluten)	5,900	45	232.94	3.97
Wheat, Class 4	5,660	55	223.46	4.27
Milling rye	4,600	-70	181.61	-1.02
Feed wheat	5,230	105	206.49	6.06
Feed barley	5,575	5	220.11	2.28
Feed corn	6,670	20	263.34	3.28

Source: W.J. Interagro