



The organized Resources for Marketing

Weekly Report

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Russian Ministry Says It Will Import Feed Grain

The Agriculture Ministry said Friday that it would import some 3 million tons of feed grain, while an industry lobby warned that the situation in the once-major exporter could be exacerbated by a shortage of fertilizer and equipment to sow spring crops.

Russia is in talks with Ukraine, Kazakhstan and the European Union on feed grain imports, an Agriculture Ministry spokesman told Reuters.

The drought this summer slashed the grain harvest by 38 percent from last year's level to just 60.3 million tons, forcing the country that had been the world's third-largest wheat exporter to look abroad to meet domestic needs.

Moscow plans to buy about 2 million tons of grain in Ukraine, about 0.5 million tons in Kazakhstan and another 0.5 million elsewhere, most likely in the European Union, the spokesman said, adding that shipments of the grain may start next year.

The deficit of feed grain in Russia is about 5 million tons, but the share of fourth-grade wheat in the 2010 grain crop has risen, and part of it may be used for feed purposes, the spokesman said.

The government has been counting on increasing the area sown with spring grain to compensate for a loss of winter crop area caused by the drought.

But such plans could be overly optimistic, Russian Grain Union lobby group president Arkady Zlochevsky said Friday.

"There may be no increase in the [spring] sowing," Zlochevsky told an agricultural conference. "Taking into account that we have less fertilizer than a year ago and we have stopped buying new machinery ... this will inevitably affect next year's crop."

Andrei Sizov Sr., president and chief executive of SovEcon agricultural analysts, told Reuters Insider television that next year's grain crop was likely to come in at 80 million tons, which is below average but probably enough for Russia to be self-sufficient.

He forecast that domestic prices would surge in January. "This will stimulate imports ... from neighboring countries, mainly Ukraine and to some extent Kazakhstan," he said.



Given the high prices for feed grain, Russia may need less of it than previously. Zlochevsky said farmers had begun a mass slaughter of domestic animals.

He estimated that Russia's demand for grain would fall to 70 million tons this year from the State Statistics Service's downwardly revised estimate of 72 million in 2009.

Zlochevsky said farmers should have a profit margin of 40 percent to keep the crop volumes unchanged. "If it is above 40 percent, output rises. If it is below, it falls," he said, adding that this year the average profit margin was below 40 percent.

The south of Russia has a surplus of 14 million tons of grain and Siberia 6 million, while regions along the Volga, in the center and the northwest of Russia have a deficit of 18-19 million tons after the drought, Zlochevsky said.

"We should understand that it is technically impossible to ship the surplus from the south until the end of the season," he said. "Physically, 5 or even 6 million tons of southern grain will not be shipped out."

He added that outbreaks of highly contagious African Swine Fever disease in southern Russia posed another obstacle to shipments. Equipment to disinfect grain there was scarce.

"This means that the regions hit by the drought will soon eat their grain up," he said. "The situation is such that even the government intervention stocks, despite being huge, may prove to be insufficient to cover the acute demand."

Zlochevsky said the government should act fast if it wants to implement its grain plans.

He proposed setting floating export tariffs on fertilizers to guarantee the necessary volumes for domestic consumption, curbing prices of oil and lubricants and changing the intervention purchases scheme.

"The government should guarantee minimum prices based on production costs like in Europe and in the United States, where the state guarantees it will buy any quantity of grain at these minimal prices," he said. "This will stimulate investments and [bring in] technologies."



Russian drought halves Black Earth's harvest

Black Earth Farming revealed its crop yields had more than halved because of Russia's "extreme" drought, with its corn result down 79%, driving the farm operator back into the red.

The group, which holds 328,000 hectares of Russian land, reported a harvest of 231,000 tonnes, down 300,000 tonnes year on year, thanks to dryness so severe that it "caused the crops to halt the germination process altogether".

The company's corn yield slumped from 3.4 tonnes per hectare to 0.7 tonnes per hectare, with many winter crops, which suffered dry weather after planting too, faring particularly badly. The winter rapeseed yield was, at 0.5 tonnes per hectare, down 69% year on year.

Indeed, the severity of the conditions forced the abandonment of some land, with the group, which had targeted sowings of 200,000 hectares, harvesting 180,000 hectares.

"It was deemed uneconomical to harvest the most heavily impacted areas," Sture Gustavsson, the Black Earth chief executive, said.

The group's average crop yield was 1.3 tonnes per hectare, compared with 2.9 tonnes per hectare last year.

Barley price soars

Some of the damage caused by the production shortfall was made up in soaring prices, with the group achieving, at \$396 a tonne, nearly twice as much for its spring rapeseed as last year, and approaching three times as much for its barley.

"Barley supply is extremely limited in Russia this year, and as a result, per tonne costs of feed barley currently exceeds per tonne cost of milling wheat," Mr Gustavsson said.

However, he added that group's third-quarter results had been "impacted by the effects of the poor harvest volumes". The production slide more than overcame the benefit of a cost cutting drive, largely in personnel, which reduced administrative expenses by 18% in the July-to-September quarter.



Black Earth slipped 456.4m roubles (\$15.0m) into the red for the quarter, narrower than the 684.2m rouble (\$22.5m) loss the year before, but a deterioration compared with earnings of 42.6m roubles (\$1.4m) in the April-to-June period.

Sowing progress

However, Mr Gustavsson added that he was "positive" over the company's outlook for 2011, with plans to raise sowings by 15% and make further cost savings.

Initial sowings of 100,000 hectares of winter wheat had "progressed well" in germination and "are in good condition at this early stage".

Black Earth shares closed 2.4% lower at SEK24.00 in Stockholm,

Ukraine harvests 41.4 million tons of grain

Ukraine as of November 26 harvested 41.4 million tons of grain and leguminous crops from an area of 14.6 million hectares (99.4% of the forecast), with an average yield being 28.4 metric quintals per hectare (31.1 metric quintals per hectare last year), the Ukrainian Agriculture Ministry said in a statement.

According to the statement, farmers harvested nearly 12 million tons of corn from an area of 2.6 million hectares (98% of the forecast), with an average yield being 45.9 metric quintals per hectare (50.6 metric quintals per hectare in 2009).

Ukraine also harvested 7.15 million tons of sunflower seeds from an area of 4.4 million hectares, with an average yield being 16.1 metric quintals per hectare (15.8 metric quintals per hectare last year).

As of November 26, farmers harvested 1.7 million tons of soybeans from an area of 1.036 million hectares (99.5% of the forecast), with an average yield being 16.1 metric quintals per hectare (16.3 metric quintals per hectare last year).

The sugar beet harvesting campaign is ending. Farmers harvested 14.7 million tons of sugar beets from an area of 492,000 hectares (99.5% of the forecast), with an average yield being 299 metric quintals per hectare (316 metric quintals per hectare in 2009).



Jordan wants Wheat and Barley:

Jordanian Ministry of industry and trade wants to buy 100000 MT of wheat and barley, the deadline for introduce the offers on 15/12/2010 for wheat, and on 16/12/2010 for barley.