

Required Report: Required - Public Distribution

Date: February 13,2020

Report Number: RS2020-0005

Report Name: Grain and Feed Update

Country: Russian Federation

Post: Moscow

Report Category: Grain and Feed

Prepared By:

Approved By: Deanna Ayala

Report Highlights:

FAS/Moscow forecasts that wheat production will reach 73.5 MMT in MY2019/2020, a decrease from the previous forecast of 74 MMT based on industry and official data. Barley and corn production forecasts are unchanged at 19 MMT and 13 MMT respectively. Year-on-year increases are expected for barley and corn due to significant expansion of harvested areas and expected increases in yields. Considering the preliminary statistical data provided by the Russian Government, as well as various domestic analytical experts, Post estimates that total Russian grain exports in MY 2019/2020 may reach 45MMT of which wheat exports will comprise of 33.5 MMT, down 500 TMT from the last Post forecast and a decrease of 1.7 MMT from the MY18/19 wheat export estimate.

Commodities: wheat, rye, corn, barley, millet, rice

General information:

Note: USDA unofficial data exclude Crimean production and exports. However, as of June 2014, Russian official statistics (ROSSTAT) began incorporating Crimean production and trade data into their official estimates. Where possible, data reported by FAS Moscow is exclusive of information attributable to Crimea.

Executive Summary:

In Russia, in the upcoming harvesting season, 07/01/2019 – 06/30/2020, wheat production is forecast to reach 73.5 MMT, barley production is likely to reach 19 MMT, corn production will total 13 MMT, and total harvest (including other crops) is forecast to reach 121.5 MMT.

Given global market conditions and the Russian crop forecast, it is expected that the Russian Federation will remain the world's top wheat exporter in MY 2019/2020. The Russian Ministry of Agriculture estimates that exports of all grains (wheat, barley, corn, rye, rice, oats and legumes) will reach 45 MMT vs. 43 MMT per previous estimation. Wheat exports have been revised down to 34 MMT to reflect slow exports in the late fall early winter as well as the recent USDA forecast of 35.7 MMT. Barley and corn are likely to become important exporting crops and their export volume will increase to reach 4.8 MMT (from 4.7 MMT) and to 4.4 MMT (vs. the unusually low 2.8 MMT in MY18/19) respectively.

According to the most recent estimate of the Russian Ministry of Agriculture (MinAg), production of grains will reportedly exceed 125 MMT. The Ministry reported that planted areas for grains have shown an outstanding increase in all major regions - from 46.34 million ha in 2018 to 47.4 million ha, i.e. by 0.5 percent. According to the Ministry, production increases can be attributed to the better quality of grains – particularly wheat and barley and the increased harvested area. This serves as a good foundation for the 2020 season harvest. Weather conditions were warm in the fall 2019 and so far in winter 2020, with limited snow cover. There are diverging views on the potential impact of this weather, with some analysts expressing concerns while others minimizing risks in such weather and forecast better wheat quality. As of January 30, 2020, MinAg stated that 5.7 percent of winter crops are estimated to be in poor shape (vs. the usual eight percent). A more precise appraisal of the weather conditions and the related impact should be possible in February-March 2020.

Overall, the expansion of planted area should naturally lead to higher production, as well as the changes in area in response to market demands. MinAg aims to diversify the crops planted – from wheat being the major planted crop to oilseeds which have had a record harvest in MY 2019/2020.

PRODUCTION

Production of the three main grain crops in MY 2019/2020 has so far shown growth due to expansion of harvested area (wheat, barley and corn) and by improved seed quality. Russian official sources report autumn sowing of the main grain crops on a record area of 18.2 million ha or 104.2 percent of the forecast area (vs. 17.6 million ha in 2018). Among other factors that contributed to the growth is usage of modern agricultural technologies, such as fertilizers and modern machinery.

According to the preliminary official Rosstat data, production of all grain crops (wheat, barley, corn, rye and legumes) in MY 2019/2020 will total 121 MMT of which wheat constitutes 74.3 MMT which is three percent higher than the MY 2018/2019 production of 72.1 MMT. Barley production is forecast 20.4 percent higher, i.e. from 17 MMT in MY 2018/2019 to 20.5 MMT in MY 2019/2020. Rosstat reports corn production will recover 22 percent from the MY 2018/19 downturn of 11.4 MMT in MY 2018/2019 to 13.9 MMT in MY 2019/2020. By comparison, MinAg predicts that the total grain harvest will exceed 121 MMT due in part to reports that grain yields have increased from 2.54 MMT/ha in 2018 to 2.66 MMT/ha in 2019, or 4.7 percent increase.

The Ministry of Agriculture recently reported improved grain quality throughout the country in the MY18/19 season. According to the Ministry, the share of wheat classes 1-4 increased from 74 percent in 2018 to 84.6 percent in 2019, while the amount of feed wheat (fifth class wheat) decreased significantly from 25.7 percent in 2018 to only 15.4 percent. The Ministry attributes this in part to the use of appropriate seeds, i.e. locally produced.

One of the Ministry of Agriculture's strategic objectives is to diversify exports, i.e. not concentrate on wheat, but rather to increase production and exports of such grains as barley, corn, buckwheat, etc. For example, despite being a traditional Russian grain, in 2018/2019 buckwheat production and stocks were low, internal consumption and exports were also down. In order to reverse the situation, authorities encouraged an increase winter buckwheat planted areas. As a result, there has been obvious increase in production number for this grain – from 9.5 MMT in 2017/2018 to 11.4 MMT in MY 19/20. However, any changes to consumption and export have yet to be observed. According to the preliminary data produced by experts for 2020, the autumn sowing area for major grains will be 19.2 mln ha (almost the same as in 2019) or about 1 m/ha lower than Russian official data. MinAg's 2020 estimates for wheat include:

- Spring wheat area for the harvest of 2020 is estimated at 12 mln ha;
- Winter wheat areas are expected to be higher than last year;
- Total wheat area is expected to come close to the record high of 2009;
- The preliminary wheat harvest estimate for 2020 is between 83 to 87 MMT.

It is expected that in MY 2019/2020, Krasnodar Krai will remain the main production and wheat exporting territory of the Russian Federation. 1.7 mln ha have been taken to plant winter crops, 1.5 mln ha of which is used to plant wheat.

FAS/Moscow estimates wheat harvested area to total 28.1 million ha or 98.1% of the total planted area compared to 26.3 million ha in 2018 and production forecasts increased from 71.6 to 73.5 MMT year-on-year largely due to increase in area harvested and higher reported yield, as well as better quality of seeds noted by experts.

Wheat Market Begin Year Russia	2017/2018		2018/2019		2019/2020	
	Jul 2017		Jul 2018		Jul 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	27370	27400	26344	26300	27200	28070
Beginning Stocks	10823	10823	12026	11230	7819	6675
Production	85167	85807	71685	71685	73500	73500
MY Imports	467	326	446	460	475	475
TY Imports	467	326	446	460	475	475
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	96457	96956	84157	83375	81794	80650
MY Exports	41431	41426	35838	35700	34000	33500
TY Exports	41431	41426	35838	35700	34000	33500
Feed and Residual	20000	20700	18000	18500	17000	19600
FSI Consumption	23000	23600	22500	22500	22500	21750
Total Consumption	43000	44300	40500	41000	39500	41350
Ending Stocks	12026	11230	7819	6675	8294	5800
Total Distribution	96457	96956	84157	83375	81794	80650
Yield	3.1117	3.1316	2.7211	2.7257	2.7022	2.6185
(1000 HA) ,(1000 MT) ,(MT/HA)						

Post Moscow's barley harvested area remains unchanged from the November forecast at 7.85 million ha to 8.25 million ha and production remains at 10 MMT, a notable increase – from 16.73 MMT in MY 2018/19 to 19 MMT. The positive trend in the barley production in MY 2019/2020 can also be explained by the fact that the crop had not been as negatively affected by dryness in May/June 2019, as was wheat.

Barley Market Begin Year Russia	2017/2018		2018/2019		2019/2020	
	Jul 2017		Jul 2018		Jul 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	7714	7852	7784	7850	8400	8250
Beginning Stocks	839	839	750	667	640	567
Production	20211	20178	16737	16737	20000	19000
MY Imports	84	50	14	117	50	20
TY Imports	21	50	8	117	50	20
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	21134	21067	17501	17521	20690	19587
MY Exports	5884	5600	4661	4700	5600	4800
TY Exports	5661	5600	4320	4700	5600	4800
Feed and Residual	9900	10200	7800	7854	9700	10000
FSI Consumption	4600	4600	4400	4400	4400	4400
Total Consumption	14500	14800	12200	12254	14100	14400
Ending Stocks	750	667	640	567	990	387
Total Distribution	21134	21067	17501	17521	20690	19587
Yield	2.62	2.5698	2.1502	2.1321	2.381	2.303
(1000 HA) ,(1000 MT) ,(MT/HA)						

Corn harvested area rebounded by 3.7% year-on-year and is likely to total 2.59 million in MY19/20 (unchanged from the last forecast) ha and production will likely go up to 13 MMT as compared to the earlier 11.42 MMT in MY18/19. The official Rosstat forecast for MY19/20 is 13.9 MMT.

Corn Market Begin Year Russia	2017/2018		2018/2019		2019/2020	
	Oct 2017		Oct 2018		Oct 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2694	2694	2373	2400	2550	2586
Beginning Stocks	779	779	195	438	377	350
Production	13201	13212	11415	11415	14500	13000
MY Imports	47	47	37	25	40	40
TY Imports	47	47	37	25	40	40
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	14027	14038	11647	11878	14917	13390
MY Exports	5532	5500	2770	2878	5700	4040
TY Exports	5532	5500	2770	2878	5700	4040
Feed and Residual	7400	7250	7600	7700	7800	7700
FSI Consumption	900	850	900	950	950	1000
Total Consumption	8300	8100	8500	8650	8750	8700
Ending Stocks	195	438	377	350	467	650
Total Distribution	14027	14038	11647	11878	14917	13390
Yield	4.9001	4.9042	4.8104	4.7563	5.6863	5.0271
(1000 HA) ,(1000 MT) ,(MT/HA)						

Rice has been threshed on 191.7 thousand ha or 98.8 percent of the area planted. Post forecasts some increase in rice production also due to modestly higher harvested area mitigated by potentially dry weather in growing regions. It is likely that production will equal 1.054 MMT in MY 2019/2020. It is estimated that rice production will decrease in part due to reduced sales to Japan and Indonesia.

Rice, Milled Market Begin Year Russia	2017/2018		2018/2019		2019/2020	
	Jan 2018		Jan 2019		Jan 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	186	186	180	185	192	192
Beginning Stocks	118	118	84	94	79	75
Milled Production	642	640	675	675	715	685
Rough Production	988	985	1038	1038	1100	1054
Milling Rate (.9999)	6500	6500	6500	6500	6500	6500
MY Imports	218	218	230	219	230	230
TY Imports	218	218	230	219	230	230
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	978	976	989	988	1024	990
MY Exports	139	138	150	150	140	154
TY Exports	139	138	150	150	140	154
Consumption and Residual	755	744	760	763	770	763
Ending Stocks	84	94	79	75	114	73
Total Distribution	978	976	989	988	1024	990
Yield (Rough)	5.3118	5.2957	5.7667	5.6108	5.7292	5.4896
(1000 HA) ,(1000 MT) ,(MT/HA)						

In MY 2019/2020, the trend for rye production, however, is likely to be negative due reduced planted area, low stocks and high internal prices, as well as low production. Post decreased its MY19/20 forecast to 1.57 MMT which would be a further decline from 2.54 in MY 2017/2018 and 1.92 MMT in MY 2018/2019. Exports remain

forecast low at 5 MMT in MY19/20 compared to the very high volume of 298 thousand MMT in MY 2018/2019 and 71 MMT in MY 2017/2018). According to some analysts, farmers are more interested in growing winter wheat, not rye, so the situation is not likely to change.

Rye Market Begin Year Russia	2017/2018		2018/2019		2019/2020	
	Jul 2017		Jul 2018		Jul 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1171	1172	957	978	825	820
Beginning Stocks	291	291	260	264	141	99
Production	2540	2544	1914	1915	1430	1566
MY Imports	0	0	0	1	0	40
TY Imports	0	0	0	3	0	40
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	2831	2835	2174	2180	1571	1705
MY Exports	71	71	283	298	25	5
TY Exports	152	152	178	250	25	5
Feed and Residual	400	400	150	183	50	200
FSI Consumption	2100	2100	1600	1600	1400	1500
Total Consumption	2500	2500	1750	1783	1450	1700
Ending Stocks	260	264	141	99	96	0
Total Distribution	2831	2835	2174	2180	1571	1705
Yield	2.1691	2.1706	2	1.9581	1.7333	1.9098
(1000 HA) ,(1000 MT) ,(MT/HA)						

Oats MY19/20 forecasts are unchanged, showing a decline in harvested area but slightly higher production of 4.8 MMT.

Oats Market Begin Year Russia	2017/2018		2018/2019		2019/2020	
	Jul 2017		Jul 2018		Jul 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2780	2775	2725	2750	2400	2612
Beginning Stocks	147	147	167	161	60	82
Production	5448	5441	4715	4720	4400	4805
MY Imports	0	0	0	1	0	3
TY Imports	0	0	0	1	0	3
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	5595	5588	4882	4882	4460	4890
MY Exports	28	27	122	100	140	70
TY Exports	34	27	134	100	140	70
Feed and Residual	3800	3800	3200	3200	2700	3150
FSI Consumption	1600	1600	1500	1500	1500	1500
Total Consumption	5400	5400	4700	4700	4200	4650
Ending Stocks	167	161	60	82	120	170
Total Distribution	5595	5588	4882	4882	4460	4890
Yield	1.9597	1.9607	1.7303	1.7164	1.8333	1.8396
(1000 HA) ,(1000 MT) ,(MT/HA)						

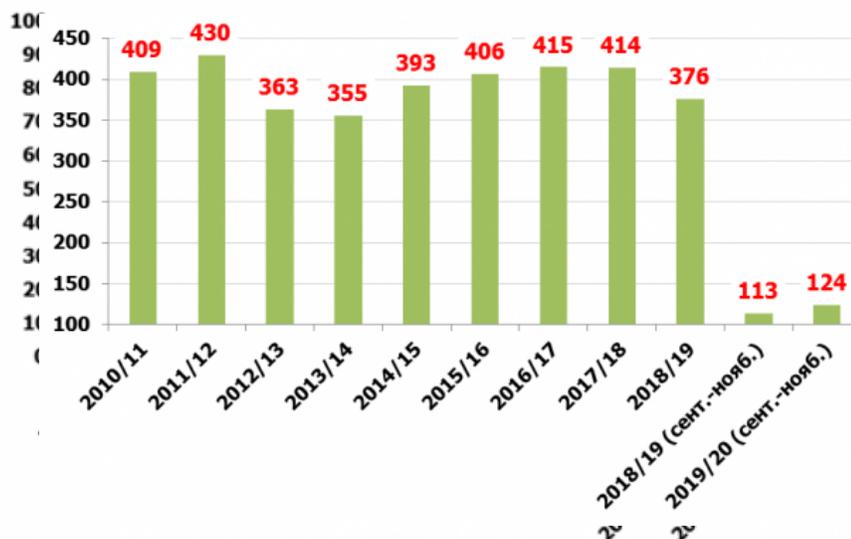
It is still too early to provide detailed winter grain survival data. However, the fall 2019 and winter (December 2019-January 2020) have been unusually warm and dry. According to the Russian Hydrometeorology Service, winter 2019-2020 has had an extremely prolonged period of warm temperatures. The snow cover is not abundant in the Central region and the Volga Valley which could negatively impact winter crops. Overall, the condition of winter crops is estimated as “satisfactory” with only 5.8 percent of bad quality. The status of winter crops will be updated in the spring 2020.

MARKETING

The market for crops has been highly volatile in 2019. The most notable deviations occurred on the millet market which grew in price over last two seasons and the supply contracted due to significant reduction in gross grain output in MY 2017-2018. From the cheapest crop millet moved to the priciest category, since the price increased six times.

In August 2019, prices for millet began falling due to published data on increase of millet planted areas by Rosstat. Although prices slightly recovered in December 2019, gross millet output remains the same and it is unlikely it will significantly grow in 2020.

Millet production (Rosstat data)

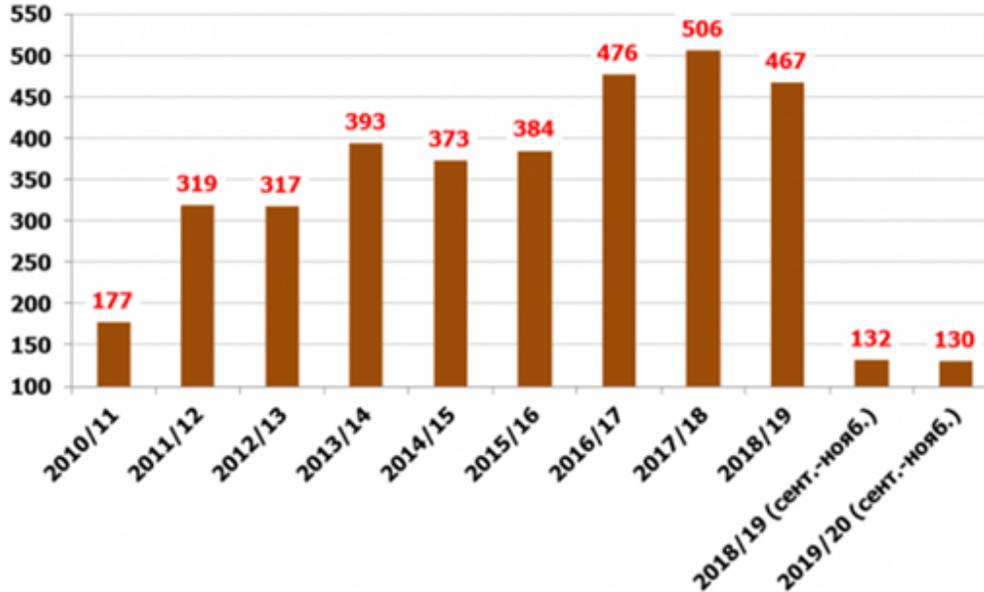


Rice production (Rosstat data)

Prices for rice remained stable from the beginning of 2019; then rose rapidly due to low supplies of high-quality paddy rice which, presumably, affected exports to Indonesia and Japan and producers had to compete offering higher prices. As a result, production went down. Since August 2019, prices have decreased when the new crop of paddy rice became available and its quality turned out to be the best in recent years.

Oat production has been more steady than other crops but since September 2019 prices went up. Harvested areas and gross output have decreased and there is evident deficit of high-quality oat. Potentially, prices may continue their upward trend in 2020 because of this reason.

Buckwheat production (Rosstat data)



Buckwheat is a traditional Russian crop and prices fluctuate often in part due to the lack of market information on production and speculations in the market. For example, in 2016-2018 there was overproduction of buckwheat and low prices as a result. In summer 2019, however, official sources published data on reduced planted area for buckwheat and as a result prices went up. The higher price reportedly led to a downturn in consumer demand and in late 2019, prices went down again.

Exports of buckwheat in 2017/18-2018/19 totaled 128 thousand tons due to higher production that year but ending stocks remained high which contributed to higher exports in MY 2018/2019. In September-November 2019/20 exports were 15.7 thousand tons vs. 16.3 thousand tons in September-November 2018/2019 indicating that export sales for the current year could be down from last year's high level.

The strengthening of the ruble, together with limited domestic sales as producers held onto grain hoping for a better price later, and global production and trade issues could lead to a further increase in price for Russian wheat on the export market.

TRADE

The Ministry of Agriculture earlier set an ambitious goal not only to significantly increase export volumes, but also to diversify its composition and to reduce the share of wheat in total agricultural exports. This is one factor contributing to the increase in planted area of barley, corn and soybeans.

Despite the aim to increase export volumes, in MY 2019/2020 Russia has faced a reduction in exports due to a reduction in grain exports. This is also related to diminished grain stocks that resulted from high grain export volumes in MY 2018-2019 (41.7 MMT of grains) and, as a result, high competition among exporters. During this time, the grain export sector has experienced some consolidation, with a higher concentration of exports by fewer companies. The number of grain exporters has dropped significantly – from 300 to 140. Of importance is the emergence of Mirogroup as a top exporter. Mirogroup is owned by VTB, a majority state-owned bank that has acquired some significant assets in the grain export sector. In addition to Mirogroup, VTB has a stake in the

United Grain Company (OZK), controlling shares of Rustranskom railway holding company and one of the largest grain terminals, Novorossiysk Grain Terminal, among others. VTB also operates at the Moscow stock exchange and is interested in improving grains storage conditions.¹ Other industry insiders have predicted that in ten years' time there would be great consolidation in the export sector. If this year's contraction is any indication, that process could be underway.

According to the Federal Service for Veterinary and Phytosanitary Surveillance (Rosselkhoz nadzor), in December 2019, Russia supplied 23.6 MMT of grain and pulses abroad, which is 3.7 MMT (-18%) less than in the previous MY. Of that, around 20 MMT was wheat (-16%), 1.93 MMT was barley (-35%), and 1.8 MMT was corn (-5%). According to Dmitry Patrushev, Minister of Agriculture, the aim to reach \$45 billion in agricultural exports by 2024 will be achieved due to activation of export in the second half of the MY 2019/2020.

Of the countries that traditionally buy Russian grain, Turkey was its biggest importer in MY19/20. According to preliminary analytical data in the period from July 2019 to December 2019, Turkey imported 67 percent more grain from Russia, up from 3.246 MMT in 2018 to 5.405 MMT in 2019.

Last year's leader, Egypt, reduced its Russian grain purchases by 30% in 2019, from 5.356 MMT to 3.774 MMT, including wheat, from 5.346 MMT to 3.773 MMT. Bangladesh was in the third place increasing wheat purchases by 58%, from 1.155 MMT to 1.821 MMT. Iran took fourth place, increasing by 17%, from 1.262 MMT to 1.472 MMT. Azerbaijan placed fifth, buying 66.7% more, from 325,000 tons to 1.024 MMT, though its purchase of wheat a year earlier had grown from 297,000 tons to 962,000 tons. Saudi Arabia placed sixth, reducing its purchases from 1.074 MMT for July 2018 to December 2018 to 920,000 tons in 2019. Nigeria was seventh, down from 1.275 MMT to 778,000 tons and Sudan came eighth, dropping from 907,000 tons to 666,000 tons. UAE was in the ninth place, importing 609,000 tons of Russian grain versus 485,000 tons a year earlier. Vietnam reduced its purchases of Russian grains by nearly 50% from 1.192 MMT to 606,000 tons in 2019. Most of the grain that Vietnam bought was wheat, at 605,000 tons in 2019 versus 1.189 MMT a year earlier. Kenya also ranks among the top buyers of Russian wheat, at 464,000 tons in 2019 compared with 731,000 tons a year earlier, along with South Africa, at 409,000 tons in 2019 vs. 420,000 tons in 2018.

Among other countries that imported Russian grain it is worthwhile to note Tanzania which imported 386,000 tons, Libya which imported 373,000 tons, Israel imported 372,000 tons, Georgia imported 367,000 tons and Indonesia imported 308,000 tons.

The Government of the Russian Federation is actively seeking potential markets to export its grain. Iran has been gaining importance as a potential market for Russian grain. Based on publicly available information, OZK (United Grain Company), which is the state grain trading agent, is likely to send the first batch (130 thousand tons) of wheat to Iran by the end of January 2020. According to analysts, bilateral contracts to supply 300 thousand tons of wheat to Iran in 2020 have been concluded for the amount \$65.1 million U.S. Dollars. As per estimations, by the end of March 2020, Iran may purchase up to three million tons of wheat. This is especially notable given that earlier Iran only imported Russian corn and barley. In July-November 2019, the Russian Federation supplied 21.1 MMT of grains, including 18.3MMT of wheat.

On December 27, 2019, Morocco cancelled its import duty on soft wheat (35 %) for the period from January 2 to April 30, 2020 in order to ensure regular supplies and to prevent price increases on their domestic market. The Russian authorities may see it as an opportunity for export growth of wheat.

¹ It is possible that state ownership of VTB will decrease to 25 percent by 2022-2024.

Post forecasts that potential exports of wheat in the upcoming 2019/2020 season may reach 34 MMT. Total export of grains and pulses in 2019/2020 may reach 45 MMT (compared to 44.4 MMT in the previous season). It is expected that exports of wheat and barley will increase in the second half of the season, since their price competitiveness will improve.

POLICY:

New Food Security Doctrine

On January 2, 2020, Russian President Putin signed the new Food Security Doctrine for the Russian Federation which sets the goal to ensure sustainable development of the agricultural sector and its various aspects – from animal husbandry to measures of state support, agricultural production and infrastructure development and access of Russian agricultural products to world markets.

Among the broad points laid out in the new Doctrine, it prohibits importing, sowing, growing and breeding GE seeds and animals and prescribes surveillance of GE products' sales and distribution.

It is also worthwhile to note that food self-sufficiency is to be calculated in percentage terms (ratio of local agricultural production volume to the volume of internal consumption) and for grains this ratio should be not less than 95% (not less than 90% for sugar, etc.). For more information please see 2020 GAIN Report "New Food Security Doctrine Adopted" at <https://gain.fas.usda.gov>.

Export as a vital part of the agricultural policy

Exports are seen by the Russian Government as the most important pillar to serve to trigger agricultural sector development under the National Agricultural Security Strategy. The main objectives are to increase self-sufficiency from 14.6 percent (2019) to 17 or 18 percent by 2025 and to increase agricultural exports to 45 billion U.S. Dollars by 2024. In order to increase exports, expansion of planted area is one avenue being pursued.

In order to achieve the target amount of 45 billion U.S. Dollars, the Russian authorities plan to take the following actions:

- Develop internal logistics;
- Eliminate external market barriers;
- Promote exported goods;
- Subsidize transportation of goods;
- Increase exports of goods with higher value-added;

Also, for this purpose, Ministry of Agriculture initiated creation of a new organization, the "Grain Exporters' Union" whose purpose is to represent the interests of grain exporters in Russia (Russian and foreign firms). The Union estimates potential wheat exports in MY 2019-2020 to equal 44 - 46 MMT.

Creation of a unified system for control of grain production and sales

Some observers note that state regulation over the agricultural sector (as well as other sectors) is expanding gradually. For example, MinAg is trying to track and trace all grain-related operations, i.e. production, sales and storage of grain in the market by introducing a traceability system.

In early December 2019, MinAg prepared amendments to the Federal Law “On Grain”. Amendments imply creation and implementation of a state information system for traceability of grain and products of its processing at all stages of production, storage and sale. It is assumed that the system will contain information on all participants in the grain market, as well as on the commodity and consumer qualities of the products. At each stage, mandatory laboratory tests are supposed to take place, the results of which will generate a conclusion on the quantitative and qualitative characteristics of grain in an electronic form. The bill also provides for the issuance of quarantine certificates when moving grain and its processed products throughout the country. Currently, they are registered only when moving quarantined products from quarantine phytosanitary zones. The new rules for working in the grain market may come into force on August 1, 2020 and are likely to apply to imported grain as well.

If enforced, these changes would lead to an increase in costs for manufacturers of RUB 25-30 billion per year (roughly \$362-434 billion). In addition, expenditures will increase for the transportation sector, elevators and traders. Currently, almost every major producer, custodian or processor of grain has its own full-fledged laboratory, so this “unified system” would seem to potentially have a duplicate effect. In the draft amendments to the law, MinAg estimated the approximate size of the cost for determining grain class taking into account quality and safety indicators with the issuance of a test report at 3.2-4.8 thousand rubles per ton depending on the agricultural crop. It is assumed that the government will approve a price limit for assessing the quality and safety of grain. The proposed track-and-trace system will function together with the Mercury system which would reportedly double the administrative and related expenses for business.

Introduction of quota for grain exports

In early January 2020, the Russian Ministry of Agriculture produced a draft decree “On the Introduction of a Temporary Quantitative Restriction on the Export of Grain Crops Outside the Territory of the Russian Federation to States that Are Not Members of the Eurasian Economic Union”. This draft decree proposed that the Ministry restrict grain exports of up to 20 MMT (seeds not included) to countries other than the EAEU countries from January 1 to June 30, 2020. The quantity restrictions were not provided in the draft nor the mechanism for how the quantity would be decided. Such grains include wheat, rye, meslin, barley, oats and corn.

Grain intervention prices

The Ministry of Agriculture defined the maximum prices at which there will be commodity interventions for grains in 2020. The upper price levels are set for class 3-5 wheat, rye, barley and corn for all federal regions of the country. The upper price level for third class wheat in the Central, North-Western and Southern federal regions will be 13,462 rubles per ton (incl. VAT). For the Volga region it will be 10,816 rubles. In Siberia and the Far East, it will be 10,278 rubles. Upper price levels for fourth class wheat will be 12,239 rubles per ton in the Central, North-Western and Southern regions, while in Volga it will be 9,558 and in the Siberian and Far Eastern regions it will be 9,667 rubles. The maximum prices for fifth class wheat will be 10,019 rubles per ton in the Central, North-Western and Southern federal regions, 8,089 rubles in Volga region and 8,422 rubles in Siberia and the Far East.

Insurance of agricultural crops in Kuban region

In 2019, authorities in the Kuban region introduced a new measure of state support for seeds – the subsidy for quality of seeds of local origin of various agricultural crops. Around 340 million rubles have been allocated from

the federal and regional budgets for this purpose. This measure is intended to increase production from 12.7 to 15.5 MMT that will lead to higher exports of agricultural products of up to USD 3.8 billion by 2024.

Planted Area Insurance in 2020

As Deputy Prime Minister Alexey Gordeev instructed the Ministry of Agriculture, Ministry of Finance and the Central Bank to develop a new model of insurance for planted area covering from 5 to 50 percent of the land. This measure is intended to ensure price stability for producers. Significant budget subsidies will be needed for this purpose to compensate for private insurance agencies that do not have sufficient financial capacity. This measure should be in place starting September 2020. In order to insure 50 percent of the planted area, the budget subsidy is expected to increase significantly, from 2.5 to 11 billion rubles.

Development of rural areas

In 2019, the state program for complex development of rural areas was established. The program intends to build infrastructure, such as schools, hospitals, roads, recreation facilities and communications. For this purpose, 2.3 trillion rubles will be allocated by 2025, of which 1 trillion rubles will be given from the federal budget. This measure is intended to stimulate job creation in regions.

Attachments:

No Attachments