AHDB Exports ***Competitor Report***

Russia

Harvest 2019

The main wheat-growing areas in Russia are the south-western regions, such as Voronezh, Volgograd and Tatarstan and southern regions, such as Krasnodar, Rostov and Stavropol.

Winter barley is mainly grown in the southern regions and can, therefore, be very badly impacted by hot dry weather. Spring barley is more evenly distributed across Russia, with only 10% grown in the south.*

*Source: GIEWS, Global Information and Early Warning System, March 2019

Russia's wheat harvest has increased from last season as a result of increases for total harvested wheat area and an increase in yields in Russia's Southern Federal District. The winter wheat plants did not endure significant damage from harsh winter conditions, with winter wheat development continuing well in the Southern and Northern Federal Districts, as well as the North Caucasus. Russian institute, IKAR (Institute for Agricultural Market Studies), has put wheat production for the 2019/20 season at 75.8Mt.

The winter barley harvest was well advanced by early July, with good yields in the South Caucasus and North Caucasus districts, indicating that, for the most part, the winter barley crops escaped damage from the hot, dry weather that struck at the end of the growth cycle. Unfortunately, the same cannot be said for the spring barley, where yield potentials have been negatively affected by the remarkably hot, dry weather in June. Russian barley production is at 20Mt.

Harvest 2019 – average export results, soft wheat quality (Jul–Oct 2019)

- Test weight – 80.4 kg/hl
- Protein – 12.55%
- Hagberg Falling Number – 351 sec
- W (baking strength) – 241
- P/L value – 1.36
- Wet gluten – 26.8%
- Moisture – 11.64%

Source: SGS Group, Black Sea

Exports

Russia has established itself as major wheat exporter and has emerged as the world's largest wheat-exporting nation.

A large exportable soft wheat surplus is at 34.5Mt. Russia is, therefore, set to maintain a very strong market presence through much of the new marketing year, notably on the African and Asian markets.

The pace of Russian wheat exports has been slow so far this season, to the benefit of Ukraine, which has seen a surge in its shipments of grain. Russia and Ukraine compete with each other in wheat markets in the MENA region, which they supply via the Black Sea. Russia, the largest producer in the region, usually dominates these markets in August–November when it actively ships its new crop to customers. However, in Russia, the slow pace of farmers' sales, hoping for higher prices later in the season, has been hampering Russian exports. Russian farmers now have their own storage infrastructure and are, therefore, not under any pressure to sell their grain after harvest. In contrast, the pace of Ukraine exports has increased, given that it has covered some of the demand usually supplied by Russia. Profit margins for exporters of Russian grain have also been declining as competition intensifies.

Russia's largest markets, Turkey, Egypt, Indonesia and Kenya, have been taking significant quantities of Ukrainian wheat. In October 2019, Ukraine exported 360,000 tonnes of wheat to Turkey (compared with 655,000 of Russian wheat exports), 666,000 tonnes to Egypt (compared with 663,000 tonnes of Russian wheat exports), 460,000 to Indonesia (compared with 117,000 tonnes Russian wheat exports) and 128,000 tonnes to Kenya (compared with 120,000 tonnes Russian wheat exports).

In the MENA region, the issue of bug damage has been preventing Russia from accessing markets in Saudi Arabia and Algeria. However, Saudi Arabia has recently opened up its market to Russian grain after Saudi phytosanitary authorities have agreed to raise bug tolerance levels from zero to 0.5%. Algeria could also open up its market for Russian grain; the zero bug tolerance level currently stipulated in contracts by Algeria is being revisited. Meetings at government level are currently taking place with a view to changing the bug damage specification from zero to 0.5% in order to eliminate this barrier to trade.

Main ports in Russia

Grain exports from Russia are at a record high, while dedicated port facilities, fleet and infrastructure are not sufficient for this amount of grain. Major international and domestic grain houses are looking into large-scale investments into construction of new terminals and vessels for grain exports.

Over 90% of all grain exports are shipped to destinations outside Russia by sea. The ports in the Azov and Black Seas are an important channel through which grain is being exported from Russia and account for about 94% of all grain transhipped for exports. However, deliveries of grain to the ports are made primarily by road, causing significant damage to road surfaces, including traffic jams that stretch for kilometres on the access roads to the Azov and Black Sea ports, primarily to the deep-water port of Novorossiysk. As such, logistics there need to be developed, specifically new motorways and railway links, which need to be built to improve the transport accessibility to the ports.

With regards to expanding access railroad links for the Azov–Black Sea ports, Russian Railways is implementing a project to expand the throughput capacity of the railway access links for the Azov and Black Sea ports. As for road access to the Black and Azov Sea ports, the renovation and expansion of several sections of some motorways, and construction of new motorways, all of which lead to access roads to major Russian ports, are in the pipeline. Expanding grain exporting infrastructure is much needed for grain exports.

Classification of Russian wheat

There are five grades of wheat in Russia as stipulated by GOST. The GOST certificate contains a set of technical requirements and is official confirmation that products meet the national Russian quality and safety requirements.

Grades	Protein	Wet Gluten		Export Quality Specifications – 12.5% milling wheat	
1	14.5% min	32%		Protein	12.5% min
2	13.5% min	28%		Specific Weight	77kg/hl min
3	12.5% min	23%		Wet Gluten	25% min
4	11% min	18%		Hagberg Falling Number	250 secs min
5	Feed wheat	No minimum protein/gluten		W	180 min
				Moisture	14% max
				Foreign Matter	2%

Source: https://www.usda.gov/oce/forum/past_speeches/2017/2017_Speeches/Swithun_Still.pdf

Russian wheat and barley exports

Wheat

1000 Mt	2017		2018
Egypt	7,835,348	**Egypt**	9,576,781
Turkey	3,374,471	**Turkey**	4,761,123
Bangladesh	1,923,411	**Vietnam**	2,489,995
Sudan	1,454,594	**Sudan**	2,149,574
Yemen	1,435,240	**Nigeria**	1,975,420
Nigeria	1,386,391	**Bangladesh**	1,862,358
Azerbaijan	1,204,188	**Yemen**	1,374,673
Indonesia	1,184,059	**Indonesia**	1,343,465
United Arab Emirates	970,737	**Latvia**	1,221,445
Lebanon	957,866	**Philippines**	1,023,376
Vietnam	945,846	**Mexico**	994,715
Tanzania	680,662	**Lebanon**	958,584

Kenya	642,679	**Kenya**	797,927
Israel	603,608	**South Africa**	780,364
Latvia	521,000	**Tanzania**	760,613
Georgia	520,771	**Israel**	760,269
South Africa	490,482	**United Arab Emirates**	760,103
Mexico	366,275	**Azerbaijan**	695,527
Oman	363,590	**Morocco**	539,366
Libya	310,996	**Cameroon**	451,925

Source: Federal Customs Service of Russia

Barley

1000 Mt	2017		2018
Saudi Arabia	1,626,514	**Saudi Arabia**	2,111,107
Iran	1,188,220	**Iran**	1,036,082
Jordan	358,304	**Jordan**	558,787
Libya	313,520	**Turkey**	548,369
Turkey	197,499	**Israel**	167,631
Lebanon	175,447	**Lebanon**	153,655
Syria	127,024	**Latvia**	140,011
Kuwait	125,950	**Libya**	137,972
Qatar	112,171	**Belarus**	78,352
Algeria	91,305	**Kuwait**	75,643
Israel	60,068	**Syria**	61,356
Cyprus	54,504	**Cyprus**	59,832
Azerbaijan	53,596	**Algeria**	57,976
United Arab Emirates	46,011	**Qatar**	53,520

Source: Federal Customs Service of Russia

Supply and demand

As at Dec 2019 1000 Mt	2018/19 Wheat	2018/19 Barley	2019/20 Wheat (Forecast)	2019/20 Barley (Forecast)
Beginning stocks	12,026	750	7,819	640
Production	71,685	16,737	74,000	20,000
Imports	446	14	475	50
Total supply	84,157	17,501	86,294	20,690
Exports	35,838	4,661	34,500	5,600
Feed Domestic Consumption	18,000	7,800	17,000	9,700
FSI Consumption	22,500	4,500	22,500	4,400
Domestic consumption	40,500	12,200	39,500	14,100
Ending Stocks	7,819	640	8,294	990

Source: USDA

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