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INDEPENDENT NEWS FROM RUSSIA

Grain Output May Fall 40% This Year

By The Moscow Times

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Russia's severe drought may cut its grain output by 40 percent this year, a leading analyst said Monday, as the country's weather service forecast short-lived rains in some areas that could help planting for next year.

Agricultural analyst SovEcon said it cut its 2010 grain crop forecast to 59.5 million to 63.5 million metric tons from a previous forecast of 70 million to 75 million metric tons, a day after Russia's first grain export ban in 11 years had kicked in.

Coming after last year's bumper crop of 97 million tons, Russia's worst drought in over a century has destroyed crops over large areas, forcing up world grain prices.

SovEcon estimated the total area on which grains have been lost to be 7.6 million hectares by Aug. 1, potentially leaving the harvesting area at about 36 million hectares, a blow to one of the world's biggest grain exporters.

This may result in a 34 percent to 35 percent decline in total grain production to 63 million to

64 million metric tons. But it may fall further to below 60 million metric tons under a more pessimistic scenario as the losses may prove to be bigger and yields lower.

SovEcon has already revised down its forecast for Russia's 2010 wheat crop by 4 million tons to between 43 million and 44 million.

But Russia's second most important export cereal barley appears to be hit worse, and its output is expected to be 8.7 million to 9.3 million metric tons, the lowest in the last 40 years.

Weather forecasting service Rosgidromet said Monday that rains were expected on Aug. 16 to 18 in drought-hit European Russia, and while they were unlikely to soften crop damage they could improve conditions for winter grain sowing.

"The strength of the rains is not clear. I'm not sure they will be able to overcome the anticyclone. And they will end soon," said Anna Strashnaya, head of the Agricultural Forecasts Department at Rosgidromet.

Strashnaya was referring to the anticyclone that has held hot dry weather over European Russia for more than a month.

"I feel a little more optimistic about the winter sowing, though," she said.

The ferocity of the drought has prompted worries that the planting of wheat before the winter could be affected, hampering the country's efforts to build up stocks next year to compensate for lost production this year.

Wheat prices didn’t respond to the rain news, with wheat prices showing little change on Monday, after dropping 1.5 percent on Friday.

"I think the wheat market was starting to get exhausted and was overdue for some modest correction, but I also think spec longs will defend their positions," said Shawn McCambridge, an analyst for Prudential Bache Commodities.

An expectedly very tight balance of supply and demand in 2010-11 may raise the demand for feed grains other than barley — primarily wheat — and lead to an increase of imports of malting barley and malt, SovEcon said.

SovEcon believes that government stocks of 1.45 million metric tons of barley are unlikely to be exhausted in 2010-11, and part of it will be put into 2011-12 carryover stocks, as winter sowing conditions remain unfavorable in many regions.

The availability of barley for domestic consumption may fall by about 6 million metric tons from 2009-10, which will raise substantially the demand for other types of feed grain, mainly wheat, from animal breeders and animal feed makers.

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