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Russia Expecting 3rd Largest Grain Harvest in Post-Soviet History

By The Moscow Times

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Russia, one of the world's top wheat exporters, will harvest its third-largest grain crop in post-Soviet history this year, leading Russian consultancy SovEcon said on Thursday after upgrading its forecast.

Farmers have managed to reap a large crop despite unfavorable weather last autumn, a weakening ruble, which inflated their costs, and government regulation, which has periodically curbed wheat exports since late 2014.

"Weather is always playing the key role for crops, we had very good spring rains which caused a good harvest of winter wheat," SovEcon head Andrey Sizov told a conference in Moscow.

"However, it's too early to say that this situation will be repeated next year: the latest ruble weakening means more expensive fertilizers and seeds, while farmers do not have that cash stock which they had last year."

The ruble has been hit by low oil prices and Western sanctions imposed over Moscow since 2014. It has been also volatile against the dollar in the last few days, prompting some farmers to put sales of their wheat on hold.

Farmers are now preparing for the most active period of winter grains sowing for next year's crop, but some regions have already started work, sowing 9 percent of Russia's total area.

SovEcon has increased its forecast for Russia's 2015 grain crop by 2 million tons to 101 million; its outlook for the wheat crop was raised to 61.3 million tons from 59.5 million.

Its estimate is still lower than the agriculture ministry, which sees the crop at 103 million tons of grain, down from 105 million in 2014 and a record crop of 108 million in 2008.

Ruble volatility is also causing uncertainty for Russian wheat exporters, whose costs depend on the state's floating tax on wheat exports, imposed from July. The government will consider changing it and the agriculture ministry has until Sept. 10 to submit its proposal.

So far, Russia's grain exportable surplus for the 2015/16 marketing year, started on July 1, is expected to be high, but the actual exports will really depend on the tax, SovEcon said.

It sees the 2015/16 grain exportable surplus at 31 million tons, down 300,000 tons on a year ago and the wheat surplus at 23 million tons, up 1 million on a year ago.