

## INTERNATIONAL MILLING DIRECTORY 2006

### FORMER SOVIET UNION

#### *Exports to continue rising*

Crop recoveries in Russia and the Ukraine resulted in sharply higher availability of both and coarse grains for export in the past season. Total FSU wheat output rise by over 40% to 86.4m tonnes while coarse grains went up by 13.5% to 63m. Area harvested to cereals increased by about 15%, partly due to reduced levels of winterkill in the Ukraine and partly down to farmers' response to the previous year's crop shortfalls. Large gains in wheat output were spread across both Russia (+11.2m tonnes) and the Ukraine (+13.9m), although Kazakhstan saw a deterioration in yields reduce its wheat production by 1m tonnes. Coarse grain increases were mainly in Ukraine (+7.4m tonnes), with output slightly lower in both Russia and Kazakstan.

Along with expansions in port and handling infrastructure in recent years, the larger supplies gave a huge boost to exports from Russian and Ukraine. For wheat, these reached a combined 11.9m tonnes versus only 3.2m the year before, if staying well below the (post-Soviet era) record of 19.2m tonnes which was reached in 2002/03. Ukrainian coarse grain exports, the bulk consisting of barley, meanwhile rose from 2.8m to 6.5m tonnes while Russia's dropped from 2.5m to 1m and Kazakhstan's from 0.7 to 0.1m.

Constantly undercutting prices of US and European grain, FSU countries grain managed to expand wheat sales in several markets. Egyptian purchases from Russia rose six-fold to 1.35m tonnes, becoming its top customer while business also grew around the Mediterranean Baisin. Russia also expanded sales to Georgia and Azerbaijan, replacing business lost to Ukraine after the latter's larger domestic harvest. Ukrainian wheat sales also expanded in Europe, Near East and North African markets. In total the EU-25 accounted for more than 45% of the export total.

The larger supplies also stimulated increased domestic use of wheat in both feed and non-feed outlets, with offtake up 7m tonnes overall. Despite higher exports and home consumption, the region remained in net surplus with wheat stocks growing in Russian from 2.6m to 3.8m tonnes and in Ukraine from 1.1m to 3.2m. While Ukraine used more coarse grains in feeds in 2004/05 (+0.9m tonnes), Russia saw some coarse grain usage in this sector replaced by wheat (-2.5m). Still Ukrainian coarse grain carryover stocks rose at season's end to 3.2m from 1.8m a year earlier.

For the 2005/06 crops, FSU countries raised wheat area by about 4% to some 48.3m hectares but coarse grains fell by about 7% with similar trends in both Russia and Ukraine. With another year of good yields, total FSU production for wheat is currently forecast to rise by almost 5% to 90.5m tonnes (Russia and Ukraine both +1.7m tonnes). However, with yields slightly lower on this year's smaller area, FSU coarse grain output is seen dropping by almost 15% to 53.7m (Russia -1.6m, Ukraine -7.2m tonnes). Kazakhstan wheat output should also increase by 1.5m to 11.5m tonnes with yield recovery.

At this stage, analysts expect Russian wheat exports to rise from 7.6m to 9m tonnes, Ukraine's from 4.3m to 5.5m. Both countries will continue to target primarily the

EU's 'soft underbelly' - markets around the Med. Basin and in Central Europe/Near East. Kazakhstan is also expected to channel its wheat crop increase into larger exports of 4m tonnes (+1.3m), targeting many of the same markets.

In the late summer, 'Black Sea' (various FSU origin) wheat has been offered around \$92/102 per tonne fob terms compared with EU soft milling wheat at about \$130 and US soft red winters at \$135. The pressure of sales from these origins is being partly blamed for a slow start to the EU's export campaign this year, amid a call for higher export subsidies to help match the FSU prices.

The bigger crop is expected to keep feed demand in the FSU increasing for wheat (by about 13%) - again at the expense of coarse grains (-10.5%).

Bigger crops have also been weighing on prices. In Russia, farmers were trying to delay sales through the post-harvest period while the authorities introduced a new intervention price scheme to support the market.

*July-2004-May 2005*

Spain	827,042
Israel	459,952
Italy	436,739
Tunisia	367,990
Indonesia	233,813
Hungary	225,892
Egypt	159,955
Philippines	144,022
Algeria	137,415
Morocco	126,818
S Korea	107,500
Bangladesh	82,000
USA	55,859
Sudan	55,558
Mauritania	55,468
Eritrea	42,450

Jordan	33,924
Germany	32,691
Cyprus	29,811
Syria	22,810
Libya	20,913
Greece	19,425
Albania	18,788
Belarus	17,934
Ireland	14,399
Turkey	17,859
UK	9,087
Georgia	6,601
Netherlands	6,568
Austria	4,825
Armenia	4,241
Lebanon	3,536
Poland	3,000
Russia	1,199
Virgin Isles	1,024
Moldova	1,020
Saudi Arabia	619
Azerbaijan	136
Kazakhstan	60
<b>EU-25</b>	<b>1,609,478</b>
<b>Total</b>	<b>3,788,942</b>