

Emerging competitors for US corn producers: Russia

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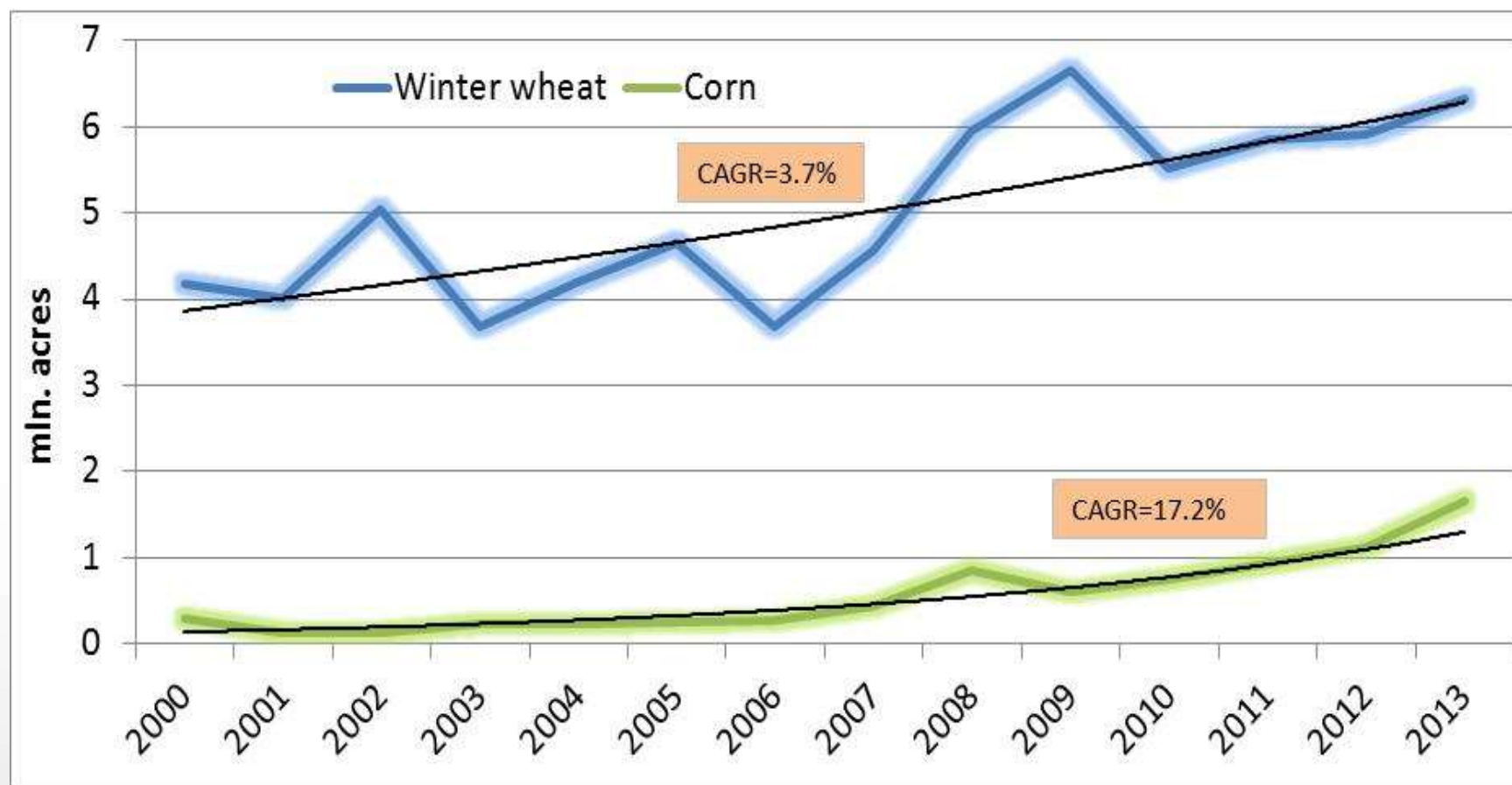
Commercial partners



Why bother about Russian corn production?

(1) Corn production is rapidly increasing

Evolution of corn and wheat acreage in CBSR



Source: <http://www.fedstat.ru/indicator/data.do>

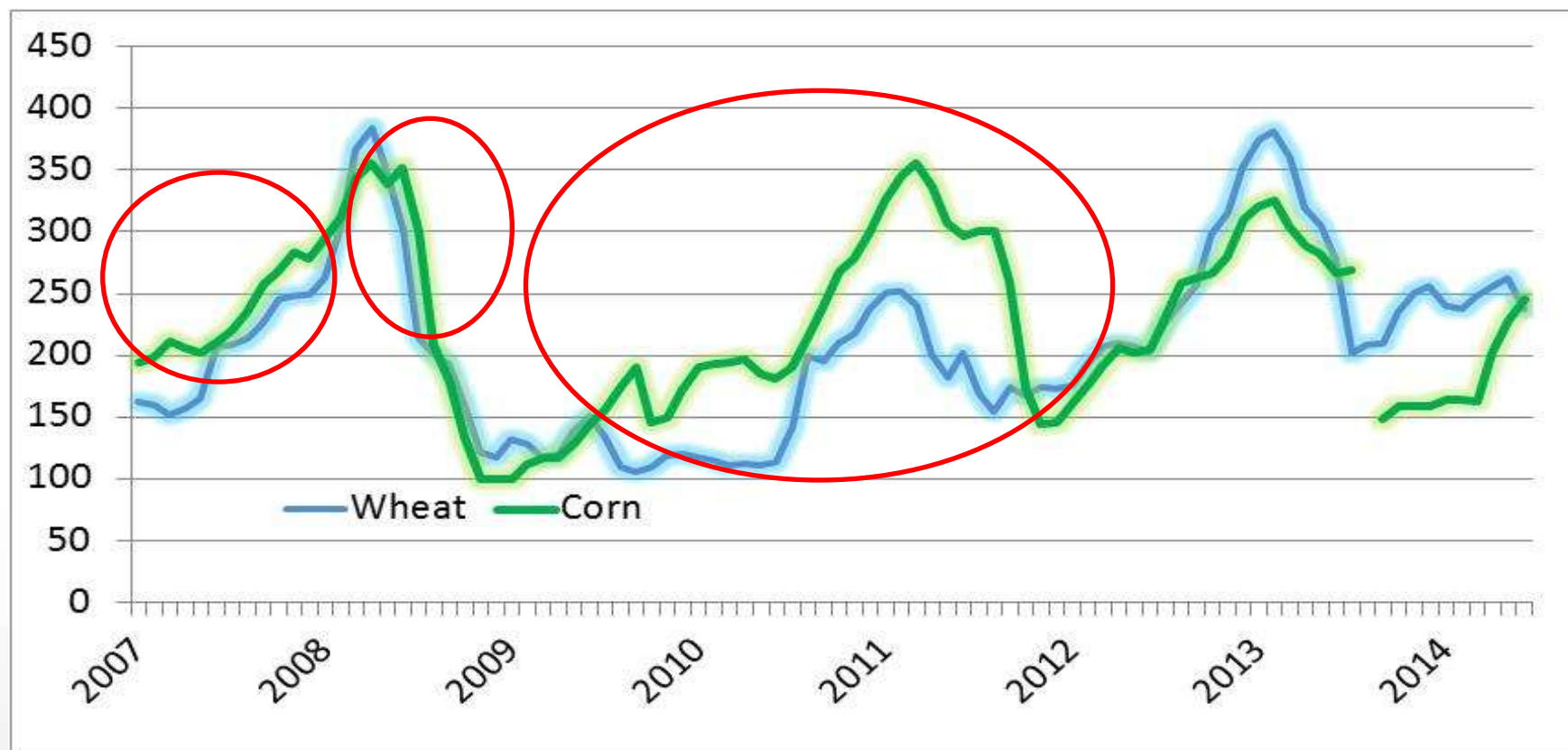
Why bother about Russian corn production?

- (1) Corn production is rapidly increasing**
- (2) Favorable agronomic conditions are for corn (similar to North Dakota)**
- (3) Existence of grain handling infrastructure**
- (4) Increased corn exports can influence world market prices**

Agenda

1. Market conditions in Russia
2. Evolution of corn and wheat in Central Black Soil Region
3. Economics of corn and wheat production:
 - A) *agri benchmark* data
 - B) Survey data
4. Conclusions

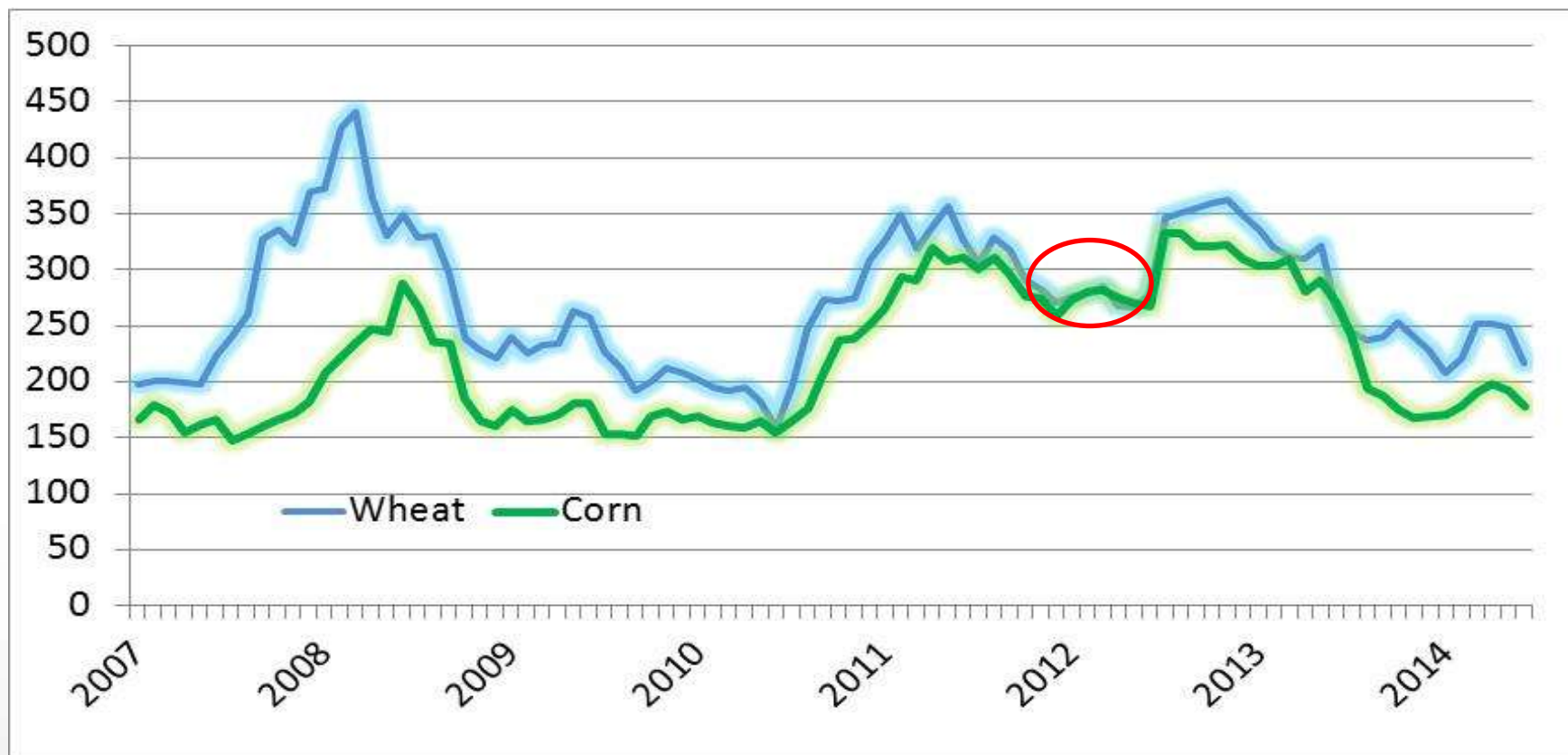
Russian wheat and corn market (USD/t)



Last 7 years corn was more expensive than wheat half of the time (up to 145 USD/t)

Source: IKAR

US wheat and corn markets (USD/t)



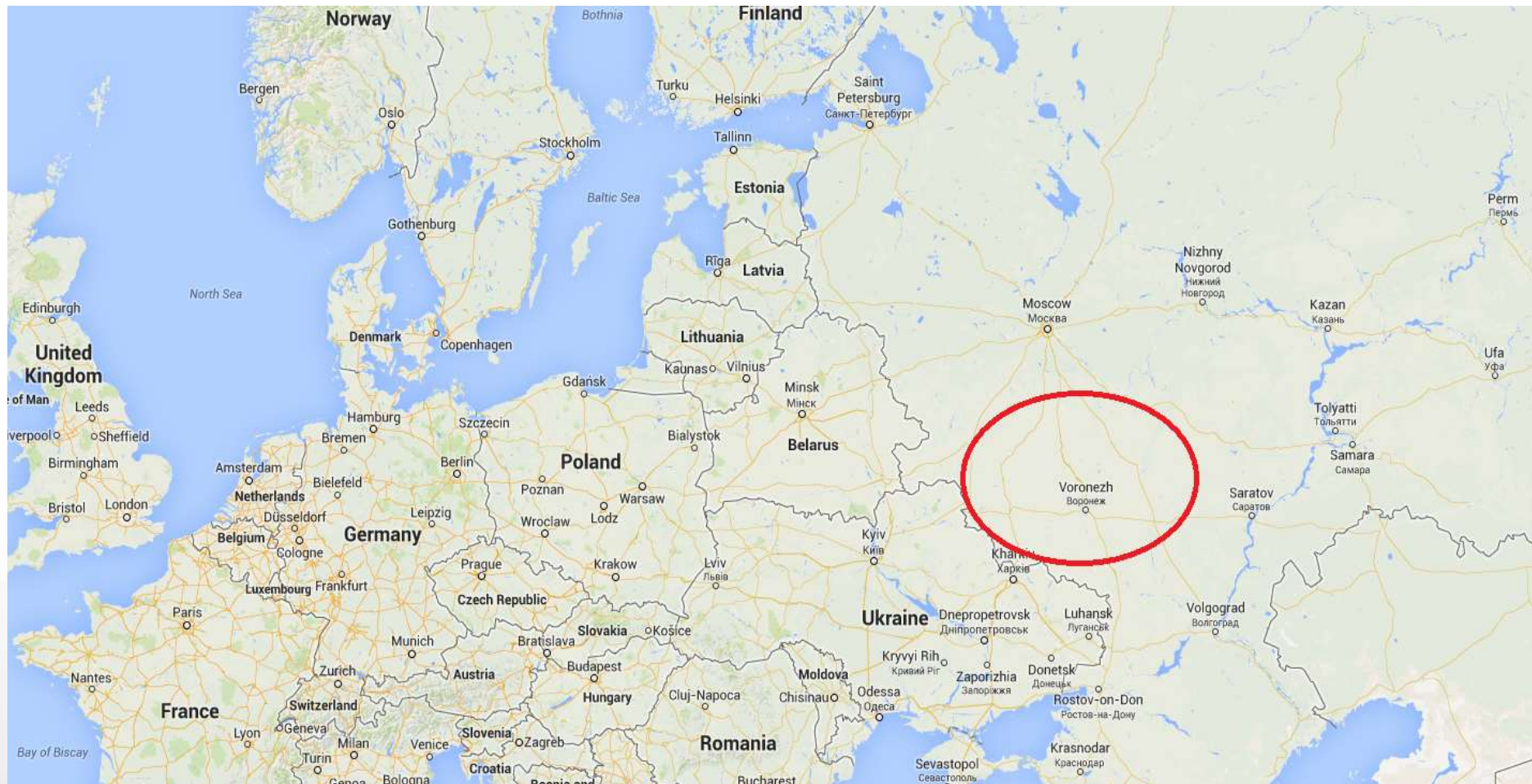
Last 7 years corn was more expensive than wheat only in 4 months (up to 8 USD/t)

Source: IKAR

Agenda

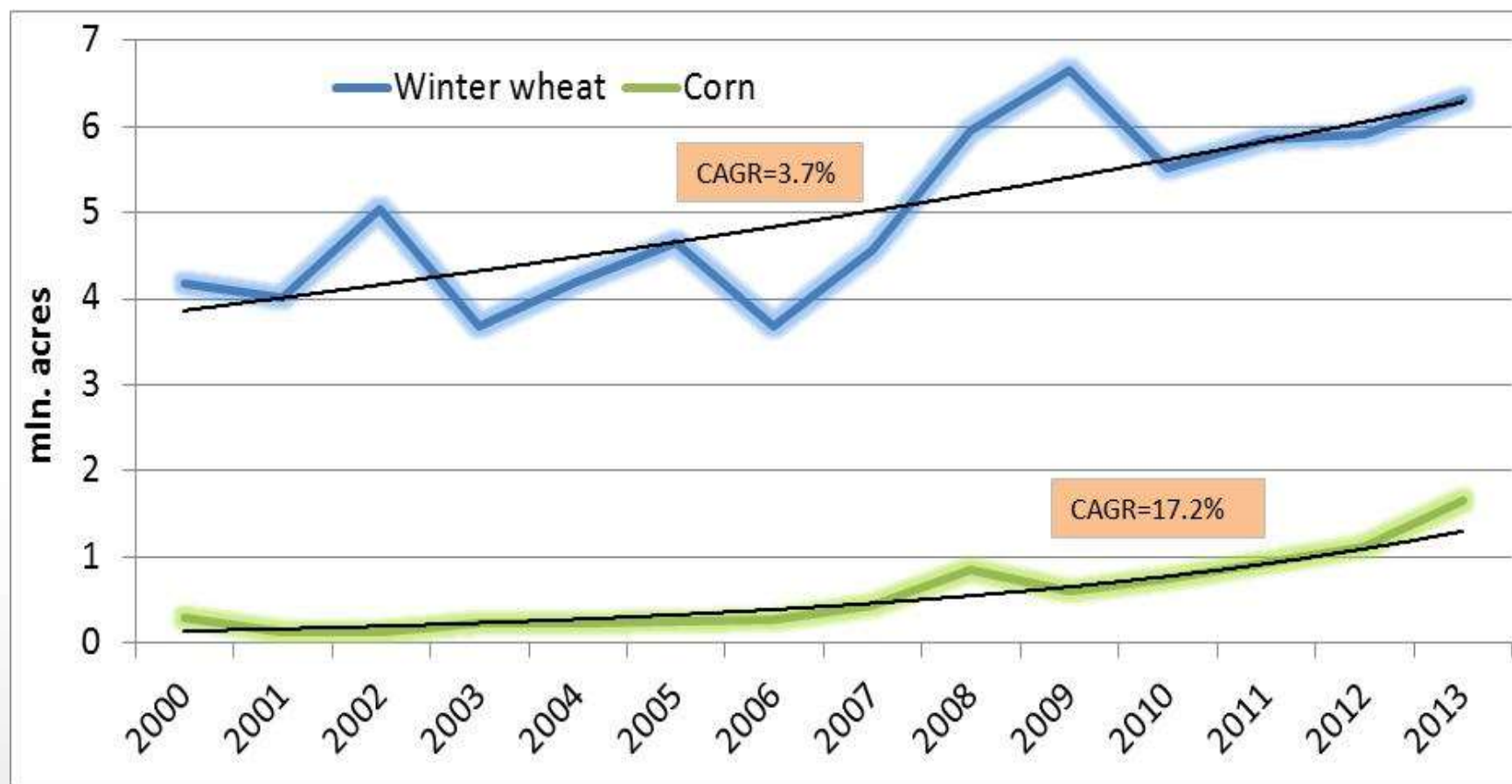
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Central Black Soil Region (CBSR) – the most dynamic Russian region in corn



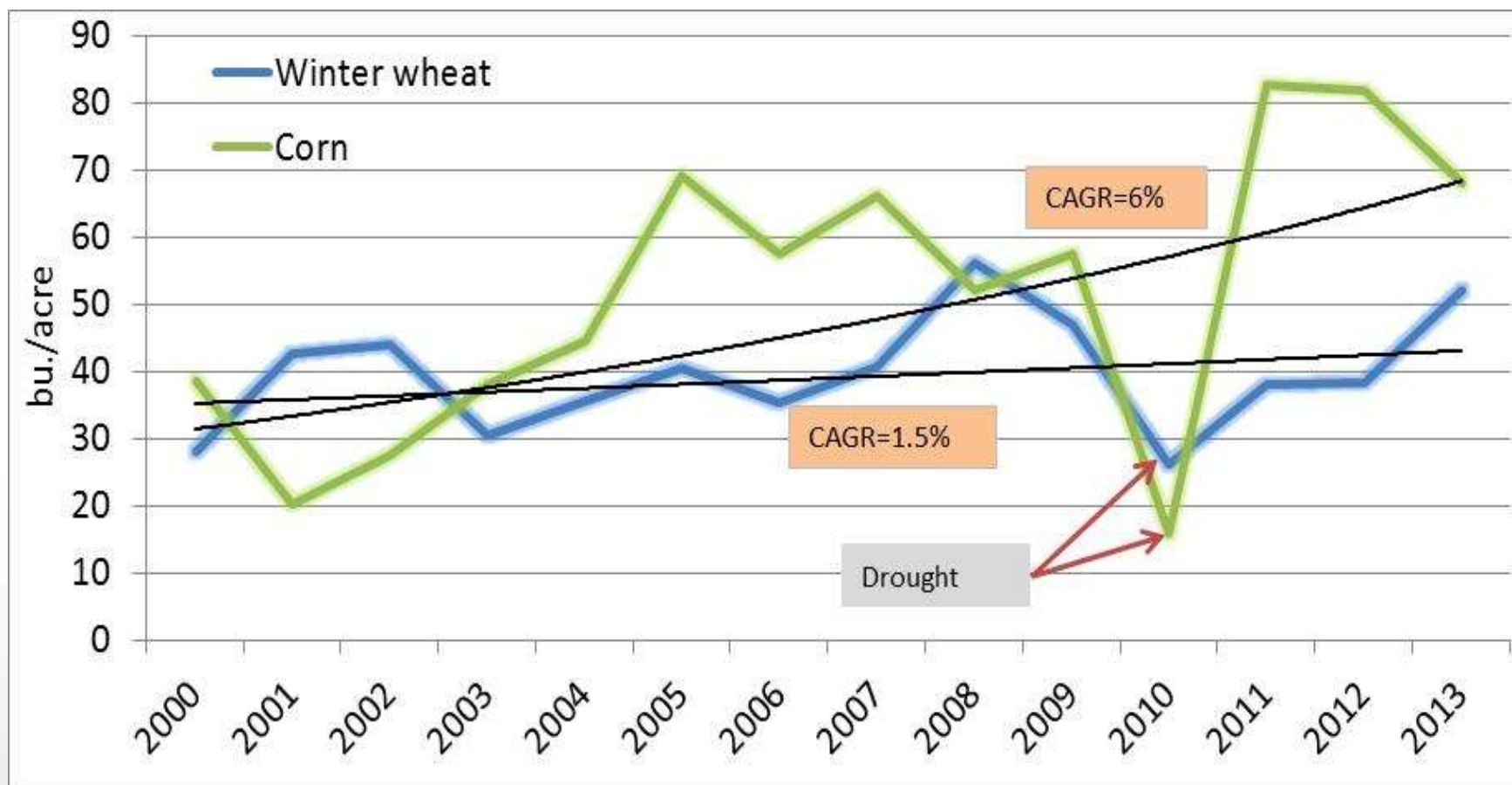
Source of the map: [google.com/maps](https://www.google.com/maps)

Evolution of corn and wheat acreage in CBSR



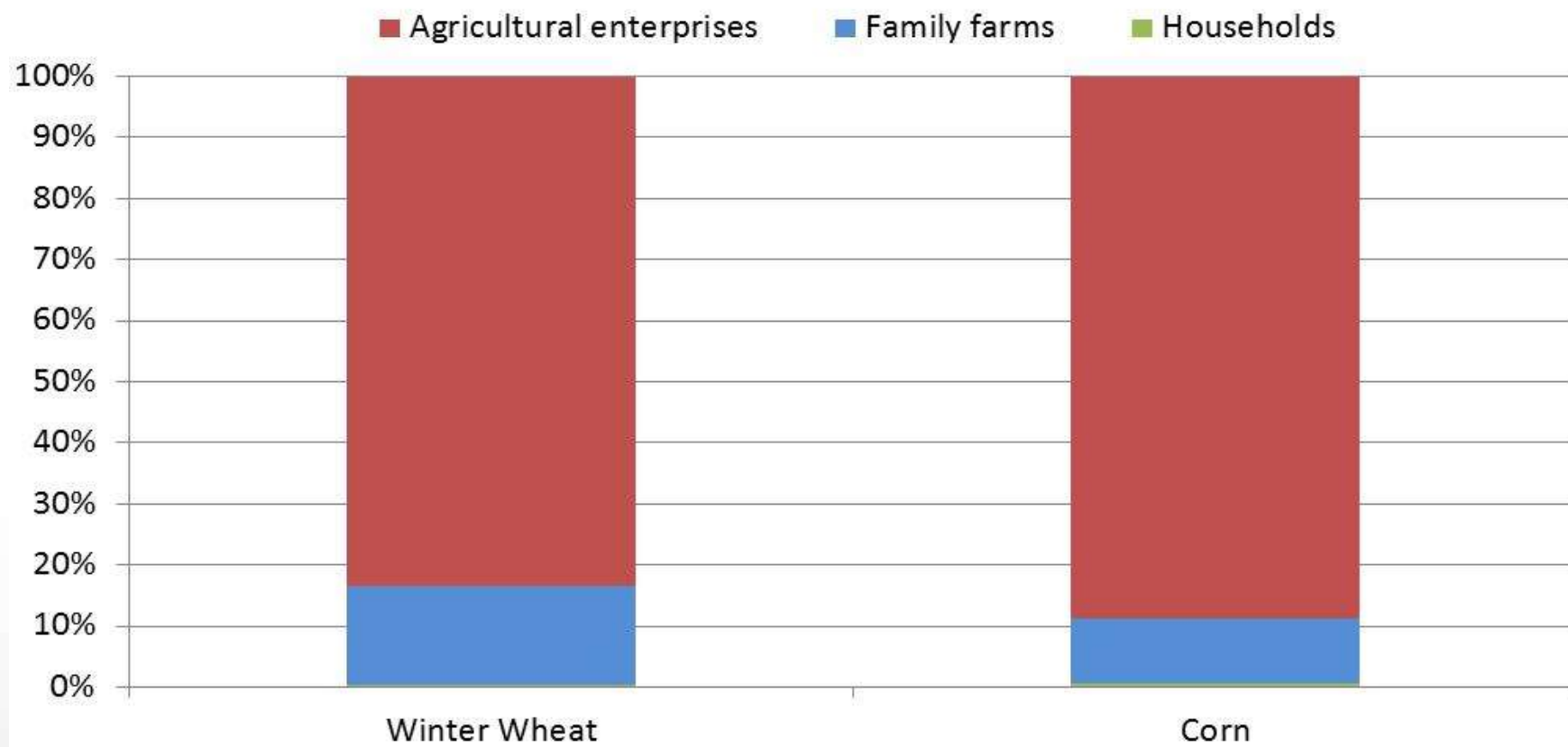
Source: <http://www.fedstat.ru/indicator/data.do>

Yield evolution of corn and wheat in CBSR



Source: <http://www.fedstat.ru/indicator/data.do>

Who is producing corn and wheat in CBSR? (2013)



Corn is a „demanding“ crop - more popular for relatively well positioned enterprises?

Source: <http://www.fedstat.ru/indicator/data.do>

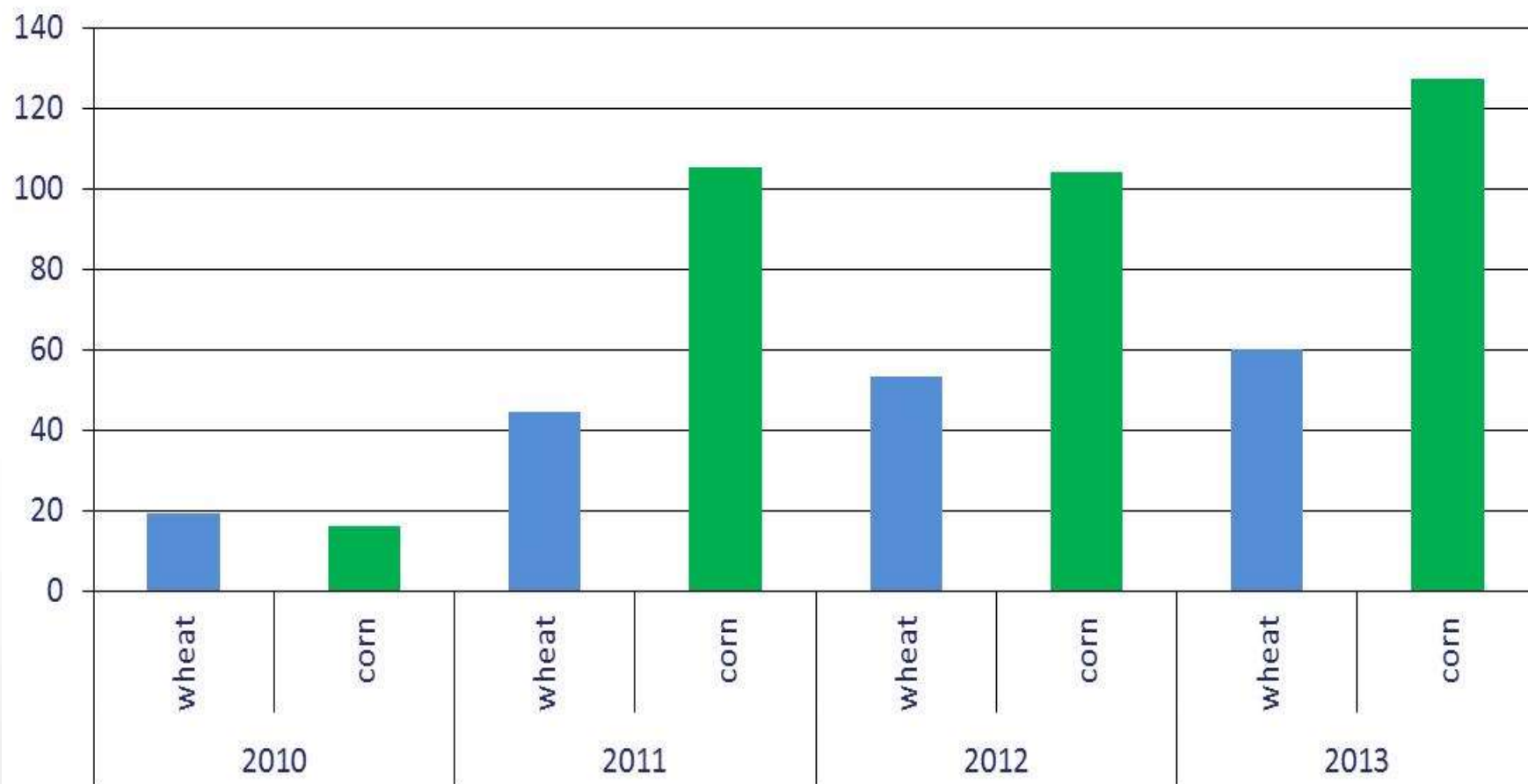
Conclusions

1. **Corn acreage is growing rather fast**
2. **Corn yield growth exceeds wheat yield by a factor of 4**
3. **Ag enterprises tend to be more interested in corn than family farms**

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Yield level in RU20000BS (bu./acre)

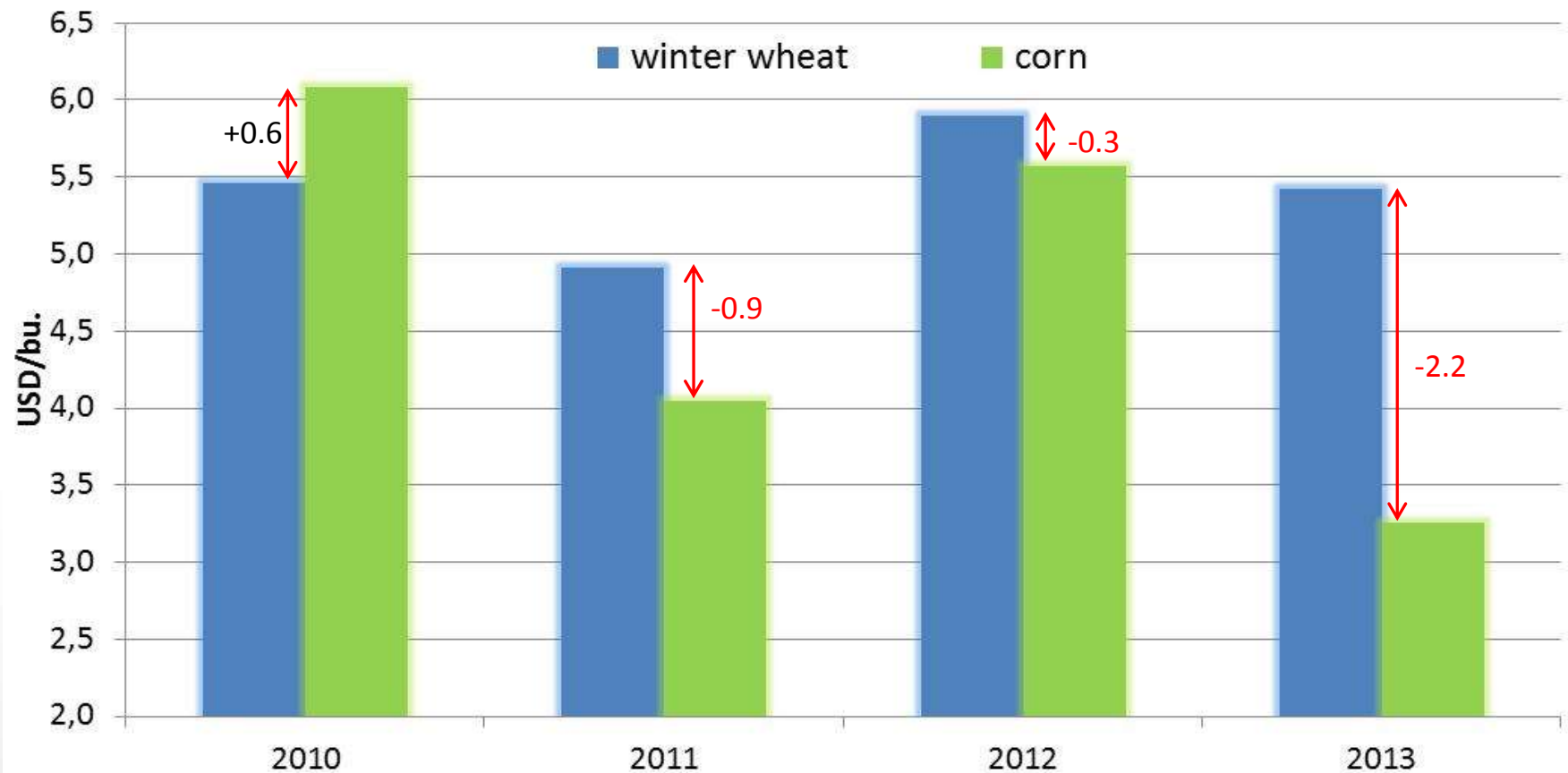


Total cost and gross revenue in RU20000BS (USD/ acre)



In normal years corn is more profitable

Ex-farm prices in RU20000BS

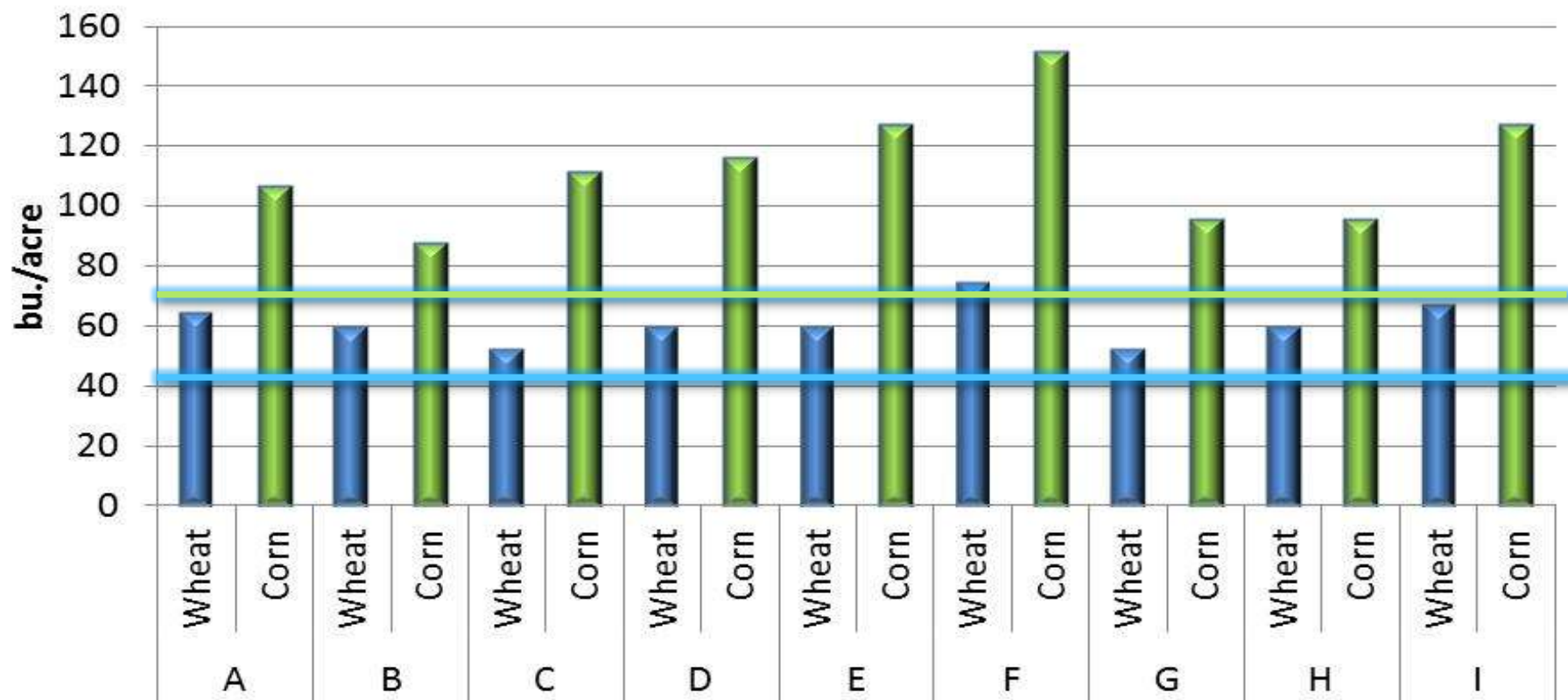


Almost equal profit between wheat and corn with a large drop in corn price in 2013

Agenda

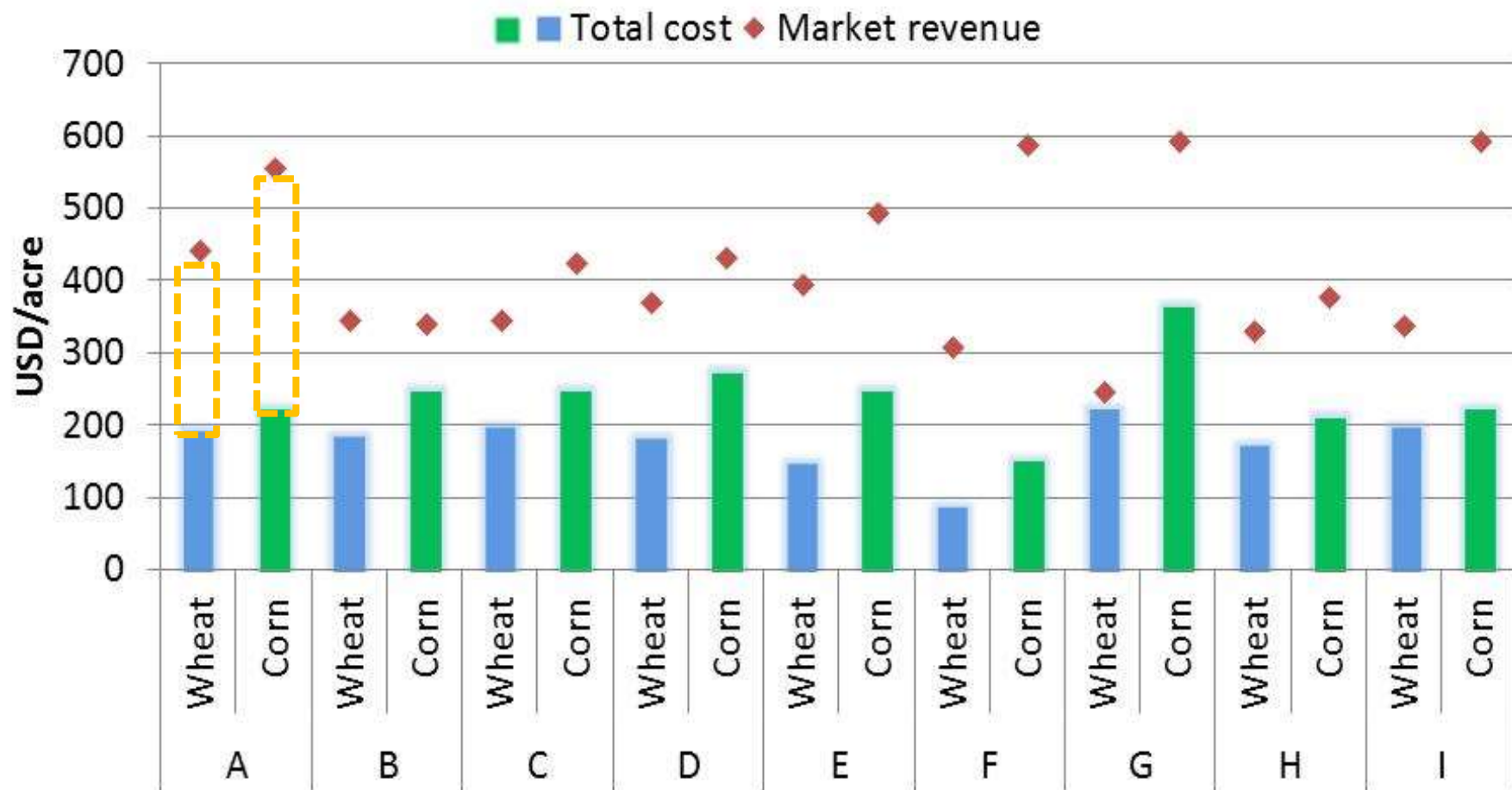
1. Market conditions in Russia
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Farm survey (CBSR): wheat and corn yields (Ø 2011-2013)

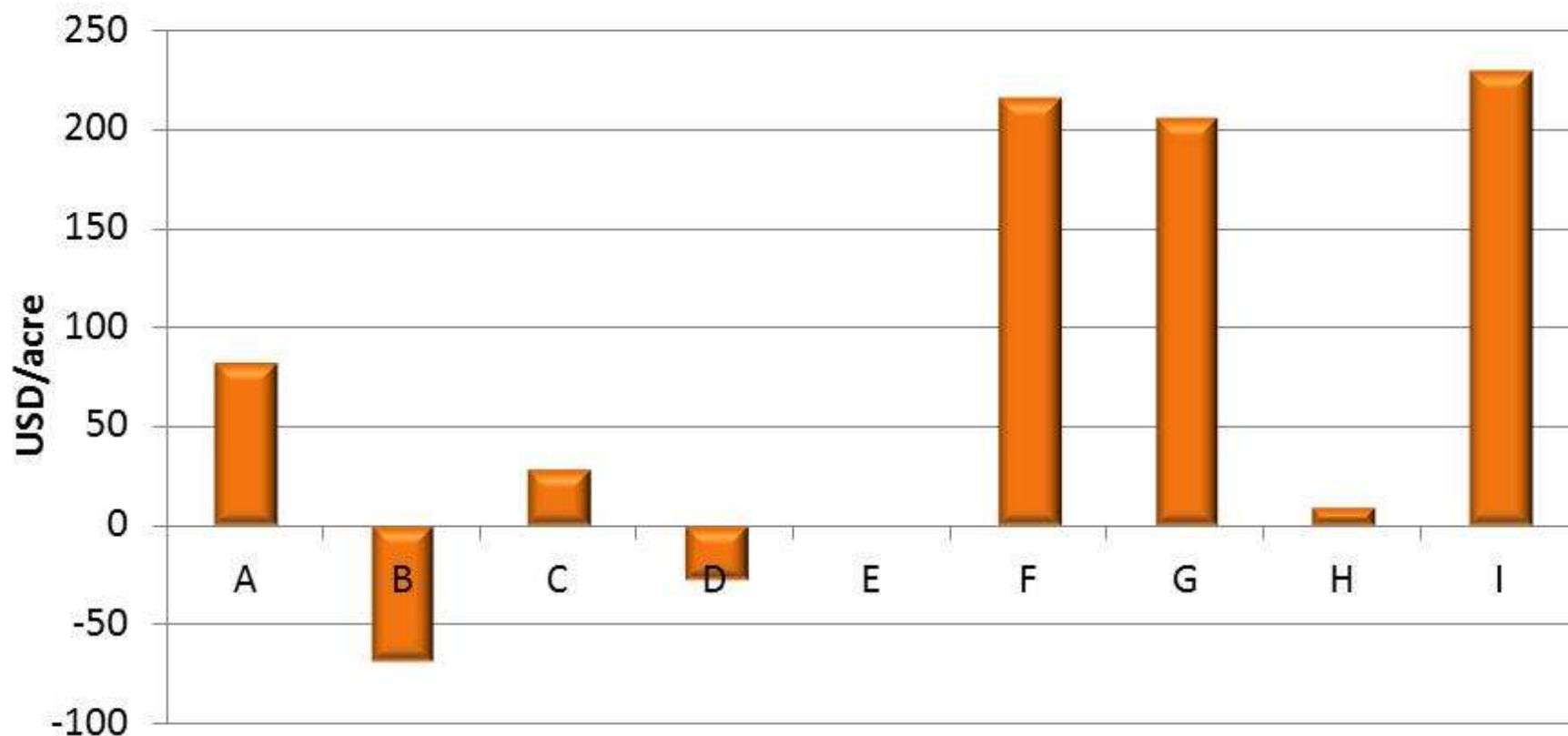


1. Corn yields almost twice as high as in wheat
2. Official statistics much lower than survey data

Farm survey (CBSR): Revenue and cost (ø 2011-2013)



Profit difference (corn - wheat)

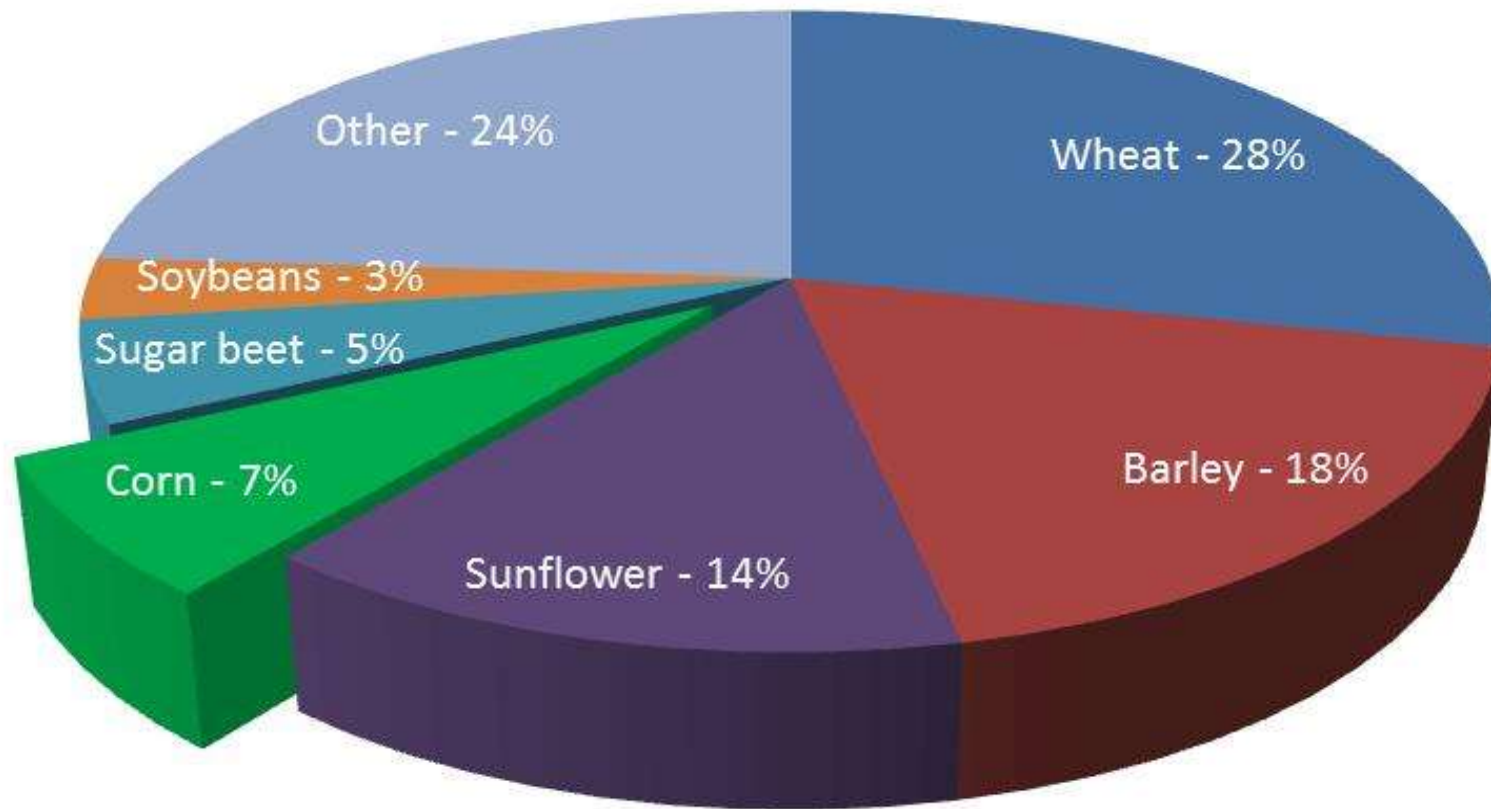


The data indicate economic advantage of corn over wheat

Agenda

1. Russian and US market of corn and wheat
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A lot of room for growth in Russian corn - Crop shares in CBSR (2013)



Source: <http://www.fedstat.ru/indicator/data.do>

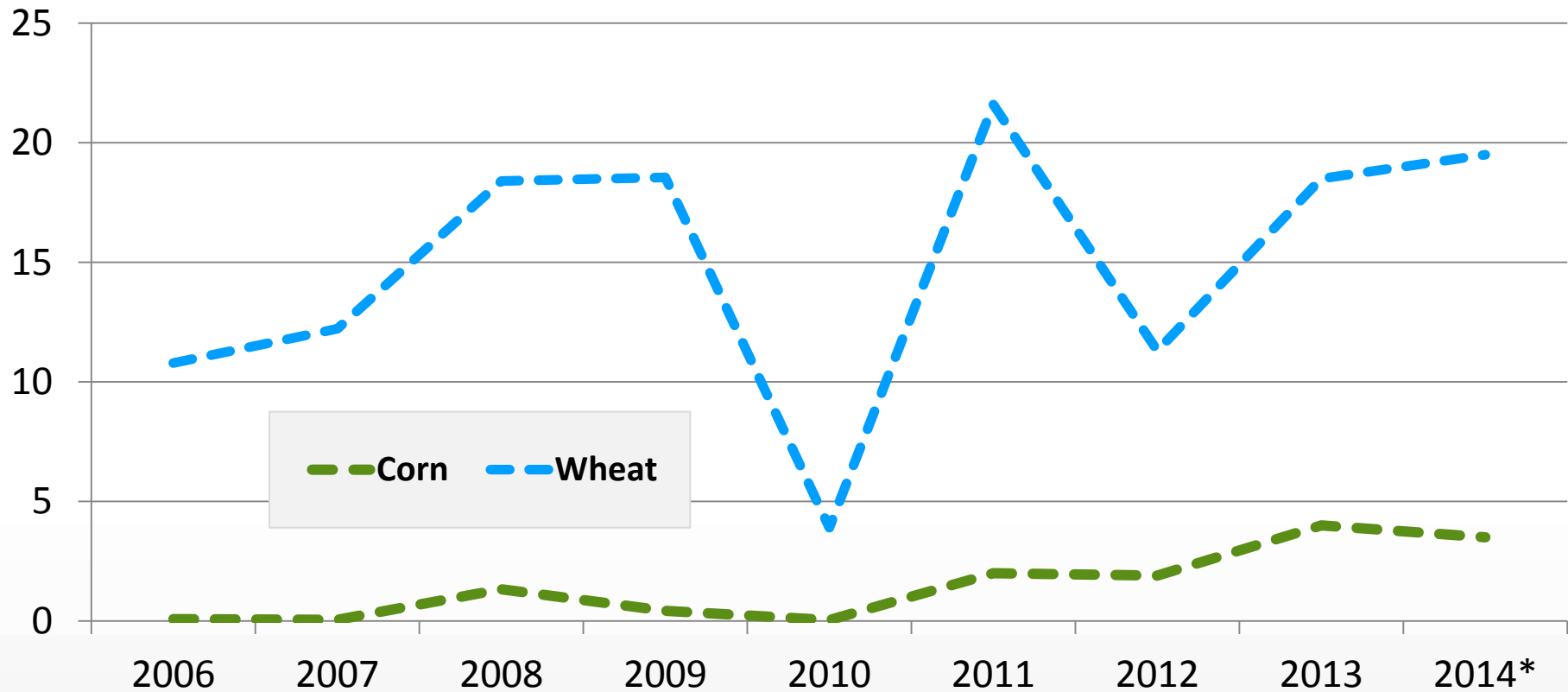
Assuming growth rates in corn acreage and yield continue for 3 years

By 2017 corn acreage would increase to 2.2 mln acres in CBSR.

⇒ Double annual corn output with additional 2.6 mln t (102 mln bu.)



Russian wheat and corn exports (in mln t)



* - projection

Russia has the infrastructure capacity for ag commodity exports

Source: Foreign Agricultural Service, USDA Estimates

Conclusions

- (1) Russian market prices are rather favorable for corn compared to wheat**
- (2) In general the data indicate clear economic advantage of corn over wheat**
- (3) Yield growth differences will further strengthen corn profitability**
- (4) This will speed up farmers willingness to switch to corn**
- (5) Doubling exports within the next 3-5 years is a realistic scenario**

Thank you for your interest in *agri benchmark*



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