

Agriculture Ministry Drops Yield Forecasts

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The soil of a just-harvested wheat field showing the affects of weeks of searing heat and practically no rain in the Voronezh region, Monday, Aug. 2. **Mikhail Metzel**

Severe drought and wildfires forced the Agriculture Ministry to drop its grain production forecasts by more than 20 percent on Tuesday and put a halt to its grain intervention program.

The country will be able to produce 70 million to 75 million metric tons of grain, down from an original forecast of 90 million tons, Deputy Agriculture Minister Alexander Belyayev said.

“There are enough resources in the country to keep everything smooth and steady,” Belyayev said. “We already have 21.5 million tons of grain in carry-over inventories, and we have already threshed 35.5 million tons.”

The heat and drought are also starting to have an effect on other crops as well.

The national weather center said Tuesday that the sowing of winter grains could be worse than usual in some northeastern regions because of a lack of moisture in the soil.

Similarly, sugar beet roots are seeing development lag last year's by 30 percent to 50 percent in some regions, and four beet-producing regions have declared states of emergency, the Sugar Producers Union said in a statement.

"If the drought continues it could negatively affect the beet harvest in these regions and the Russian Federation as a whole," the group's statement said.

The drought, which the national weather center has called the worst in 50 years, has caused wheat prices to soar around the world on fears that lower Russian exports will tighten world supply.

Wheat futures for September delivery rose 53 percent on the Chicago Board of Trade, peaking at \$6.93 per bushel on Monday before settling down slightly at \$6.90 on Tuesday.

Similar concerns have flared domestically as well, despite government promises that it has enough grain reserves to forestall significant rises in domestic food prices.

But flour and milk prices have already gone up in several regions, including the Moscow, Nizhny Novgorod and Tver regions, and some retailers have even canceled deliveries because of the rise in prices.

In view of the price hikes, the Federal Anti-Monopoly Service announced that it would tighten control over the food market to ensure that there was no price gouging because of the drought.

Igor Artemyev, the director of the Federal Anti-Monopoly Service, gave the service's local offices until next Tuesday to beef up their oversight of wholesalers.

But local prices may continue to rise until the Agriculture Ministry begins selling grain from its intervention fund.

Interventions were initially scheduled to begin Aug. 4 but have been delayed as the ministry tries to adjust its forecast and take into the account the new ratio of supply and demand.

"We need to do additional work on all the issues, taking into consideration the new developments in the drought situation and the documents on damage expertise caused by anomalously high temperatures," Agriculture Minister Yelena Skrynnik said last month.

Relief in price growth is likely, however, as soon as the interventions begin.

"The plans of the Russian government to begin commodity interventions this month will curb grain prices to some extent," Metropal analyst Nadezhda Timokhova said.

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