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Report Highlights:

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General Information: General Information:

Welcome to the Russian Agricultural Policy and Situation Bi-Weekly Update, a summary of issues of interest to the U. S. agricultural community. The report includes information that has been garnered during travel within Russia, reported in the local media, or offered by host country officials and agricultural analysts. Press articles are included and summarized in this report. Significant issues will be expanded upon in subsequent reports from this office. Minor grammatical changes have been made for clarification.

Exchange Rate:

The Central Bank of the Russian Federation exchange rate as of February 27, 2015: U.S. Dollar = 60.7109 Rubles.

DISCLAIMER: Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. government agency's point of view or official policy.

Draft Federal Law on Banning Cultivation and Breeding of Genetically Engineered Plants and Animals: On February 3, 2015, the Russian Government submitted to the State Duma, Russia's major legislative body, the draft federal law banning cultivation and breeding of genetically engineered plants and animals in the territory of the Russian Federation, except for experimental and research purposes. The draft introduced control procedures for the release of genetically modified organisms and products that contain such organisms into the environment and for monitoring their effects on humans and the environment. The draft also obliges importers of such organisms and products to pass all necessary registration procedures, and proposes to give the Government the right to ban imports into Russia of these organisms and products, based on the results of monitoring. The text of the draft law was posted on the website of the Russian Duma: <http://www.duma.gov.ru/news/273/911194/>.

Russia's Agricultural Trade: Exports Up and Imports Down: Russian Minister of Agriculture, Nikolay Fyodorov, recently announced that based on preliminary CY 2014 data, imports of agricultural products, including trade with Belarus and Kazakhstan, are estimated at USD 40.9 billion dollars, or USD 4.1 billion less than imports in CY 2013. Exports of agricultural products for the same period increased from USD 16.7 billion in CY 2013, to USD 19.1 billion in CY 2014.
<http://mcx.ru/news/news/show/34232.355.htm>

GOR Strategy for Sustainable Development of Rural Territories: On February 2, 2015, the Russian Government signed Resolution #151-p approving a Strategy for Sustainable Development of Rural Territories. The Strategy is aimed at creating conditions to improve quality and level of life in the rural areas based on advantages of the rural way of life. The major objectives of the Strategy include: creating favorable social and economic conditions so that the rural territories can perform their public functions of importance and resolve issues of territorial development; ensure stable growth of rural population, ensure employment, increasing level and quality of life; increasing effectiveness of agriculture and contribution of rural territories into social and economic development of the country. The Strategy foresees two stages: transfer period (2015-2020) and main stage (2021-2030).
<http://government.ru/docs/16757/>

<http://government.ru/media/files/Fw1kbNXVJxQ.pdf>

Russian Government Continues Authorization of Distribution of Federal Budget Funds for

Agriculture in 2015: On February 13, 2015, the Russian Government approved Resolutions #223-p, #224-p, and #225-p. The Resolutions set forth the distribution of subsidies for the total amount of 35,730.9 million rubles under the framework of the State Program of Agricultural Development for 2013-2020 (Program). The document approved distribution of subsidies to support the following subsectors of agriculture:

- partial compensation of interest rates on short-term loans to develop crop production, processing and sales of plant products in the amount of 18.8 billion rubles (including additional budget allocations of 11.3 billion rubles) on terms of co-financing from provincial budgets;
- partial compensation of interest rates on short-term loans to develop livestock production, processing and sale of livestock products in the amount of 9.3 billion rubles (including additional budget allocations of 6.4 billion rubles) on terms of co-financing from provincial budgets.
- partial compensation of interest rates on long-term, mid-term and short-term credit, taken out by small enterprises in the amount of 7.6 billion rubles (including additional budget allocations of 1.6 billion rubles) on terms of co-financing from provincial budgets. http://government.ru/dep_news/16916/

Ministry of Agriculture Reports to the Government on the Accurate Distribution of Federal Funds 2015 Between Programs and Provinces:

The Ministry of Agriculture reported to the Government on the distribution of funds for 2015 as follows:

- Nearly 6.5 billion rubles (USD 100 million) of subsidies have been distributed to regions as partial compensation of insurance premium costs of agribusiness. This includes 5 billion rubles (USD 70 million) to crop producers and 1.4 billion (USD 20 million) to animal breeders <http://mcx.ru/news/news/show/34209.355.htm>;
- The Ministry began distribution of investment credit subsidies for compensation of part of interest rate for credits for plant growing, animal husbandry and meat cattle breeding in 2015. The total financial support on investment credits from the federal budget is 46.6 billion rubles, including: for plant production – 9.4 billion rubles, for meat cattle breeding – 4.6 billion rubles, and for animal husbandry – 32.6 billion rubles. Of this total 46.6 billion rubles 23.1 billion rubles are to be distributed between the regions, and the undistributed reserve will be used for financing priority projects in the agro-industrial sector in 2015. <http://mcx.ru/news/news/show/34898.355.htm>

Agricultural authorities of Primorskiy kray summarized funds that kray will receive from agricultural federal budget in 2015:

From the Federal budget, 116.0 million rubles have been allocated to subsidize Primorye farmers in 2015 under the framework of the Russian Agriculture Development Program 2013-2020. The state program funds are designed to cover the interest on farmers' loans, including 82.7 million rubles for reimbursement of the interest rate on short-term loans for crop production, 17.9 million rubles for the development of livestock production, and 15.4 million rubles for reimbursement of the interest rate on long-term, medium-term and short-term loans taken by small businesses. <http://primamedia.ru/news/economics/17.02.2015/421729/pochti-120-mln-rublej-videleno-primoryu-na-subsidirovanie-agrariyev.html>

Kamchatka, Primorye & Sakhalin: Putin Speaks, Regions Act on Economic Measures:

In mid-February, officials from across the Russian Far East attended a conference in Moscow where they were instructed to promote sustainable development and social cohesion in their territories. Primorye officials unveiled a conceptual plan to promote stability during a time of deteriorating economic conditions. The plan calls for a 2-year tax holiday to help start-up small- and medium-sized businesses, stimulation of housing demand through support for mortgage lending, and measures to limit food price increases, among other efforts. Kamchatka's Governor headed a special commission meeting to look at ways to cut the Krai's expenses, promote import substitution, reduce financial and administrative barriers for small- and medium-sized businesses, and increase working capital resources for housing, communal services, and transport networks. The Mayor of Yuzhno-Sakhalinsk met with his Vice Mayors to begin drafting an anti-crisis plan that he says will have clear benchmarks, deadlines, and will be "implemented in close contact with the public."

<http://sakhalinmedia.ru/news/politics/10.02.2015/420154/administratsiya-yuzhno-sahalinska-razrabotaet-antikrizisniy-plan.html>

http://www.kamchatka.gov.ru/?cont=info&menu=1&menu2=0&news_id=35255

<http://primamedia.ru/news/politics/11.02.2015/420477/kontseptsiyu-antikrizisnogo-plana-predstavili-vlasti-primorya.html>

Fish and Aquaculture Producers Apply for Additional Government Support: The Ministry of Agriculture, in its draft resolution, proposes that 70 percent of the Central Bank key interest rate on short-term and investment credit be subsidized from the federal budget for all commercial aquaculture companies (except for those that produce sturgeon species). The total proposed allocation for this purpose for the next 3 years may reach 1.6 billion rubles. Another new initiative of the Ministry of Agriculture is to cover 100 percent of the key rate on 10-year credit to sturgeon producers. According to the draft, it is planned to allocate 399.2 million rubles for this purpose in 2015, 609.7 million rubles in 2016; and 600.5 million rubles in 2017. In addition, it is planned to allocate from the regional budgets 468.3 million rubles in 2015 to subsidize part of the credit rate on loans that are aimed at development of commercial aquaculture, fish processing infrastructure and cold storage facilities.

<http://www.fish.gov.ru/press-tsentr/obzor-smi/691-rybaki-zakinuli-seti-v-pravitelstvo>

Russian Government Will Not Introduce Price Ceilings: Russia's Ministry of Economic Development (MED) is not considering the possibility of introducing price ceilings on essential foodstuffs in the regions, according to the Ministry's press service. The press service was commenting on a report by the Izvestia newspaper that the Ministry is mulling plans to set the price ceilings on sugar, white cabbage and chicken eggs, which reportedly saw a 30 percent growth in prices over the last month. The Ministry stressed that it is up to the Russian government to introduce the maximum retail prices for a short-term period. The Ministry only collects and analyzes information on the market and prices. Under the current legislation and international agreements, the Russian government can set the retail price ceilings. These restrictions cannot last for more than 90 days and can be introduced only once a year. Analysis carried out by the Ministry showed that the price of buckwheat in the Russian regions grew more than 30 percent during the period November-December, 2014. The Ministry demanded that the regions explain the reasons for the price growth. The Ministry also noted that the data provided by Russia's governmental statistics agency, Rosstat, shows a significant slowdown in the growth of the price of buckwheat starting from mid-December 2014.

<http://tass.ru/en/economy/776315>

MED List of 199 Important Corporations: MED published a list of 199 national/international

[Systemically Important Corporations](#) and holdings which will be financially supported in the conditions of economic crisis in the territory of Russia. The establishments include producers of food, forestry and agricultural machinery. The Ministry of Economic Development of Russia presented the list of companies which have a significant impact on GDP, employment and social stability. The companies from the list generate profits that account for 70 percent of the Aggregate National Income, employing more than 20 percent of all the economically active population. The government also will provide support to 10 retail chains under the crisis conditions.

Agricultural Corporation Miratorg, the largest player in the Russian meat market with 12.7% market share, announced that it has been included on the List of the Systemically Important Corporations of the Russian Federation, and is planning to increase high quality meat production with state support. Miratorg created more than 20 thousand jobs, most of those in the rural regions of the country. The company became the largest domestic pork producer in Russia and is currently increasing production of essential types of meats under the Import Substitution Strategy. The corporation, supported by Vnesheconombank and the Government, has started a major project of increasing beef production by rising its' Aberdeen-Angus cattle herd up to 700 thousand head, aiming to substitute 20 percent of beef imports to Russia.

<http://www.miratorg.ru/about/news/Lists/List/NewsView.aspx?ID>

Plans to Construct Fisheries Terminal in Vladimir Region: The Federal Government's Unitary Enterprise "National Fish Resource," plans to construct a fisheries terminal in the Vladimir region. The project is projected to be worth 5.3 billion rubles and will become part of a logistical system for transport of fish from the Russian Far East to the European part of Russia. It will be financed from portfolio investor and resources of VTB bank and is scheduled to start operation in the third quarter 2017. <http://tass.ru/ekonomika/1758195>

Federal Law to Improve Legal Regulation in Agricultural Sector: On February 12, 2015, President Putin signed Federal Law No.11-FZ, amending Article 14 of the Federal Law on Development of Agriculture (No.264-FZ of December 29, 2006). The amendment allows the Government to purchase agricultural commodities in course of interventions, while before the Government was allowed only to determine the procedure and the order of such intervention purchases.

<http://www.kremlin.ru/acts/47677>; <http://publication.pravo.gov.ru/Document/View/0001201502130013>

Ministry of Agriculture, Fertilizer Producers to Set Prices: The Ministry of Agriculture, Ministry of Trade and producers of mineral fertilizers agreed to set the highest possible level of prices for local agricultural producers during spring sowing season. That price maximum is set at the level of prices in February 2015. Producers of fertilizers also agreed to lower wholesale factory prices to the level of January 2015 for the regions with unfavorable conditions for crop production or regions affected by emergency situations. Russian prices for mineral fertilizers are tied to world prices. Last December farmers came out with the suggestion that fertilizer prices for the domestic market should be untied from the export prices, in connection with the strong ruble devaluation. Last year, fertilizer producers agreed to provide local agricultural producers a 10 to 15 percent discount off the minimal export price. In January, the discount rate increased to 15-20 percent. <http://mcx.ru/news/news/show/34923.355.htm>

Underdeveloped Railway Logistics May Limit the Far East's Opportunities: Enterprises in the Russian Far East have expressed concern that recent development of sea port infrastructure of the Far

East, initiated in recent years by export-oriented businesses, may soon come to a standstill. They claim that the reason is the poorly developed land logistics which are unable to keep pace with port growth. The increasing imbalance between the marine terminals' potential expanding every year and reduced capacity of the main transport arteries of the Trans-Siberian Railway and the Baikal-Amur Mainline nullify the large cash infusions made by businesses to build transshipment facilities.

<http://primamedia.ru/news/economics/09.02.2015/419899/porti-dalnego-vostoka-zheleznodorozhnaya-udavka---na-vzlete-investitsiy.html>

Sakhalin Ready to Increase Share of Fish Products in the Russian Market: The Sakhalin Region is ready to increase its share of fish products in the Russian market, as declared by Governor Alexander Horoshavin at a meeting devoted to the development of agriculture and fishery complex of the island region, chaired by the Minister of Agriculture Nikolai Fyodorov. According to the Governor, construction of hatcheries, increasing coastal processing of harvested products and fleet renovation are the main focus of the state program for the development of the fishing industry implemented in Sakhalin region. Currently, the island region is the absolute leader in Russia for reproduction of salmon with nearly 80 percent of total young salmon output in the country. At the moment there are 41 hatcheries operating in the region, eleven of which are state-owned and the remainder are private businesses. The current capacity of the region's salmon hatcheries is approximately 850 million pieces of juvenile salmon released every year. Regional authorities plan to build an additional 11 hatcheries in the Sakhalin region between now and 2020. With these new projects, future capacity would bring the fry output up to 1 billion pieces annually.

<http://sakhalinmedia.ru/news/economics/14.02.2015/421100/horoshavin-sahalin-gotov-uvlichit-svoyu-dolyu-riboproduktsii-na-rossiyskom-rinke.html>

China Will Not Let Primorye Starve: Heilongjiang Province plans to create twenty showpiece export vegetable warehouses for Russia. According to the business newspaper "Golden Horn" the sites will be located in priority cities of Heilongjiang Province such as Harbin, Daqing, Mudanjiang, Suihua, as well as in the border cities of Jiamusi, Jixi, Heihe. The area of each of the sites will total more than 1000 square meters and are intended to produce vegetables favored by Russian consumers - potatoes, cabbage, onions, tomatoes, cucumbers, peppers and carrots.

http://zrpress.ru/markets/dalnij-vostok_02.02.2015_70820_kitaj-ne-dast-primorju-umeret-s-golodu.html

Purchase Price for Soybeans Growing Rapidly in Primorye: None of the crops grown in the Russian Far East is in such high demand in domestic and Asian markets as soybeans. Despite the annual growth of the cultivation area and increased productivity, which in Primorye last year grew by more than 10 percent, Russia still has a soybean shortage. Moreover, the price for soybeans has increased significantly in Primorye. In the fall, when the harvest was just collected, processors were paying farmers 14-16 rubles per kg, but now the price has reached 27 rubles. Some large farmers have speculated that in March soybeans will be selling at 33 rubles per kilo in the Primorye market. The main factor affecting the price, according to market participants, was the devaluation of the ruble.

http://zrpress.ru/business/primorje_16.02.2015_70983_v-primorje-zakupohnaja-tsena-na-soju-stremitelno-rastet.html

