

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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POLICY

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Russian Federation

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Government to Control Prices for Socially Important Food

Report Categories:

Trade Policy Monitoring

Approved By:

Morgan Haas

Prepared By:

Mikhail Maksimenko

Report Highlights:

The Russian Government approved Resolution #530, issued July 15, 2010, which establishes maximum allowable retail prices for certain types of socially important food products. The resolution established two lists for socially essential food products. One list is for “prime necessity” goods, which the maximum allowable retail price may be set. The other list provides certain types of socially essential food products for which businesses are not permitted to accept compensation when purchased in specified amounts.

General Information:

The Russian Government (GOR) approved Resolution #530, issued July 15, 2010, which establishes maximum allowable retail prices for certain types of socially important food products. The resolution established two lists for socially essential food products. One list is for “prime necessity” goods, which the maximum allowable retail price may be set. The other list provides certain types of socially essential food products for which businesses are not permitted to accept compensation when purchased in specified amounts. The resolution prescribes that if there is a 30 percent (or higher) price increase for socially essential goods occurring within 30 calendar days, a maximum retail price will be set. The set price cap should not last more than 90 days, as defined by the GOR. The prices will be analyzed and set by region.

The decree indicates a list of 24 essential product items: beef, pork, lamb, chicken (except chicken legs), fish, butter, sunflower oil, milk, eggs, sugar, salt, black Lapsany tea, wheat flour, rye and rye-wheat bread, bread and pastries made of wheat flour, ground rice, millet, buckwheat, pasta, potatoes, cabbage, onions, carrots, apples. The original list of essential commodities proposed by the Ministry of Industry and Trade contained 33 products. Low-fat cottage cheese, hard and soft rennet cheese, salted herring, margarine, sour cream, candies, biscuits, black pepper, peas and beans and cucumbers were excluded in the approved list. This document was issued in accordance with the Federal Law #381-FZ provisions “On the Basis for the State Regulation for Commercial Activities in the Russian Federation,” which was issued December 28, 2009, and enforced February 1, 2010.

Federal Law #381-FZ can be found at <http://www.rg.ru/2009/12/30/torgovlya-dok.html>.
Resolution #530 can be found at <http://www.rg.ru/2010/07/26/produkty-ceny-dok.html>.

Comments:

The issuing of Resolution #530 coincides with the peak of high temperatures in the central part of Russia. According to The Moscow Times, temperatures have increased to a historic high of 37.4 degrees Celsius, Monday July 26 in Moscow. This drastic increase has damaged 32 percent of the crop on arable land and has forced Russia to declare a state of emergency in 23 regions. The GOR expects that Resolution #530 will quiet consumer fears of food shortages or high prices by sending preventive notice to retailers. Analysts suggest that the cabinet is trying to avoid the 2010 crop failure speculations. Retailers and specialists do not expect this decision to influence retail trade but consider that this measure could potentially help avoid social instability. It is thought that in some retail sectors, the price for highly demanded goods increased by one third given the current conditions. There are rumors from the Russian media and food market analysts that food prices will increase due to not only lower yields but also higher costs for food storage and transportation that are associated with the higher temperatures.

The GOR referred previously to the essential products in its Resolution #877 on December 15, 2007, which approved the list for essential commodity exports, which may be banned in critical cases. This list included milk, cream, wheat, meslin, rye, barley, corn, wheat and rye flour, soybeans and soybean oil, rapeseeds and rapeseed oil, sunflower seeds and sunflower seed oil. The reason for this move was that domestic prices for food products in high demand were rising more quickly than global prices and the fact that Russian grain exports were continuing despite export tariffs.

Unofficial translation of the Resolution #530

Russian Federation Government Resolution #530 issued on 15 July 2010 – “Rules for establishing the maximum allowable retail prices for certain types of socially essential food products. The list of “prime necessity” essential food products for which maximum allowable retail prices may be set. The list of socially essential food products for which businesses are not permitted to accept compensation when purchased in specified amounts.

In accordance with Federal Law "On the Basics of the State Regulation for Commercial Activities in the Russian Federation" the Government of the Russian Federation decided to approve the attached:

- Rules for setting maximum allowable retail prices for some types of socially essential “prime necessity” food products
- A list of certain types of socially essential food products of prime necessity on which the maximum allowable retail prices may be set
- A list of certain types of socially essential food products for which businesses are not permitted to accept compensation when purchased in specified amounts.

Russian Prime Minister Vladimir Putin

The Rules for setting maximum allowable retail prices for separate types of socially essential food products of prime necessity:

1. These Regulations determine the procedures for setting maximum allowable retail prices for certain types of socially essential food products (hereinafter - the marginal retail prices).
2. Maximum retail prices for certain types of socially essential food products (hereinafter - the food products) sold in a territory of a region or regions in the Russian Federation are set by the Federal Government if prices increase 30 percent or more within 30 consecutive calendar days. The price cap is not to exceed 90 calendar days;
3. The Ministry of Economic Development of the Russian Federation will prepare guidelines for setting maximum allowable retail prices for food products using the results of the weekly macroeconomic analysis for food product prices. The analysis is conducted on the basis of the Federal Statistical Service’s observation of food product’s average retail prices and their changes within the regions of the Russian Federation. Additionally, the executive bodies of the regional state power where there was a 30 percent price growth within 30 consecutive calendar days provide information regarding the conditions for price growth. Businesses engaged in commercial activities and/or supply food products in the territories of corresponding regions in the Russian Federation also provide information for the analyses.
4. As a result of the analysis, the Ministry of Economic Development submits a draft resolution to the Russian Government. This resolution establishes limits for retail food product prices sold in specific region(s) in the Russian Federation. The resolution provides a list of products, the maximum price level for these goods, and the duration of time for which the maximum price can be implemented.

The list of individual types of socially important foodstuffs of prime necessity, on which may be

established maximum allowable retail prices:

- Beef (except for boneless meat)
- Pork (other than boneless meat)
- Lamb (except for boneless meat)
- Chickens (except for chicken leg quarters)
- Fish, frozen, not cut
- Butter
- Sunflower oil
- Drinking milk
- Chicken table eggs
- Sugar
- Food salt
- Black tea Lapsany
- Wheat flour
- Rye bread, rye-wheat bread
- Bread and bakery products made of wheat flour
- Rice polished
- Millet
- Buckwheat - unground buckwheat
- Vermicelli
- Potatoes
- White cabbage, fresh
- Onions
- Carrots
- Apples

The list of separate types of socially essential food products for which businesses are not permitted to accept compensation when purchased in specified amounts:

- Chicken meat (whole chicken, broilers), GOST R 52702-2006 with the shelf life of less than 10 days;
- Fluid milk (pasteurized) 2.5 – 3.2 % fat by GOST 5290-2003 with the shelf life of less than 10 days;
- Bread and bakery products from rye and a mixture of rye and wheat flour GOST 52961-2008 with the shelf life of less than 10 days;
- Bread and bakery products from wheat flour GOST 52462-2005 with the shelf life of less than 10 days.