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Report Highlights:

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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.

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.

EAEU Ratified Free Trade Agreement with Vietnam: According to the Eurasian Economic Commission (EEC), on July 28, 2016, the Free Trade Agreement (FTA) between the Armenia-Belarus-Kazakhstan-Kyrgyzstan-Russian Eurasian Economic Union (EAEU) and Vietnam was ratified by all EAEU Member States. Veronika Nikishina, the EEC Minister for Trade, specified that the FTA was expected to come into force in a little over two months, i.e. approximately by the end of September 2016. The EAEU-Vietnam FTA, signed in Kazakhstan on May 29, 2015, provides for immediate removal of customs duties on nearly 60 percent of traded goods, and a gradual reduction for the remaining goods until 2027. <http://www.eurasiancommission.org/ru/nae/news/Pages/28-07-2016-2.aspx>

President Putin Chaired Meeting on Agriculture Development: On July 28th, President Putin visited Tver province and chaired the government meeting on the development of agriculture. He noted that import substitution ensures both agricultural production and food security in the country. In addition, Putin said that when making the decision whether to lift import restrictions, Russia will pay close attention to food product quality. Agriculture Minister Alexander Tkachyov noted that over the last two years, Russian agricultural product imports shrank by almost 40 percent, from 43 billion rubles to 26.5 billion rubles. Tkachyov also mentioned that all of the planned agricultural activities will only be implemented if the level of government support to agriculture remains at 237 billion rubles. However, in February the government made a decision to cut the support for 2016 by 10 percent, or to 215 billion rubles. <http://tass.ru/ekonomika/3493102>

Igor Kuzin Appointed Deputy Minister of Agriculture: On August 3, Prime Minister Medvedev signed a decree appointing Igor R. Kuzin the Deputy Minister of Agriculture. <http://government.ru/media/files/AsdRpWWnc6OW31QF7LN5DsxISeczynFx.pdf>. Igor Kuzin was born in July 1966, in Sakhalin Oblast. Prior to his current position, Igor Kuzin worked in the Ministry of Finance of the Russian Federation as the Department Director for Budget Policy in the sphere of transport, nature resources and agro-industrial complex. Information on Igor Kuzin is on the Ministry of Agriculture's site: <http://www.mcx.ru/ministry/employee>

Russian Grain Stocks Reach 13.3 MMT: According to the Russian State Statistical Service (Rosstat), as of July 1, 2016 (considered the beginning of grain marketing year), grain stocks in agricultural enterprises and grain assembling and processing enterprises reached 13.27 MMT, 7 percent more than on the same date last year (12.3 MMT). These stocks are higher than the stocks at the beginning of

marketing years 2013/14 and 2014/15. <http://www.gks.ru/bgd/free/.../zerno18.htm>

VPSS Banned Products from Two Regions of Canada: Due to recent Low Pathogenic Avian Influenza cases in two regions in Ontario, Canada, VPSS imposed restrictions on the import and transit through Russia of hatching eggs and live birds from these territories of Canada, effective July 22, 2016. VPSS requested that the Veterinary Service of Canada provide information on Canada's irradiation efforts. <http://www.fsvps.ru/fsvps/news/17831.html>

Russian Fish Production Up 1.4 Percent: The Russian Federal Fisheries Agency (FFA) recently reported that production of fish and seafood for the period of January to June 2016, reached 1,950 MMT, an increase 1.4 percent over the same period in 2015 (citing Rosstat data). The increase in production was primarily attributed to an increase in production of frozen fish fillets that reached 86.6 thousand MT, up 33 percent, frozen herring production at 144.6 thousand MT, a 29.2 percent increase, and canned fish production at 280.4 thousand cans, up 3.2 percent. However, during that same period salted fish production decreased 1.3 thousand MT (down 2.7 percent) and frozen (whole fish) fish production decreased to 1,285 MMT (down 1.2 percent). Total catch of fish and seafood as of June 30th 2016, reached 2.250 MMT, or 1.2 percent higher than on the same date in 2015.

Additionally, the FFA reported that the volume of salmon catch in the Far East reached 128,000 MT or a 36 percent increase compared to the same date in 2014. (Note: salmon harvests are compared every other year to adjust for spawning patterns.) According to the Deputy Head of FFA, Kamchatka province accounts for the largest catch at 84,000 MT, which is a 27 percent increase over the same period in 2014. The second largest province for salmon catch is Khabarovsk province with 84,000 MT, followed by Sakhalin region with 9,802 MT and Primorsky region, Magadan region and Chukotka autonomous district with total 4,196 MT. The FFA also reported that the recommended catch for this year was increased approximately 17 percent, or 56,000 MT, and is set at 388,100 MT. The scientists noted that the increase was possible due to better than expected salmon spawning.

<http://www.fish.gov.ru/press-tsentr/novosti/14262-za-pervoe-polugodie-proizvodstvo-rybnoj-produktsii-vyroslo-na-1-4>

<http://www.fish.gov.ru/press-tsentr/novosti/14323-v-khode-lososevoj-putiny-na-dalnem-vostoke-pokazateli-vylova-prevysheny-na-36-po-sravneniyu-s-analogichnoj-datoj-chetnogo-goda>

Rosalkoholregulirovanie to Lift the Ban on Internet Sales of Alcoholic Beverages: The Federal regulator of the alcoholic beverage market, Rosalkoholregulirovanie, has been authorized to lift the ban on internet sales of alcoholic beverages. According to 'Izvestia' newspaper, the agency developed a system to support legal sales on the internet. Businesses have fought the ban since its introduction in 2007, at which time the internet accounted for about 25% of overall sales. The new system will allow companies with charter capital of at least 10 million rubles (\$160,000) to receive a license for internet sales. New licenses are expected to be made available in Moscow, St. Petersburg, Sevastopol and their surrounding regions. Companies must already have a current license for purchasing, storing and distributing alcoholic beverages in order to apply. Experts are considering the introduction of a registry listing all the websites permitted to sell alcoholic beverages online. Restrictions on timing of availability and purchaser's age will be the same as required for offline sales. https://new-retail.ru/novosti/retail/s_internet_torgovli_alkogolem_snimut_zapret1525/

Back-Sales of Intervention Fund Grain Authorized for the 2015 Crop: Government Order 1599-p

of July 27, 2016 authorized direct, back-selling of grain from the Intervention Fund. Such sales may be made, without auctions, to those agricultural producers who sold their grain to the Intervention Fund during procurement interventions in MY 2015/16. The back-purchase price for farmers will be the price received when they originally sold the grain to the Intervention Fund, minus storage costs, insurance, and taxes. These back-purchases of intervention grain have been initiated to make room for new Intervention Fund purchases of grain from the 2016 crop. The sales will be conducted during August 2016. <http://government.ru/docs/24047/>. Meantime, the Minister of Agriculture ordered initiation of preparatory works for the beginning of grain procurement interventions for the 2016 crop. <http://www.mcx.ru/documents/document/show/25114.htm>.

The EAEC and EPPO to Develop a Cooperative Plant Quarantine Program: The International seminar on coordination of European phytosanitary research (Program Euphresco) was held in Moscow on July 27 and 28, 2016. The organizers of this seminar, the Eurasian Economic Commission (EAEC) and the European and Mediterranean Plant Protection Organization (EPPO), agreed to cooperate on the development of a plant quarantine program through 2020. The proposal indicates the first step will be submission of this program to the attention of the Council of EPPO in September 2016. <http://www.eurasiancommission.org/ru/nae/news/Pages/29-07-2016-1.aspx>

Anthrax Outbreak in Yamal: On July 25, 2016, the provincial authorities of Yamal-Nenets Autonomous District (Far North of West Siberia) imposed quarantine measures because of the recent anthrax outbreak. So far, the outbreak has been responsible for the death of one 12-year-old child, the hospitalization of 13 people and the treatment of over 150 people with preventative antibiotic therapy. The outbreak is believed to have been caused by the recent, extreme warm weather in Russia's Far North which uncovered the burial of a sick animal. Approximately 2,300 reindeer died in this recent outbreak. The previous outbreak in Yamal, in 1941, resulted in the death of nearly 7,000 reindeer. Rospotrebnadzor reported that the anthrax hotbed has been contained. http://rospotrebnadzor.ru/about/info/news_region/news_details_region
http://rospotrebnadzor.ru/about/info/news_region/news_details_region

Moscow and St. Petersburg Hotels Ready to Raise Prices in 2017: Hotels are preparing to raise prices for the 2017 season by 20 to 50 percent. Hotels have held prices steady in 2014 -2015, sometimes offering discounts. Rising demand from domestic and foreign tourists, notably from China, India and Middle East, who substituted tourists from Europe, has given hoteliers confidence to raise rates. <http://www.vedomosti.ru/realty/articles/2016/07/28/649698-oteli-povisyat-tarifi-turoperatorov>

Russia Boosts Vodka Production Nearly Ten Percent: During the first 6 months of 2016, vodka production in Russia rose to 291 million liters – 9.5 percent more than the same period in 2015, according to the Federal Statistics Service (Rosstat). Brandy production rose by 6.6 percent, while production of beer and beer-based drinks grew only by 0.6 percent. In the reporting period, wine production decreased by 11.5 percent. <http://tass.ru/ekonomika/3468360>

New Head of the Federal Customs Service Announced: Prime Minister Dmitry Medvedev accepted the resignation of Andrey Belyaninov from the post of Head of the Federal Customs Service (FTS) “at his own request” and appointed Vladimir Bulavin, former Presidential Envoy to the North-Western Federal District, as the new Head of the agency. The Federal Security Service (FSB) and the Investigative Committee (IC) searched Belyaninov's office and home on July 26 as part of the criminal

investigation against top managers of four private companies charged with the smuggling of alcoholic beverages. <http://www.rbc.ru/politics/29/07/2016/579abb779a79477c63887dcd?from=main>

“Golden Autumn 2016” Scheduled: Russia’s major agricultural and food exhibition will be held October 5-8 at VVTs (All-Russian Exhibition Center) in Moscow. The Ministry of Agriculture is currently working on the organizational details of the show.
<http://www.mcx.ru/news/news/show/53396.355.htm>.

Development of Viticulture and Winemaking Draft Concept Initiated: The Draft Concept for the Development of Viticulture and Winemaking until 2025 provides for a set of state measures to increase domestic production, to substitute imports, and to boost exports. The Concept proposes an increase in state subsidies for vineyards and cultivation and the provision of additional subsidies to improve production efficiency. Plans include a reimbursement of 30 percent of expenses for development of drip irrigation systems for vineyards, as well as other technical developments for the sector. Under the basic scenario, the state will provide nearly 46 billion rubles from the federal budget to implement the measures from the development plan. With this money, the domestic wine sector is supposed to fulfill the following goals by 2025: meet 84% of the raw material needs of the wine-making market (in 2015 – 44 percent); vineyard area will increase to 125.7 thousand hectares (in 2015 – 85.1 thousand hectares); and gross grape yield will reach 919.2 thousand tons (in 2015 – 475.2 thousand tons).
<http://www.mcx.ru/news/news/show/53088.355.htm>

Russian Foodservice Market Fell in 2016: According to the Russian Federal Statistics Service (Rosstat), turnover of restaurants and cafes in Russia fell by 5.5 percent to 1.3 trillion rubles in 2015. In the first half year of 2016, turnover of restaurants, cafes and bars fell by 3.7 percent to 615.9 billion rubles in comparison to the same period of 2015.
<http://www.rbc.ru/rbcfreenews/579f59149a79470dca4f5ac0?from=newsfeed>