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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.

VPSS Partially Lifted Ban on Potato Imports from Egypt: VPSS published a notification on partially lifting temporary restrictions on shipments of potatoes from Egypt to Russia. The statement says that VPSS, under guarantees of the Central Plant Quarantine Administration of the Egyptian Ministry of Agriculture and Land Reclamation, considers it possible to allow imports of potatoes from Egypt, except from the territories where quarantine pests, such as (golden potato cyst nematode (*Globoderarostochiensis*) and brown rot agent – a bacterium *Ralstonia solanacearum* (Smith) *Yabuuchi et al*) had been identified earlier.

On September 22, 2016, VPSS imposed temporary restrictions on imports of regulated products of high phytosanitary risk, including citrus fruits, tomato, potato, onion, etc.

<http://www.fsvps.ru/fsvps/news/18441.html> and <http://www.tks.ru/news/nearby/2016/09/19/0005>.

However, on October 3rd, VPSS head Sergey Dankvert, in his interview to Interfax, stated that Russia will lift restrictions on all plant products from Egypt, except for potato, starting from October 1st, 2016. He also added that potato shipments from Egypt will likely be resumed in October-November, 2016, after the visit of VPSS experts to Egypt. <http://www.fsvps.ru/fsvps/news/19486.html>.

AgroInvestor Magazine Reports on Top-15 Projects in Agriculture Sector in 2016: According to the publication, beginning in January 2016, 15 companies announced their intention and started implementation of investment projects in agro-industrial sector. The total estimated cost of the projects is reported at 313 billion rubles. However, the investors' focus has changed. In 2015, they invested primarily into swine, poultry and plant production. However, according to the study, starting in 2016, most investments are allocated to greenhouse production (four projects) and dairy cattle (five projects). Reportedly, three companies have started projects in the swine industry, two companies are interested in investing into plant production, and one company intends to develop meat production. According to the Ministry of Economic Development (MED) the investment activity in agricultural sector is expected to pick up by the end of 2016. According to a MED report, middle and large companies are putting money into new production, while some projects are in the final implementation stage. By the end of 2016, investment growth in capital assets in agriculture is estimated at 4.8 percent, according to the forecast of social economic development for 2017-2019. Another observation that is mentioned in the article: in 2015, investors more often announced large scale projects worth more than 5 billion rubles; while in

2016, they are more reserved in terms of investment scale. However, the pace of investment activity has not decreased. <http://kvedomosti.ru/news/top-15-proektov-goda-plany-na-300-milliardov.html>.

Minister Tkachyov Reports on Priorities of Scientific and Technological Development of

Agriculture: On December 13, 2016, Minister of Agriculture Alexander Tkachyov delivered a report at the meeting of the Government Commission on Issues in the Agricultural Sector and Sustainable Rural Development. He reported on the objectives in scientific and technological development of agricultural complex until 2030. According to the report, the main parameters will include development of selection and genetics as well as deep processing of agricultural raw material. In his speech, Minister Tkachyov stated that Russia's share in the world market of original, elite and reproductive grain seed, with total value of \$4.5 billion, is estimated at only 1.3 percent. In addition, he stated that currently technological development of agriculture in Russia is primarily based on foreign scientific achievements. The share of imported seeds varies from 20 to 80 percent. For example, the imports share of potato seeds is 80 percent; the share of sugar beet seeds is 70 percent, corn seeds - 28 percent, sunflower seeds – 44 percent and vegetable seeds - 23 percent. As for the livestock industry, he stated that imports of pedigree stock have been shrinking lately. For example, imports of dairy cattle in 2015 decreased by 50 percent in comparison with 2012, and imports of beef cattle and pigs dropped by 97 percent in the same period.

The Minister also talked about Russia's strong dependency on imports of modified starches, glucose and lysine, food and feed additives, despite of the fact, that Russia has become not only a large grain producer, but an exporter. He called for a development program that would stimulate producers to apply local technologies of deep grain processing. He also talked about the need to create research centers on the base of leading institutes and conduct fundamental and applied research aimed at development of medicinal drugs for veterinary use. He believes this initiative will increase the share of local veterinary drugs from current 40 to 90 percent by 2025.

In the final statement, the Minister informed the meeting participants that the draft Government Resolution "On Implementation of the Federal Scientific Technical Program of Agriculture Development for the Period from 2017-2025" has been forwarded to the interested agencies for comments. <http://www.mcx.ru/news/news/show/57427.174.htm> and <http://government.ru/news/25657/>

Russia's Salmon Roe Production to Increase: The Federal Fisheries Agency (FFA) estimates Russia's salmon roe production for January-September 2016 at 11,300 MT versus 9,500 MT in the same period in 2015. FFA forecast annual production of salmon roe to reach 12,000 MT in CY2016. The Head of FFA Ilya Shestakov said that salmon roe price had not increased by more than five percent throughout the year. The increase in production of salmon roe is attributed to a better salmon catch in 2016 season the total production is preliminary forecast to reach 433,000 MT in CY2016. It is 29 percent higher than in CY2014 and 15 percent than in CY2015. The major producing territory is Kamchatka, which accounts for almost a 75 percent share in overall Russian salmon roe production, followed by Sakhalin (15 percent) and Khabarovsk territory (five percent). Fishery producers from Primorsk territory report stocks are full and higher supply than local demand, so currently the traders are making efforts to promote salmon roe to local and foreign markets. Trade sources from the Far East also state that the quality of salmon roe has improved recently which is attributed to better infrastructure of the coastal processing facilities, and in addition, most producers own fishing plots and are able to produce roe from

live fish. <http://izvestia.ru/news/650179>

Fish Breeding Cluster to Be Constructed in Karelia: The Federal Fisheries Agency (FFA) reports the intention of the Karelia Republic administration to construct a fish breeding cluster in the near term in the framework of an investment program. Reportedly, there are 20 investment projects of the total value of 7.4 billion rubles to be fulfilled in the implementation of the Program. Most financing will come from investors, and one billion rubles will be allocated from the federal budget and the remaining part from the regional budget. It is planned to start a modern selection and breeding fishing center based on Vygskiy fish breeding plant of the Federal State Budgetary Institution “KarelRybVod”. New fishing facilities will be specialized on fish raising (mostly trout) and mussel cultivation in the White Sea. The project also foresees construction of incubators for fish, feed production facilities and an equipment plant. According to Yuriy Savelyev, Deputy Prime Minister of Karelia Republic, aquaculture production in Karelia has increased by 60 times since 1993, from 400 MT to 18,000 MT (in the period January-October 2016). The investment and expansion of aquaculture in Karelia will allow production to reach 35,000 MT by 2020.

Since the GOR implemented the countersanctions food embargo in August 2014, the government announced the development of the aquaculture sector as one of the priorities in the industry. According to the Federal Program on the Development of the Fisheries Industry, Russia should produce 315,000 MT of aquaculture fish and seafood by 2020. According to the Federal Fisheries Agency (FFA), in 2015 Russia produced 152,950 MT of aquaculture fish, down 17 percent from production in CY 2014. <http://www.agroinvestor.ru/regions/news/24943-v-karelii-mogut-sozdat-rybovodnyy-klaster-za-7-4-mlrd-rublej/>

Ministry of Agriculture Focuses on Improving Breeding Stock of Dairy Cattle: On December 6th, Deputy Minister of Agriculture Dzhambulat Khatauov and representatives of the regional agricultural ministries conducted a videoconference discussing preliminary results achieved under the Federal Program in the sphere of breeding livestock. The focus was on organization of dairy cattle breeding in Russia. The participants discussed key dairy cattle indicators by regions, and efficiency of activities aimed at increasing dairy production. Other issues included: developments of highly productive breeds and improving breeding stock. According to Deputy Minister Khatauov, currently genetic potential of dairy cattle is utilized for 53 percent, but he mentioned that “if we regulate feeding, as well as improve herd management we can produce more than 35 MMT of milk annually”.

Ministry of Agriculture reports that milk production in all types of agricultural organizations in January-September 2016 was estimated at 24 MMT. Genetic potential of dairy herd breeds in Russia with proper feeding technics and herd management will allow an increase in milk yields to 6,000 kg per head, and in some pedigree farms even up to 9,000 kg per head. <http://www.mcx.ru/news/news/show/57228.355.htm>

MinAg Discusses Plans to Support Ag Cooperatives and Small Farms in 2017: On December 6th, Director of the Department of the Development of Rural Territories, Vladimir Svezhenets, held a conference call with the regions on implementation of the Agricultural Minister’s task to create at least 1500 agricultural cooperatives in the period of 2016-2017 and provide for grant support to small

agricultural farms. The official also added that it is necessary to draft development programs of agricultural cooperation taking into account regional features and adopt regulatory measures. According to Mr. Svezhenets the total amount of a "unified" subsidy allocated from the federal budget that is planned to be sent to the regions in 2017 will be 36 billion rubles out of which 7.7 billion rubles will be allocated for grants to farmers and agricultural cooperatives.

<http://www.mcx.ru/news/news/show/57249.355.htm>

Introduction of hydroponic system planned on East Kazakhstan region's farms:

According to *Interfax-Kazakhstan* (www.interfax.kz) the Department of Agriculture of the East Kazakhstan region is interested in introducing a hydroponic system on farms in the region.

The hydroponic system is to be introduced in Shemonaikha, Ulan and Glubokoe rural districts.

One set of hydroponic equipment costs 36 million tenge (336.23 tenge/ \$1) and farmers who intend to buy this system will get a 50 percent subsidy from the government. The hydroponic equipment manufacturer– KazAgroGreen - is keen to cooperate with the regional authorities.

Hydroponic equipment is suitable for small farms and enables farmers to grow large amounts of feed in small areas, for example it's possible to grow 730 MT of feed in an area of 200 square meters of land using this system!

MED Initiates Program to Subsidize Credits Provided by Commercial Banks to Finance Exports:

The Ministry of Economic Development plans to subsidize short-term loans provided by Commercial banks to finance exports. Banks have to offer a subsidized interest rate and then get reimbursed by the GOR. Initially, the agency considered a subsidy amounting to two percent of the interest rate, but may offer four percent. MED encourages banks with a wide regional network to provide short term export loans. The banks will either receive subsidies from the federal budget to partially compensate the interest rate on export loans or get refinancing of previous loans. Access to concessional lending will be given to banks that have at least 25 billion rubles of assets and have branches in at least 50 regions.

MED believes this mechanism will simplify access of small and medium businesses to export credits in the regions. Earlier in December, President Vladimir Putin, in his message to the Federal Assembly, tasked the government to develop measures of support for non-raw material exports. It is one of the priority projects determined by the GOR with the objectives of increasing non-raw material exports at least 7 percent annually and increasing the number of exporters by 10 percent.

<http://www.vedomosti.ru/economics/articles/2016/12/13/669329-eksporteram-korotkie-krediti>)

Two Russian Meat Processors Approved for Japanese Market: Following inspections by the Chief Veterinarian of Japan, Norio Kumagi, two Russian plants have been approved for exports of cooked, ready to eat products, particularly pre-cooked beef and pork products. VPSS has confirmed that the companies, LLC "Miratorg-Zapad" and LLC "Ratimir", will be able to export to the Japanese market once Japanese officials have signed the relevant veterinary certificate.

<http://www.fsvps.ru/fsvps/news/19485.html>

VPSS Restricts Imports and Transit of German Hatching Eggs and Live Poultry into Russia: The Russian Federal Service for Veterinary and Phytosanitary Surveillance (VPSS) imposed temporary restrictions on imports and transit of live poultry and hatching eggs from the German regions of

Dithmarschen, Kloppenburg, Harz, Ludwiglust-Parchim where avian influenza was detected. The restrictions came into force on November 25th, 2016. <http://www.fsvps.ru/fsvps/laws/4715.html>. Russia notified this measure to the WTO via G/SPS/N/RUS/133 of December 1, 2016.

The Total Trade Volume Between EAEU Member Countries Decreases: The total volume of mutual trade between the EAEU member countries in January - September 2016 amounted to \$29.5 billion, or 85.7 percent of the level in January - September 2015.

The share of agricultural and food products within the EAEU mutual trade in January-September 2016 is estimated at 16.7 percent in comparison to 15.2 percent for the same period of 2015. Belarus and Russia account for 54.7 and 34.8 percent, respectively, of total agriculture and food exports within the EAEU.

Armenian exports to the EAEU member states have increased by 1.6 times within January-September 2016. Food and agriculture export went up 38.2 percent (65.5 percent of total exports), textile and cloths export doubled (13.9 percent of total export).

Kyrgyz exports to the EAEU member states reduced 1.9 times while food and agriculture products export increased by 20 percent (30.9 percent of total Kyrgyz exports to the EAEU member states).

Belarus exports to the EAEU member states decreased by 2.7 percent, Kazakhstan by 31.6 percent, and Russian by 15.6 percent in January-September 2016.

http://eec.eaeunion.org/ru/.../Analytics_I_201609.pdf