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## Russian Federation

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### Government Amends Rules of Federal Support to Agricultural Producers

**Report Categories:**

Agricultural Situation

Agriculture in the Economy

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**Report Highlights:**

In July 2015, the government issued several decisions that will extend support to agricultural producers during the continued economic slowdown. The government decided to maintain budgetary appropriations in the 2016 federal budget for implementation of the activities envisaged by the State Program “Development of Agriculture and Regulation of Markets of Agricultural Products, Raw Materials and Foods for 2013-2020” in the amount of 237 billion rubles (\$3.95 billion). In addition, the government approved amendments to some rules to support agricultural producers through loans and interest rate subsidies as well as selection criteria for investment projects aimed at import substitution.

**General Information:**

In July 2015, the government issued several decisions that will extend support mechanisms for agricultural producers during what is expected to be a continued period of economic slowdown. The government approved budgetary appropriations in the 2016 federal budget for implementation of the activities envisaged by the State Program “Development of Agriculture and Regulation of Markets of Agricultural Products, Raw Materials and Foods for 2013-2020” in the amount of 237 billion rubles (\$3.95 billion). In addition, the government approved amendments to some rules to support agricultural producers through loans and interest rate subsidies. FAS reported in [GAIN Report](#) on the amendments to the 2015 Federal Budget and the planned period 2016 and 2017.

**General Information**

On July 23, 2015, Prime Minister Medvedev met with the Ministers of Agriculture, Economic Development, and Finance to discuss 2016 – 2018 federal budget expenditures in the agricultural and fisheries sectors.

As a result of the meeting, PM Medvedev approved the 2016 federal budget appropriations:

- For implementation of the activities envisaged by the State Program “Development of Agriculture and Regulation of Markets of Agricultural Products, Raw Materials and Foods for 2013-2020” in the amount of 237 billion rubles (\$3.95 billion) [1] ;
- For implementation of the activities outlined in the State Program “Development of the Fisheries Industry until 2020” at the levels, initially approved in the Program [2] .

In addition, PM Medvedev instructed the Federal Ministers to consider these decisions when drafting the 2016 federal budget and the planned period 2017 and 2018. The text of the decisions in Russian can be found at <http://government.ru/orders/19109/>.

On July 28, 2015, the Government approved Resolution No.766 which amends several rules pertaining to loan and interest rate subsidies for agricultural producers. The amended rules apply to dairy farming, processing of products of plant and animal origin, breeding and selection of planting seeds, development of genetic centers, development of wholesale and distribution centers, as well as construction, reconstruction and modernization of facilities for the production of wine products. The Resolution also introduces provisions that livestock and crop products (in areas of vegetable production, horticulture, viticulture, potato, melon and greenhouse production) are purchased only from agricultural producers.

The Resolution introduced amendments to the Rules for allocation and distribution of federal subsidies for compensation of interest rates on loans borrowed by agricultural producers through Russian banks or agricultural consumer credit cooperatives approved by Government Resolution No.1460 dated December 28, 2012). By the amendments, the categories of recipients of federal support were harmonized with Federal Law No.264-FZ of December 29, 2006 “On Development of Agriculture.”

The amendments will also allow:

- To prolong subsidies up to one year for short-term loans in cases where the appropriate documents, in addition to the credit agreements, were signed during the period from July 1, 2014 to July 1, 2015;
- To subsidize credits up to 15 years, if borrowed before 2013, aimed at the development of beef cattle breeding.

The document also specifies procedures for the calculation of compensation for part of the cost of interest on short-term loans, borrowed by agricultural producers in 2015, taking into account the key rate of the Central Bank, as well as procedures for calculation of the amount of subsidies provided to the (regional) budgets of the subjects of the Federation to recover part of the cost of interest rate on short-term credit (loans).

The amendments to the rules also included new provisions that allow subsidies to cover part of the interest rate on refinancing (compensation) of expenditures incurred earlier, as well as selection criteria for investment projects aimed at import substitution. According to the current amendments, the selection criteria for providing federal subsidies to the regions is based on the availability of land for sowing, and (or) livestock population, and (or) agricultural processing facilities. Additionally, according to amendments introduced by Government Resolution No. 1421 as of December 19, 2014 to the State Program “Development of Agriculture and Regulation of Markets of Agricultural Products, Raw Materials and Foods for 2013-2020” (originally approved by the Government Resolution No. 717 of July 14, 2012), the main objectives of the Program is to accelerate development of import substitution of meat (pork, poultry, beef), dairy, vegetables growing in open and protected cover, seed potatoes and horticultural products. In implementing the amendment, the Russian Ministry of Agriculture developed and approved a list of 464 investment projects aimed at import substitution; including 49 projects in vegetable growing in greenhouses, 48 projects for construction of storage facilities for vegetables, 4 projects for development of processing facilities for horticulture projects, 166 projects in dairy cattle breeding and dairy processing, 79 projects in pork production, 65 projects in poultry production and 53 projects in beef production.

The document sets the minimum which must be provided from regional budgets for partial compensation of the interest rate on credits at 5 percent.

The new rules came into force on August 1, 2015.

The rules foresee that the Ministry of Agriculture will assess efficiency of subsidies based on the achievements of the following performance indicators:

- Index of production of plant and animal origin products in all types of farms;
- Number of processing entities on cattle and plant objects (farms) constructed (reconstructed and /or modernized) with federal support.

<http://government.ru/docs/19134/>,

<http://government.ru/media/files/y395r4REunxEAltiOGaNd3t7pjD9TswU.pdf>

<sup>[1]</sup> FAS/Moscow reported on the State Program 2013-2020, including on the amendments to this Program in the following GAIN reports: [Agriculture Development Program 2013-2020 11-6-2012.pdf](#), [GOR Resolutions on Distribution of Agricultural Subsidies 1-25-2013.pdf](#), [Federal Agricultural Budget in 2013 3-13-2013.pdf](#) Calculations in U.S. dollars are based on the exchange rate that the Ministry of Economic Development of the Russian Federation forecasts in average for 2015: 60 rubles per \$1.

<sup>[2]</sup> FAS/Moscow reported on this Federal Program in the GAIN report [Fish and Seafood Production and Trade Update 3-18-2014.pdf](#). The federal budget for 2015 plans to allocate to the Fisheries Agency 15.4 billion rubles, most of which will be spent on the implementation of the Fisheries Program.