

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Voluntary Public

Date: 4/27/2016

GAIN Report Number: RS1619

Russian Federation

Post: Moscow

Russian Agricultural Policy and Situation Bi-Weekly Update - 5

Report Categories:

Agriculture in the News

Approved By:

Robin Gray

Prepared By:

FAS Staff

Report Highlights:

Russian and Irish Officials Discuss Cooperation . . . GOR Order on Distribution of Subsidies Among Provinces . . . Russian Officials Meet to Improve Legal Framework for Aquaculture . . . PM Medvedev Addresses Russian Agricultural Priorities . . . Beef Cattle Breeding Support Distribution Announced . . . Russians Now Spending Half of Their Earnings on Food . . . Report to Federation Council on Results of Import Substitution . . . Russia's Grain Stocks Remain Higher than Last Year . . . Grain Exports Declining, But Still a Record . . . Japanese Product Prices Don't Frighten Primorye Residents . . . Something's Fishy about this Chocolate . . . Primorye Fast Food Lures Customers Away From Fancy Restaurants . . . New Sakhalin Poultry Meat Production . . . New Tax and Customs Tariff Policy Appointee . . . Cargill Ceases Tula Malt Production . . . Russia Temporarily Restricts Turkish Eggplants . . . Agriculture — A Strategic Sector in Leningrad Oblast

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.

Russian and Irish Officials Discuss Cooperation: On April 12, 2016, officials from the Russian Ministry of Agriculture and the Embassy of Ireland, along with representatives from the Irish company "Kerry Group" met to discuss investment opportunities in Russian agriculture. The Kerry Group produces food ingredients and is represented in Russia by the division "Kerri Ingrediyenty and Aromatizatory. The delegation noted considerable prospects for Russian-Irish investment and discussed the attractiveness of investment in Russian agriculture, particularly with the measures provided under the Federal Program "On Agricultural Sector Development until 2020" and other support mechanisms. In addition, the parties discussed Russian-Irish cooperation in the agrarian sector, including trade in agricultural production and interaction within the Russian-Irish committee on agriculture.

<http://www.mcx.ru/news/news/show/49852.355.htm>

GOR Order on Distribution of Subsidies Among Provinces: On March 30, 2016, the GOR signed Order No. 540-p on distribution of 8,954.7 billion rubles among provinces for partial compensation of direct expenditures for construction or modernization of agroindustrial facilities, as well as for purchasing machinery and equipment. The subsidies are to be distributed for construction, modernization, and/or purchase of machinery and equipment in the following subsectors: 1) fruit storage facilities (812.4 million rubles); 2) vegetable and potato storage facilities (275.59 million rubles); 3) greenhouses (3,039.14 billion rubles); 4) dairy farms (4,022.36 billion rubles); 5) genetic centers in livestock and plant breeding (378.6 million rubles); and wholesale distribution centers (426.44 million rubles). The subsidies are allocated within the framework of the federal program "Development of Agriculture and Market Regulation of Agricultural Production and Raw Material from 2013 till 2020." <http://government.ru/docs/22394/>

Russian Officials Meet to Improve Legal Framework for Aquaculture: On April 13, 2016, Ilya Shestakov, Deputy Minister of Agriculture, and Head of the Federal Fisheries Agency (FFA) met with more than 130 representatives of federal and regional agencies, as well as industry associations to discuss current developments in the aquaculture sector in Russia. Mr. Shestakov stated that during the period 2014-2015, the Russian government, together with the Ministry of Agriculture and the Federal Fisheries Agency, adopted nearly all necessary bylaws and implementation acts to support the Federal Law on Aquaculture, approved by the GOR in July 2013. He also added that since 2015, the government provided subsidies for short-term and long-term credits for aquaculture, and that the GOR will continue to support measures for aquaculture development in 2016-2017. For example, in 2016, the FFA allocated 260 million rubles for scientific research on aquaculture. During the meeting,

regional representatives identified a number of issues and discussed possible solutions. Common challenges for future aquaculture development include: protection of property rights, diversification of fish species, application of intensive technologies for fish breeding, and epizootic risks. The discussion specifically focused on the development of a legal framework for multi-purpose and complex use of water reservoirs, on simplification and acceleration of procedures for the distribution of fish-breeding sites, the distribution of government support for agricultural insurance on fish breeding, and improvement and expansion of selection and breeding in aquaculture.

<http://www.mcx.ru/news/news/show/49900.355.htm>

PM Medvedev Addresses Russian Agricultural Priorities: On April 15, 2016, PM Dmitry Medvedev spoke at the plenary meeting of the United Russia Party “Modern Rural Russia” in Saratov, noting that agrarian policy has always been a priority for the Party. He identified three major priorities for further support and development of the agricultural sector: 1) easy access to land and simplified procedures to start farming; 2) provide Russians with a wide variety of high quality and affordable food products; and 3) achieve a positive trade balance (more exports than imports) with products that demonstrate that the brand “Made in Russia” is a guarantee of quality. Among other issues, PM Medvedev stressed the GOR’s intention to continue to support the livestock and dairy sectors, improve rural infrastructure, and increase support for procurement of agricultural machinery. The full version of PM Medvedev’s speech in Saratov can be viewed here:

<http://www.mcx.ru/news/news/show/49960.355.htm>

Additionally, Medvedev announced the creation of special government commission on the development of agriculture which he will head. Medvedev also mentioned that for the first time, five out of eight Food Security indicators were met and that Russia is currently increasing its agricultural exports. The Prime Minister maintained that these developments are due to the unprecedented government support: 222 billion rubles allocated for the development of agricultural sector in 2015.

<http://tass.ru/ekonomika/3219351>

Beef Cattle Breeding Support Distribution Announced: On April 14, 2016, the GOR signed Order No. 668-p on the distribution of nearly 3 billion rubles, among 16 provinces, for partial compensation of expenditures related to the support of economically important regional programs on the development of beef cattle breeding. The subsidies will be allocated within the framework of the federal program “Development of Agriculture and Market Regulation of Agricultural Production and Raw Material from 2013 till 2020.”

<http://government.ru/docs/22639/>

Russians Now Spending Half of Their Earnings on Food: ITAR TASS reported on a recent study conducted by the Institute of Social Analysis and Forecasting on Russian food purchases. The study found that Russians are now spending 50.1 percent of their earnings for food products. Moreover, the study noted that for the first time in over eight years, retail sales of food exceeded retail sales of manufactured goods. Reportedly, the previous record was set in May 2009, when the share of food products in overall retail sales was estimated at 49.6 percent. This recent trend in consumer spending on food products was attributed to a drop in the per capita real income and a growth in poverty. The Federal Service for Statistics, Rosstat, published the average Russian salary, as of February 2016, at 32,990 rubles per month (about \$500). <http://tass.ru/en/economy/870744>

Report to Federation Council on Results of Import Substitution: On April 20, 2016 the First Deputy Minister of Agriculture, Dzhambulat Hatuov, reported to the Parliament's Federation Council on "Import Substitution in the Russian Federation: Problems and Solutions." Hatuov stated that in 2015 total agricultural production increased by 3 percent, largely because of implementation of the federal program "Development of Agriculture and Market Regulation of Agricultural Production and Raw Material from 2013 till 2020" which provided 222 billion rubles in support of the agricultural sector.

He called attention to the record harvests of vegetables, soy, sugar beets, wheat and buckwheat in Russia in 2015 and the increased meat and poultry production (up 4.4 percent), swine breeding (up 3.8 percent) and poultry farming (up 7.7 percent). He also noted that in 2015 Russian imports of agricultural products and raw material decreased 33 percent, while agricultural exports increased. For example, Hatuov observed that Russian grain exports reached 30 MMT in CY2015, 3 percent over CY2014 grain exports, and exports of meat and meat products increased 8 percent in the same period. At the same time, Hatuov also mentioned several agricultural sectors which have lagged, including dairy, green house production, agricultural processing, and wholesale distribution logistical centers. According to the First Deputy Minister the three priority issues for the Ministry will include: 1) development of domestic selection and genetics; 2) technical and technological modernization; and 3) provision of support to small farms and development of rural territories. Meeting participants forwarded recommendations to the GOR to develop a unified government policy on import substitution.

<http://www.mcx.ru/news/news/show/50123.355.htm>

Russia's Grain Stocks Remain Higher than Last Year: According to recent Rosstat data, in March 2016 Russia's grain stocks decreased 15 percent, from 27.5 MMT on March 1st to 23.3MMMT on April 1st. However, grain stocks still remain the second highest April stocks in the last 6 years, 3 percent higher than stocks on the same date last year. These stocks include stocks reported by agricultural enterprises (12.1 MMT) and by assembling, storing and processing enterprises (11.2 MMT).

http://www.gks.ru/bgd/free/b04_03/IssWWW.exe/Stg/d06/71zern%D0%BE15.htm

Grain Exports Declining, But Still a Record: According to Russian Customs data, in March 2016 Russia exported almost 2.7 million metric tons (MMT) of grain and pulses. This is an historic record for Russian grain exports in March, although 16 percent lower than in the previous month (February 2016). These exports include over 1.6 MMT of wheat, 0.3 MMT of barley, almost 0.7 MMT of corn, and 0.15 MMT of other grains, pulses and flour in grain equivalent. From July 2015 through March 2016, the first 8 months of the 2015/16 marketing year, Russia exported almost 28.8 MMT of grains, pulses, and flour, including almost 20.6 MMT of wheat, 3.9 MMT of barley, and over 3.4 MMT of corn. (Industry sources based on data from Russian State Customs)

Japanese Product Prices Don't Frighten Primorye Residents: Demand in the Vladivostok region for high-quality products from Japan grew again after falling in 2014-2015. Over the past six months, the popularity of Japanese products, mainly grocery products, returned to levels seen in 2013. However, significant retail expansion of Japanese import lines is not expected any time soon.

<http://dv.resto.ru/news/402461>

Something's Fishy about this Chocolate: Scientists at the Pacific Institute of Bioorganic Chemistry, the Far East Branch of the Russian Academy of Science, created a chocolate recipe containing extracts of starfish, sea urchin and lemongrass. The scientists state that consuming this chocolate will slow the aging process and can help increase metabolism. <http://dv.resto.ru/news/402457>

Primorye Fast Food Lures Customers Away From Fancy Restaurants: In recent years the Primorye fast food market has nearly doubled in size, with domestic brands confidently forging ahead. Belt tightening customers migrate to cheaper fast food restaurants creating new opportunities for development.

<http://primamedia.ru/news/economics/20.04.2016/501656/logika-primorskogo-fastfuda-kak-ulichnie-igroki-vimanivayut-klientov-iz-restorano.html>

New Sakhalin Poultry Meat Production: Sakhalin saw its first incubation facility for broiler eggs, on a farm in the village of Troitskoye, in the Aniva district. This event was the first step in the deployment of large-scale poultry production in the island region. Since the time of perestroika, this important staple food has mainly been supplied to the Sakhalin region from other regions of Russia and from abroad. Production volumes of the other agricultural enterprises of the region are small. According to the Minister of Agriculture of the Sakhalin Region, Mikhail Kuzmenko, a subsidy from the regional budget will cover 90 percent of the costs for the purchase and delivery of breeding eggs. All other expenses are borne by the farm. The hatchery has expansion plans including the installation of additional equipment that will facilitate production of geese, turkey, and ducks, in addition to chicken.

<http://deita.ru/news/economy/21.04.2016/5104102-na-sakhaline-nalazhivayut-proizvodstvo-myasa-ptitsy/>

New Tax and Customs Tariff Policy Appointee: On March 25, 2016, Aleksey Sazanov was appointed as Director of Tax and Customs Tariff Policy of the Ministry of Finance. Since January 15, 2016, supervision of the Federal Customs Service and the Federal Service on Regulation of the Alcohol Market was transferred to the Ministry of Finance. Russia created a unified system of administration and collection of taxes, customs duties and insurance premiums in 2015.

<http://rg.ru/2016/03/29/v-minfine-naznachen-novyj-glava-nalogovoj-i-tamozhenno-tarifnoj-politiki.html>

Cargill Ceases Tula Malt Production: Cargill halted one of the largest malt production facilities in Russia (Tula region) due to falling market demand. In 2003, Cargill invested \$50 million to set up a malt factory as beer consumption took off in the country.

<http://www.rbc.ru/business/08/04/2016/5706eed39a7947e9ce5d5cf0?from=main>

Russia Temporarily Restricts Turkish Eggplants: The Russian Veterinary and Phytosanitary Surveillance Service (Rosselkhoz nadzor) introduced temporary restrictions on imports of eggplant from Turkey due to the “regular presence of quarantine pests.” The ban became effective April 25, 2016.

<http://www.fsvps.ru/fsvps/news/16898.html>

Agriculture — A Strategic Sector in Leningrad Oblast: Agriculture is the fastest growing sector of the economy in Leningrad Oblast. The Oblast produces more than 42 percent of agricultural products of the North-West Federal District and holds the leading position nationwide in production of eggs, poultry meat, milk, and trout. In 2015, 2.95 billion rubles (\$44.7 million) from the regional budget was directed to support the agricultural sector, according to Leningrad Oblast Governor Alexander Drozdenko, who has promised to support agricultural production in 2016 at similar budgetary levels. In 2015, farmers in the region produced agricultural products valued at 99 billion rubles (\$1.5 billion), 14 billion rubles (\$212 million) more than in 2014. The production of grains rose by 14.4 percent compared to 2014 and amounted at 146,000 metric tons, potatoes by 12.9 percent (321,600 tons), and

greenhouse vegetables by 18.6 percent (26,400 tons). <http://www.lenobl.ru/news21971.html>