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Voluntary Public

Date: 5/16/2016

GAIN Report Number: RS1622

Russian Federation

Post: Moscow

Russian Agricultural Policy and Situation Bi-Weekly Update - 6

Report Categories:

Agriculture in the News

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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.

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Government Commission Discusses Current Situation in Consumer Food Markets: On April 27, Deputy Prime Minister of the GOR Arkady Dvorkovich chaired a meeting of the Government Commission on Monitoring and Rapid Response to the Structural Changes of Food Markets (Commission). The officials from the Ministry of Economic Development, Ministry of Agriculture, Ministry of Industry and Trade delivered reports on the current situation in the consumer food market, including the situation in the provinces.

The participants of the meeting stated that initiatives of the government aimed at priority support for agricultural producers and implementation of the import substitution program have contributed to decreased inflation in the 1st quarter of 2016. The Chairman of the Commission instructed the heads of the Russian provinces to encourage and support various forms of trade of agricultural products, providing balance of interests in the sector, increase the level and quality of service to the population, and perform to the established standards of safety and quality of food production.

<http://government.ru/news/22847/>

Report of the Implementation of the Federal Program on the Development of Agriculture 2013-2020 in 2015 is released. Russian Prime Minister Dmitry Medvedev approved the Ministry of Agriculture's annual Report on the implementation of the 7 years' (2013-2020) Federal Program on development of agriculture in 2015 by its Order No. 864-p of May 10, 2016. Ministry of Agriculture posted the Report on its web-site: <http://www.mcx.ru/news/news/show/50734.355.htm>

On April 28, at the weekly meeting of the Russian government, Minister of Agriculture Alexander Tkachyov held a briefing on the results in 2015 of implementation of the Federal program "On the development of agriculture 2013-2020". He reported on the positive overall production in most of agricultural subsectors, such as record production of wheat, soya, and corn. Also, he noted that there was significant development in construction of greenhouses and production of poultry, pork and beef. Minister Tkachyov raised his concern about decrease in production in the dairy sector, specifically in private households where milk production dropped 3 percent in 2015 versus the same period in 2014. The Minister also stated that additional funds are needed for reducing the 8 MMT deficit of cows' milk production. Dairy producers have received Rub 7 billion of subsidies in February 2016, and Rub 4 billion in March. However, the profitability of the average milk production businesses does not exceed 10 percent which is too low a rate for new investments.

In addition, the Minister stressed the importance of improving the credit mechanism for farmers, and hoped that the government budget will approve an additional 20 billion rubles that will be aimed at subsidizing interest rates on short-term credits for farmers. Rub 23 bln were allocated for this purposes in the anti-crisis plan. However, the Ministry has not received any of these funds yet, and the specific

date for the transaction has not been determined. Meanwhile, the Ministry has already assessed the need for additional financing in the coming years; for example, an additional Rub 10 bln will be needed for the New Farmers grants in 2017-2018. However, the increase of the budget for short-term agricultural loans and other subsidies will be possible only after the budget review, which has been scheduled for fall 2016. Minister Tkachyov pointed out that the 3 percent growth in the sector last year was possible mostly because of Rub 222 bln state support (15 percent more funds compared to 2014). The full version of the Minister's speech can be found at http://government.ru/dep_news/22855/

Russian Grain Export in MY 2015/16 May Be a Record One in the Russian History: According to the Russian Federal Customs Service, from July 1, 2015 through May 4, 2016 Russia exported almost 30.72 MMT of grain, including 22.27 MMT of wheat, 4.10 MMT of barley, 4.08 MMT of corn, and 0.28 MMT of other grains. Volumes of exports exceed by 10.3 percent volumes of exports in the same period last year. <http://www.mcx.ru/news/news/show/50672.78.htm>

Bangladesh Rejected Three Shipments of Russian Wheat in April and May 2016: According to mass media, in April and May 2016, Bangladesh rejected three shipments of Russian wheat (each approximately 50,000 MT) on reasons of non-compliance of wheat with Bangladesh grain quality requirements. Specialists from the Russian Federal Service for Veterinary and Phytosanitary Surveillance (VPSS) and its subordinated Institute of Grain Quality Examination have visited Bangladesh in order to find compromise between the Bangladesh and Russian requirements on wheat quality. The information on any resolution of the problem is not yet available.

<http://www.fsvps.ru/fsvps/news/17094.html>

<http://www.fsvps.ru/fsvps/news/17056.html> <http://www.fsvps.ru/fsvps/news/17001.html>;
<http://www.fsvps.ru/fsvps/news/16921.html>; <http://www.apk-inform.com/ru/news/1067139>;
<http://www.apk-inform.com/ru/news/1067261>

Ministry of Agriculture and Ministry of Economic Development Agreed on the New Rules for Grain Interventions: According to mass media, the two Ministers agreed upon the new rules for purchasing agricultural commodities to the State Intervention Fund and on selling of these commodities from the Fund. The major proposed changes are the following: to extend the term of nomination of the state agent from one to three years; to extend the term for which the keeper of intervention grain, the commodity exchange for interventions and the crediting banks are selected from one year to three years; and to select the insuring company through a tender. Before, the Ministry of Agriculture was nominating the state agent for one year, and every year it was the United Grain Company.

<http://www.agronews.ru/news/soglasovany-novye-pravila-provedeniya-gosintervencij.html>

Russian Delegation from the Russian Ministry of Agriculture Participated in SIAL China 2016 Food Show: Minister of Agriculture Alexander Tkachyov led a delegation from the Russian Ministry of Agriculture to China. For the first time, a delegation from the Russian Federation participated in the International Food Show and Specialized Equipment "SIAL China 2016" that took place in Shanghai in May 5-7th, 2016. A number of Russian provinces exhibited at the show, including Republic of Tatarstan, Stavropol, Rostov, Tomsk and Orenburg provinces. Booths and showcases presented by large Russian agroholdings, such as "Miratorg", group of companies "Yug Rusi", holding "KDV Group", JSC "Draftech", "Moskovskaya Kofeynya na Payakh" and others attracted a great number of show participants. Minister Tkachyov held a meeting with the heads of the Russian delegations from the provinces and agricultural companies, stressing the intention of the Ministry of Agriculture to support

increasing export of agricultural products and provide all types of support from the federal level. He stated that the Chinese market could be opened for the Russian poultry meat by the end of June of this year; for beef in the second half of the year; and for pork by the end of 2016 or in early 2017. "For the first time for many years, we arrived with our Chinese counterparts at concrete solutions in favor of Russian producers and in favor of Russian exports," - said Minister Tkachyov.

<http://www.mcx.ru/news/news/show/50628.355.htm>

<http://www.eastrussia.ru/news/v-tekushchem-godu-rynki-kitaya-otkroyutsya-dlya-rossiyskogo-myasa-aleksandr-tkachev/>

Average Productivity of Cows Milking Herd in Russia Increased by 6.9 Percent in 2015: According to the Ministry of Agriculture, the average productivity of cows at all types of farms increased by 6.9 percent in 2015, allowing the total milk production to remain at the previous year's level despite a reduction in herd size. Agricultural enterprises and private peasant farms increased milk output in 2015 by 2.4 and 6.1 percent respectively. 46 regions, including the Republic of Ingushetia (11.5 percent), Kaluga Oblast (11.2 percent), Kaliningrad Oblast (by 8.8 percent), Kirov Oblast (6.8 percent), Tula Oblast (by 6.0 percent), Vologda Oblast (5.6 percent), Primorsky Krai (4.3 percent), and Leningrad Oblast (by 3.7 percent) increased milk production year-on-year. Last year 219 dairy farms were built or modernized with financial assistance from the federal government. The modernized enterprises produced 234,000 MT of additional milk. Rub 10,468.7 million were spent from the federal budget under the dairy cattle support sub-program. <http://www.mcx.ru/news/news/show/50606.355.htm>

MinAg Reported Total 277.1 Billion Rubles Were Allocated for Implementation of 5,800 Investment Projects in Agriculture in 2015: According to the MinAg press release, 4,604 out of 5,800 investment projects are aimed at the development of crop production. Implementation of these projects started in 2014-2015. The share of credit financing allocated for the development of the subsector is estimated at 91.3 billion rubles. 481 investment projects were selected for the development of livestock production with the total amount of 129.8 billion rubles. In addition, 85 investment projects of the total amount of 32.9 billion rubles were allocated for the development of beef cattle production; and 630 investment projects for the total amount of 23.2 billion rubles were sent to the development of dairy cattle production. The MinAg also reported that the following factors contributed to improving credit availability in the agricultural sector in Russia in 2015:

- introduction of a new support measure – compensation of incurred costs for construction and modernization of agricultural facilities, and also a mechanism for project financing;
- granting state guarantees on the credits for the purpose of replenishment of current assets;
- increased the charter capital of Rosselkhozbank by 10 billion rubles, which allowed to provide additional 37 billion rubles in credits for agricultural sector.

<http://www.mcx.ru/news/news/show/50698.355.htm>

Cod is the Most Popular Fish Among Muscovites in 2015: The Press Service of the Department of Trade and Services at the Moscow Mayor's Office reported that the share of cod in the total sales of fish marketed in Moscow in 2015 is estimated at 27 percent, followed by tilapia - with 15 percent, and pollock -with 13 percent. Other popular species of fish include: Atlantic salmon - with 9 percent share, pink salmon – 6 percent, halibut – 5 percent, and chum salmon – 3 percent. Remaining 22 percent accounts for sales of all other types of fish.

<http://www.fish.gov.ru/press-tsentr/obzor-smi/13204-nazvana-samaya-populyarnaya-ryba-u-moskovskikh-pokupatelej>

Government Commission on Legislative Drafting Activities Approved Draft Law Aimed at Improving Mechanism for Providing Rights for Fish Harvesting: According to the draft law the following amendments are foreseen to the Russian Federal Law “On Fisheries and Preservation of Fish and Seafood”:

- increase up to 15 years the term of fixing quotas of production (catch) of fish and seafood;
- allocation of 20 percent of quotas of production (catch) of fish and seafood for the investment purposes, including for construction of fish harvesting vessels and processing facilities on the vessels;
- increase the threshold of minimum catch of fish and seafood from 50 up to 70 percent of volume of the allocated industrial quotas or coastal quotas within two years in a row.

Adoption of the bill will allow fishery companies to undertake long-term planning of economic activity, increase catch volumes allocated by quota, promote growth of investments into construction of fish processing facilities and fishing vessels at Russian shipyards. The draft law will be considered by the GOR in the near future.

<http://government.ru/activities/22969/>

First Russian Whiskey Distillery Will Be Built in Kaliningrad Region: The largest Russian producer of cognac “Alliance-1892” located in Kaliningrad will soon build Russia's first whiskey distillery. The distillery, with planned capacity of 5 million liters per year, is expected to be operational in 2018. Once the project is completed, Russian whiskey may appear in the market by 2021. The delay is caused by Russian standards requiring whiskey to be aged in oak barrels for at least three years.

http://www.gazeta.ru/business/news/2016/04/21/n_8540249.shtml

New Restaurants in Downtown Moscow Doubled in the First Quarter of 2016: According to the data from international consulting company “Colliers International”, the number of new restaurants in downtown Moscow increased from 23 outlets in the first quarter of 2016 to 40 outlets in the first quarter of 2016. Roughly two-thirds of all new cafes, bars, and restaurants are non-chained outlets with most specializing in meat and craft beer concepts. Available spaces have appeared in recent months due to retrenchment in the banking sector. Many banks have lost their licenses and others have closed expensive office space in central Moscow.

<http://realty.rbc.ru/articles/10/05/2016/562950000766000.shtml>

Russian Consumers Switching to Domestic Beer: According to data from the “Center for Research of the Federal and Regional Alcohol Market”, the market share of foreign beer producers, including both imports and local production, declined from 92 to 72 percent during the last ten years. Russian consumers are increasing purchases of beer produced at small and medium-sized domestic breweries. In 2015, the volume of beer consumption reached 8.0 to 8.5 billion liters with the share of illegal beer estimated at 12 percent of the total. According to the data, per capita beer consumption in Russia in 2015 was 60 liters per person.

http://life.ru/t/%D0%BD%D0%BE%D0%B2%D0%BE%D1%81%D1%82%D0%B8/406073/zhiteli_r_ossii_pierieshli_na_otiechiestviennoie_pivo_konstatiruiut_v_otrasli

Russia Ratifies EAEU Free Trade Agreement with Vietnam: On May 1, 2016, Russian President Vladimir Putin signed the law on ratification of a Free Trade Agreement (FTA) between the Armenia-Belarus-Kazakhstan-Kyrgyzstan-Russia Eurasian Economic Union (EAEU) and Vietnam. The EAEU-Vietnam FTA was signed in Kazakhstan on May 29, 2015. It will be the first ever international free trade zone between the EAEU and a third country. The FTA provides for removal of customs duties on almost 60 percent of the traded goods immediately after it enters into force, and gradual reduction for the remaining goods until 2027. The FTA is pending ratification by all parties. As of May 13, 2016, only Kazakhstan and Russia have ratified the FTA. <http://en.kremlin.ru/acts/news/51852>

Russia and Iran to Sign Agreement on a “Green” Customs Corridor: Russia and Iran plan to sign an agreement in May opening a “green” customs corridor, according to Russia’s Federal Customs Service Chief Andrei Belyaninov. "Iran solemnly promised to replace all supplies from Turkey in the delivery of perishable goods to Russia," he said. "We'll go there [to Iran] in May to sign a green corridor deal," he added. The green customs corridor is expected to simplify customs procedures and helps expedite a number of formalities for customs clearance and document formalization. Russian Energy Minister Alexander Novak, who is also co-chairman of the Russian-Iranian Inter-Governmental Commission for Trade and Economic Cooperation, said earlier that Iran could supply fruits and vegetables worth no less than \$1 billion to Russia annually. Russia intends to buy pistachio nuts, dates and grapes. Russian trade chains have said they are ready to increase purchases of foodstuffs from Iran. <http://clients.tass-online.ru/?page=popup&langID=2&productID=2&aid=9000862>

“Far East Hectare” Land Available from June 1: According to a decree signed by President Vladimir Putin known as "Far Eastern Hectare", Russian citizens can receive free land to in a number of regions of the Far East. The land lots will be distributed gradually for an initial term of five years. After this period, the settlers will be able to register the hectare of land. Primorye is ready to accept 13,000 new settlers during the first stage. http://zrpress.ru/business/primorje_11.05.2016_77682_dalnevostochnyj-gektar-na-nashu-golovu.html

Federal Fisheries Agency Expects Increase in Salmon Supplies from the Far East:

Deputy Minister of Agriculture and Head of the Federal Fisheries Agency Ilya Shestakov expects salmon prices to increase in Russia due to the low supplies coming from Chile. According to Shestakov, the overall reduction in supplies from Chile can be reflected in the Russian market "in a favorable direction, as there will be more opportunities for companies producing salmon in the Far East to supply salmon to the central regions which are the main consumption points." <http://www.eastrussia.ru/news/rosrybolovstvo-zhdet-rosta-postavok-lososy-s-dalnego-vostoka/>

Russia to Ship Black Caviar to China: According to Deputy General Director of "Russian Caviar House" Saodat Sultanova, the first deliveries of Russian caviar to China are scheduled for late May or early June of this year. The company intends to ship 100-150 kilograms of black caviar each year to China where prices are substantially higher than in Russia. <http://primrep.ru/2016/05/kitajtsev-nakormyat-russkoj-chnoj-ikroj/>

First Chickens Hatched in New Incubator in Magadan: "Dukchinskaya" poultry farm in Magadan launched a new incubator on April 1 and celebrated the hatching of 13,000 eggs. According to the employees of the enterprise, this is an excellent result, the percentage of hatching reached almost 90

percent. The launch of a new incubator will allow the company to abandon the costly and complex delivery of day-old chicks by plane, as well as to ensure the availability of sufficient numbers of birds. The cost of the hatchery amounted to 24.1 million rubles.

<http://magadanmedia.ru/news/society/12.05.2016/505476/pervie-13-tisyach-tsiplat-iz-novogo-inkubatora-vilupilis-na-ptitsefabrike-v-magadan.html>