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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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On August 25th, Deputy Minister of Agriculture Dmitry Yuryev held a regular meeting with industry unions and agricultural producers on additional financial support of the oil and fat production.

During the meeting Dmitriy Yuryev stated that “supporting the oil and fat production and increase in production of meat and poultry are the links of one chain.” He also added that “in the medium term for rapid import substitution, it is necessary not only increase agricultural production, but processing of agricultural products.”

Coordination of additional financial support in the framework adjustments to the Federal Program on Agricultural Development till 2020 will be completed in September. Ministry of Agriculture of Russia is requested to submit to the Government of the Russian Federation the relevant draft amendments until September 30th.

<http://mcx.ru/news/news/show/28064.355.htm>

GOR to Provide \$6.7 Billion Capital Injection from the NWF to VTB and Russian Agricultural Bank.

The Russian Government announced August 25 that PM Medvedev had signed a [resolution](#) allowing the GOR to spend RUB 239 billion (\$6.7 billion) from the National Wealth Fund (NWF) on preferred shares of VTB and Russian Agricultural Bank (RAB). According to the resolution, the Finance Ministry is to buy preferred stock of both VTB and RAB worth RUB 214 billion (\$6 billion) and RUB 25 billion (\$0.7 billion), respectively. Prior to the stock purchase, VTB (along with VTB Group members Bank of Moscow and VTB24,) and RAB must repay subordinated loans received from Vnesheconombank (VEB) during the 2008-09 financial crisis, and VEB, in turn, must repay an equivalent of the deposits it received from the NWF.

There will be no impact to the NWF bottom line since it will receive back from VEB the entire amount it sends to VTB and RAB. Although the impact of U.S. and EU sanctions has added impetus to the GOR decision, the idea to convert subordinated debt of state banks into preferred stock was first voiced by President Putin back in May at SPIEF. In July the draft of the resolution was released by the Ministry of Finance, and the VTB Supervisory Board decided to convert debt into preferred stock. This decision is subject to approval by an extraordinary shareholders meeting scheduled for August 29. [VTB expects](#) that its Tier1 capital adequacy ratio will increase from 10.3% to 12.5% and total capital adequacy ratio

to 14%. However, the problem of low core capital, estimated at 9%, remains, Sberbank CIB analysts commented. According to Fitch's calculations, the Tier1 capital adequacy ratio of RAB may increase from 12.2% to 13.7%, but that is not enough to solve the issue of RAB's distressed assets. Yesterday afternoon VTB's share price increased on the Moscow Exchange by 1.5%, which Bloomberg attributed (perhaps incorrectly) to the announcement of the PM's signing of the GOR resolution.

Boris Titov, an Authorized Representative of the President of the Russian Federation for Protection of rights of businessmen, sent a letter to Prime Minister Dmitry Medvedev in which he asked to consider revoke of anti-western sanctions on those raw materials, especially for fish and meat, which had been paid for by the Russian businessmen before the entry into force the government decision on food embargo.

According to the letter, given the volumes of purchased products prior to the embargo, local processors will incur significant losses. It also says that "in order to minimize the loss of Russian processing companies, we request that you consider adjustment of protective measures with regard to permit the importation of raw materials for which shipments had been paid before the Decree was enacted" – the letter says.

<http://itar-tass.com/ekonomika/1401320>

Federal Anti-Monopoly Service reports on two-week hotline results on increasing prices from consumers.

Two week "hot line" set up by the Federal Anti-Monopoly Service on the issue of rising food prices in Russia resulted in processed 1254 calls from various regions throughout the country. The most number of consumers complained that poultry prices went up by 23 percent, pork prices - by 30 percent, and beef – by 40 percent. A number of calls came on regarding increases in prices for vegetables and fruits, such as kiwi, grapes, apples, peaches, but mostly lemons. Consumers also said that they noticed that the prices for milk and dairy products, particularly cheese and butter went up. Few callers were not happy about increase in prices for salmon and trout.

http://finance.rambler.ru/news/economics/150452489.html?utm_source=rambler&utm_content=finance&utm_medium=brand_link&utm_campaign=cross_promo

On September 4, Russian Agriculture Minister Nikolay Fyodorov reported at the meeting of the Government on measures to improve agricultural insurance with state budget support.

He reported that 9.5 million hectares are insured countrywide, or 12.8% of cultivated area of farmland. It is an increase of 38 % compared to last year. In 2013, the sown area of insured crops insured estimated at 16.3% . Nikolay Fyodorov said that in terms of the insured area and the number of contracts Volga Federal District is the leading with its share of 35.1 percent. Among other leader are the Republic of Tatarstan, Omsk and Orenburg region, Stavropol and Krasnodar.

The Minister informed that in 2014 state budget support for insurance from the federal budget was provided fully to the subjects of the Russian Federation in a record time. Regions received subsidies of \$ 3.57 billion rubles, including from the federal budget - 2.43 billion rubles., or 49% of the annual limit.

Head of the Russian Ministry of Agriculture noted the positive dynamics of livestock insurance with state support, which has been implemented since 2013.

Summing up, Nikolai Fyodorov said that Russian Ministry of Agriculture is actively involved in efforts to improve the current system of agricultural insurance with state budget support, together with the deputies of the State Duma, Russian Ministry of Economic Development, Ministry of Finance of Russia with the participation of the Bank of Russia, trade unions and associations of insurers. Ministry of Agriculture together with the deputies of the State Duma have drafted amendments to the Federal Law № 260-FZ of a reduction in the threshold of loss (death) to harvest from more than 30 percent to 25 percent or more, the loss of planting perennial plants from 40 or more percent to 30 percent or more.

Lowering the threshold of death will increase the number of farmers, including in less risky areas of agriculture of Russia that will be eligible to participate in the program with state agricultural insurance, and also increase the insured areas. "The strategic goal is development of the total market of agricultural insurance. Civilized market, based on the credibility of the system is able to provide full coverage of agricultural sector, and without participation of the government, which is important for the food security of the country. At the same time, we should not allow individual market insurance companies to discredit the market and depreciate efforts made by the government and the insurance community," - outlined the Minister.

During the meeting, Russian Minister of Agriculture also presented a draft federal law "On Amendments to Legislative Acts of the Russian Federation on fish harvesting in the open seas", developed in implementation of the order from the Security Council and the Government of the Russian Federation.

In order to implement international treaties of the Russian Federation in the field of fisheries and the conservation of marine biological resources, the draft document proposes to establish fishing rules for legal entities and individuals engaged in fishing in the open seas by vessels under the flag of the Russian Federation, as well as liability for breach of such rules.

<http://mcx.ru/news/news/show/28550.355.htm>; <http://government.ru/news/14752>

Minister of Industry and Trade Denis Manturov currently does not see the need to introduce food stamps or set prices for sanctioned food products.

"We are ready for any measures that will ensure stability of consumer in terms of pricing. But to date, we do not observe the need for an urgent adoption of such decisions," - he said, speaking at a press conference. Manturov added that the Ministry of Industry will continue to monitor daily prices on sanctioned group of products.

Earlier, the Federal Antimonopoly Service (FAS) of Russia offered the advisory council on competition in agribusiness to introduce "food stamps" for low-income population. According to the Service, it will stimulate the demand for food in case prices for products that are under embargo will begin to increase. The government has offered market participants to sign a memorandum of curbing prices under situation of embargo, but not to use the mechanism of regulation. Ministry of Industry, Federal Antimonopoly service, Rosstat, continue to monitor food prices. The issue of creating a unified system of price analysis under food sanctions is being discussed at the agencies now.

<http://itar-tass.com/ekonomika/1418581>

On August 28, Ministry of Industry and Trade published a press release on the ways and plans to monitor retail prices throughout Russia.

Ministry of Industry and Trade organized daily operational monitoring to control condition of agricultural products markets, raw materials and foodstuffs. Monitoring covers all Russian municipalities both at the level of municipalities and urban districts. Prices are being recorded in various retail facilities both federal and local retailers, non-chain stores, non-stationary trading facilities and markets. Subjects of the Russian Federation conduct daily monitoring prices for a fixed set of 40 food products (27 kinds of imported products that are temporarily restricted, and 13 socially important food products identified as indicators for monitoring prices in a changing supply-demand situation in the food markets).

Regions of Russia are required to send daily and weekly monitoring reports to the Ministry of Industry, as well as analysis of the actual condition and trends in the local food markets. Further, the Ministry of Industry prepares summary reports and sends this information to the government, the presidential administration. The data is also considered by the Government Commission on Monitoring and rapid response to changing conditions of food markets.

http://minpromtorg.gov.ru/press-centre/all/#!/minpromtorg_organizoval_ezhednevnyy_monitoring_rynka_prodovolstviya

Ministry of Agriculture posted for public discussion drafts of two regulatory documents on surveillance in the sphere of plant quarantine.

The Ministry of Agriculture is preparing the regulatory documents for implementation of the recently adopted Federal Law on Plant Quarantine (see FAS/Moscow GAIN report [Russian New Federal Law on Plant Quarantine 8-13-2014.pdf](#)). The following drafts were posted by the Ministry of Agriculture on the official government web-site for public comments:

- The draft of Regulations for the Federal Service for Veterinary and Phytosanitary Surveillance in the Sphere of State Phytosanitary Control in the Points of Entry at the State Border of the Russian Federation. The notification and the text of the document are on the site http://regulation.gov.ru/project/17974.html?point=view_project&stage=1&stage_id=6426. The public discussion of the document was open on August 29 for 30 days;
- The draft Order of the Ministry of Agriculture On Approval of the Quarantine Phytosanitary Requirements. There is still no text of the draft Order, but the information on the opening of the document for public comments (from September 3, 2014 for 45 days) is on the site http://regulation.gov.ru/project/18116.html?point=view_project&stage=1&stage_id=6466

Russia launches ratification of treaties on EEU and Armenian EEU accession.

According to the official website of the President of Russia, on September 1, 2014, President Putin submitted the Eurasian Economic Union (EEU) Treaty and the agreement on Armenia's accession to the EEU Treaty to the Duma for approval. The EEU Treaty was signed in Astana by the presidents of Belarus, Russia, and Kazakhstan on May 29, 2014, and requires ratification by all three parties in order to come into effect as planned on January 1, 2015. <http://eng.kremlin.ru/acts/22883>, <http://eng.kremlin.ru/acts/22882>

Belarus and Russia to revise upwards mutual food trade forecast for 2015

The Belarusian Telegraph Agency (BelTA) cited Alexei Bogdanov, Head of the Central Office for

Foreign Economic Activities of the Belarusian Agriculture and Food Ministry, as saying that in view of Russia's embargo against the import of several groups of food from European countries the supply and demand forecast for milk and dairy products, meat and meat products, and white sugar in the Union State of Belarus and Russia in 2015 will be revised upwards. According to BelTA, in 2014 Belarus is ready to increase the delivery of beef to Russia by 5%, poultry meat – by 16%, and dairy products – by 40%, including roughly 70% more cheese.

http://eng.belta.by/all_news/economics/Belarus-Russia-to-correct-planned-food-trade-figures-for-2015_i_75471.html

Draft of Federal Law “On amendments to several legislative acts in relation to federal control (supervision) over the implementation of technical regulations” was published on official website of the Russian Government for public discussion on July 28, 2014.

The discussion has been completed by now. The draft Federal Law introduced several amendments to Federal Law No. 184-FZ of December 27, 2002 “On technical regulation”. It is essential that the amendments expanded authorities of federal or municipal bodies which provide supervision over compliance with requirements of technical regulations. There are two points:

- Notification of the commercial entities or individual entrepreneurs about coming unplanned on-site inspection is not compulsory;
- Agreement of public prosecution office for conducting the unplanned on-site inspections is not required.

http://regulation.gov.ru/project/16494.html?point=view_project&stage=2&stage_id=11425