



Grain Trade Policy

July 13, 2004

Russia

Summary

Russia is a net exporter of wheat, wheat flour and barley and a net importer of corn and rice. According to official US export data, Russia's grain imports from the United States were valued at nearly \$2.4 million in 2003, down 70 percent from the previous year.

The Russian Government (GOR) enacted trade restrictions, conducted market interventions, and made tariff adjustments during the past year. These policies were designed either to discourage food grain exports, thereby holding down sensitive staple food prices, or to increase feedstuff imports to support domestic livestock production.

Russia's draft agricultural law, which is currently being discussed in the legislature, contains cereal grain supply management provisions that could have an impact outside Russia's borders. These measures include intervention purchases and releases from government stocks, ad hoc import duties and export bans, and guaranteed minimum and maximum prices for wheat and rye.

Market Intervention

During late 2003 and early 2004, grain prices increased due to world market conditions and a lower domestic crop, and the GOR once again intervened in the domestic grain market by selling wheat from state reserves to millers. In the draft agricultural law, grain interventions are seen as one of the permanent tools to regulate prices and stabilize production.

According to the Deputy Head of the Federal Agency for Agriculture, the government plans to allocate 4.2 billion rubles for the grain intervention fund in 2004-2005. In public declarations, Minister Gordeyev said that the ceiling prices for this market year's grain interventions will be 4,000 rubles for class 3 wheat (\$138), 3,200 rubles for class 4 wheat (\$110), and 2,200 rubles for food rye (\$76). The Ministry of Agriculture is planning to start interventions in August, but the timing will depend on when the Government issues the appropriate resolution. At present, the verified draft of the Resolution is in the Ministry of Justice for approval.

According to press reports before the recent elections, Deputy Prime Minister Gordeyev said that the GOR was considering setting a ceiling on the markup retailers can charge on "socially important" food products. At present, the government legally cannot set such limits. This measure would be part of the continuing effort of the GOR to ensure that food prices remain moderate, so that low-income consumers are not disadvantaged.

Market Access

In order to increase domestic meat production, a key economic goal, the GOR has taken positive steps toward sound science-based trade regulations by registering several lines of GMO corn for feed use. In addition, the Resolution of the Government of the Russian Federation #771 (December 23, 2003) lifted the five percent import duty on corn and other feeds beginning on January 26, 2004. This policy will remain in force for a period of nine months. Related to this, grain importers and feedstuff processors are working to simplify the regulatory environment for the production and sale of balanced animal rations.

The GOR took two significant actions in response to last year's relatively low grain crop and skyrocketing domestic bread prices. Resolution #749 of December 11, 2003 introduced a 25 Euro per ton export duty on wheat, rye, and meslin exported from the territory of the Russian Federation to countries outside of Russia's Customs Union with Belarus, Kazakhstan, Kyrgyzstan and Tajikistan. The resolution entered into force on January 16, 2004, and continued until May 1, 2004. In response to continuing grain exports and high prices, on January 30, 2004 the GOR issued a resolution permitting grain sales during the second half of February from the roughly 1.6 million mt of wheat and rye stored in state reserves from last year's intervention purchases.

The Rice Association of Russia asked the government commission for protective trade measures and customs tariff policy to extend the current rates for import duties on rice and milled rice products. The GOR last June 20 issued a nine-month resolution that preserved the existing 10% import duty on rice and milled rice products, but also introduced a proviso that the duty could not be less than 0.03 euros per kg.

World Trade Organization

The Russian Federation is not currently a member of the World Trade Organization. Negotiations are ongoing.

U.S. Non-Party Agreements

Preferential Agreements

Russian law provides for the application of preferential tariff rates for grain imports from developing countries. These rates include a 25 percent reduction in tariffs for those origins. However, as Russia does not import significant quantities of grain (save rice from China which will be imported with or without this preference due to its competitive price) from developing countries, this measure does not have a significant effect on trade patterns.

Bilateral Agreements

There are bilateral agreements between the Russian Federation and CIS countries that allows for preferential trade across their common borders. These agreements also set specific, common sanitary and phytosanitary rules for trade both between these countries, and for third-country imports and exports.

For more information, contact Elizabeth Autry (202-720-6233 or Elizabeth.Autry@fas.usda.gov) or the Office of Agricultural Affairs (agmoscow@usda.gov).