Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Voluntary Report - public distribution

Date: 8/7/2000

GAIN Report #RS0041

Russian Federation

Sugar

Russia Introduces Sugar Import Quota

2000

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Report Highlights:

This year, Russia will implement tariff rate quotas on imported raw sugar. The duty on sugar imported within the 3.65 million MT quota will be 5 percent. Imports above the quota will be assessed a 30 percent duty.

Includes PSD changes: No
Includes Trade Matrix: No

Unscheduled Report
Moscow [RS1], RS

Russia Introduces Sugar Import Quota Regime

Russian Governmental Decree No. 572 of July 28, 2000, implements tariff rate quotas on imported raw sugar from December 16, 2000 until December 31, 2001. According to the decree, 3.65 million tons of sugar imported from developing countries under the Russian system of preferences will be subject to a 5 percent tariff, while imports above the quota will be assessed a 30 percent duty, but not less than 0.09 euro per kilogram. Quota rights will be sold on a quarterly basis at public auctions, and distributed in 146 allotments of 25,000 MT. The minimum price for any lot is 75 thousand euros. The introduction of this tariff rate quota is troubling if it signals the approach the GOR intends to take with imports and its desire to “control the market”.

Why Russia Implemented a Tariff Rate Quota Regime For Sugar

As the world’s largest sugar importer, Russia is implementing a tariff rate quota for sugar in an effort to protect its domestic producers from the negative consequences of an “over saturated” import market. The GOR previously experimented with high seasonal import tariffs during the domestic sugar beet harvest and processing period. However, in response to high seasonal duties, sugar importers boosted activity during the period before the high tariffs became effective. Consequently, domestic sugar prices fluctuated unpredictably during local sugar beet harvest and processing.

How the Quota System is Likely to Affect the Russian Sugar Market

The introduction of a sugar tariff rate quota is likely to negatively affect the development of Russia’s domestic market. First, because the regime is not a market measure it will likely weaken competition. The quota introduces the possibility that a few companies could dominate or distort the market. Second, smaller less well financed companies may be forced out of business because additional capital to will be needed prepay quota allotments while continuing normal operations. Third, market entry will become more difficult, as established companies could be given quota preferences.

Date	**Quota in Million MT**	**Applied Tariff**
December 16,2000- December 31,2001	3.65 Total	5 percent
Quarterly Allotments		
December 16, 200- March 31,2001	1.15	5 percent
April - June, 2000	1.5	5 percent
July - September, 2001	0.6	5 percent
October - December 2001	0.4	5 percent