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## Russian Federation

### Agricultural Situation

### Flour and Bread Prices

### 2003

**Approved by:**

Allan Mustard  
American Embassy, Moscow

**Prepared by:**

Yelena Vassilieva and Dorothy Adams

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**Report Highlights:**

Flour and bread prices have increased by more than twenty percent since September 2002 and are forecast to continue rising. Prices differ from region to region and depend on several factors including: local grain prices, access to grain markets, competition with the Ukraine, and, most of all, regional strategies to subsidize flour and bread prices. Flour and bread prices will be an important factor in regional lobbying strategies for additional benefits this winter and in the spring of 2004.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Moscow [RS1]  
[RS]

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### Russia Flour, Bread and Cereals Prices Trends

Bread and cereal (groats) products remain the major component of food consumption in Russia. Official data on the actual structure of food consumption is not available, but the recommended daily amount is 152 kilograms (in flour and bread equivalent) of bread and bread products for adults and 96 kilograms for children (around twenty percent of total per capita food consumption in weight). For many people, bread replaces other products, like milk, fish, and meat and, therefore, the actual per capita consumption of bread and cereal products is larger than this recommended amount. In this situation, any significant changes in bread prices seriously affect the Russian people. Grain prices have been rising since January of this year fueled by concerns over this year's smaller crop. Additionally, food quality wheat prices increased from an average 2.40 Rubles per one kg to 4.20 Rubles. This grain price increase is being reflected in the increasing price for wheat flour and the subsequent bread and food cereals price increase.

Table 1 contains average domestic retail price data for wheat flour, rye and white bread, rice, and millet cereals and cheap Russian pasta – “vermicelli” – the staple bread products in the Russian diet. In one year, the average retail price of wheat flour, rye and white bread increased by over twenty-one percent and the price of millet cereal doubled. Only the price of milled rice was more or less stable at the retail level due to big stocks of cheap rice imported from China and a good domestic crop this year.

**Table 1. Russia Average Flour, Bread, Cereals and Pasta Prices, Rubles per 1 kg**

	Wheat flour	Rye and wheat-rye bread	Bread and bakery products made of wheat flour	Rice	Millet cereal	Pasta (vermicelli)	Milling Wheat, 3 <sup>rd</sup> class*	Milling Wheat, 4 <sup>th</sup> class*
September-November, 1999	8.58	5.79	11.00	21.54	8.98	12.71	NA	NA
September, 2000	8.36	7.64	9.00	13.60	7.89	15.55	NA	NA
September, 2001	8.63	8.64	10.16	13.61	7.22	16.81	NA	NA
September, 2002	8.12	9.05	10.54	15.63	9.05	17.75	2.40	1.50
October, 2002	8.08	9.08	10.59	15.58	9.32	17.82	2.40	1.50
November, 2002	8.05	9.12	10.61	15.61	9.57	17.87	2.11	1.45
December, 2002	8.04	9.14	10.65	15.69	9.78	17.90	2.30	1.61
January, 2003	7.94	9.22	10.71	15.73	10.00	17.03	2.61	1.63
February, 2003	7.96	9.32	10.79	15.84	10.64	17.13	2.63	1.82
March, 2003	7.99	9.38	10.84	15.88	11.61	17.19	2.89	2.20
April, 2003	8.04	9.52	10.99	15.86	12.60	17.27	3.07	2.32
May, 2003	8.22	9.77	11.30	15.81	13.61	17.39	3.30	2.54
June, 2003	8.84	10.26	11.92	15.81	14.54	17.60	3.40	3.03
July, 2003	9.35	10.47	12.21	15.83	15.85	17.89	3.78	3.23
August, 2003	9.57	10.59	12.36	15.84	17.18	18.10	4.01	3.75
September, 2003	9.82	10.93	12.80	15.89	18.14	18.27	4.20	3.80

Sept 02 to Sept 03 percentage change	+20.9%	+20.8%	+21.4%	+1.7%	+100.4%	+2.9%		
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\* Data on wheat prices are taken from Interfax.

Source: Torgovaya Gazeta

### Regional Trends in Flour, Bread, and Food Cereals Prices

The prices of flour and bread products are regulated to some degree in all regions and regional price differences reflect levels of regional grain supply, transportation expenses, closeness to the Ukraine and, especially, regional regulation practices. In September 2003, the lowest flour price was in the Republic of Tatarstan – 8.22 R/kg while the lowest white bread price was in Murmansk oblast – 9.15 R/kg. The highest flour price was reported in Moscow city – 13.88 R/kg and the highest white bread price was in St. Petersburg – 20.23 R/kg. The bread price in Moscow was 12.78 R/kg, lower than the reported flour price due to efforts to subsidize the selling price of flour from the major mills to the major industrial bakeries. However, in all regions, prices have been increasing and Table 2 contains calculated data on price increases by groups of products and by regions.

**Table 2. Consumer Price Changes for Flour, Bread, and Cereals from September 2002 to September 2003, Percentage by Regions**

	Wheat flour	Rye and wheat-rye bread	Bread and bakery products made of wheat flour	Rice	Millet cereal	Pasta (vermicelli)
Belgorod oblast	43.81	36.31	36.77	-3.57	120.87	9.99
Bryansk oblast	33.13	28.98	28.04	-0.29	116.38	-11.99
Voronezh oblast	27.93	20.49	11.28	-1.14	126.91	-5.49
Kostroma oblast	22.12	18.98	18.00	-1.54	93.23	11.01
Lipetsk oblast	39.66	0.00	14.18	-6.66	152.21	5.45
Ryazan oblast	11.75	14.25	14.87	-2.20	114.27	-8.76
Tula oblast	34.28	82.36	NA	-0.06	108.20	6.76
Moscow City	7.51	15.24	14.64	6.91	90.14	12.60
Komi Republic	32.18	25.82	16.84	9.43	85.26	1.41
Arkhangelsk oblast	27.65	15.47	NA	-3.29	89.31	-1.44
Murmansk oblast	8.64	43.74	30.27	1.87	103.56	9.82
Novgorod oblast	20.40	5.47	4.54	-4.34	80.51	9.00
St.Petersburg	11.09	28.60	27.07	2.21	75.60	0.13
Krasnodarskiy Kray	44.98	41.48	55.63	4.86	101.02	4.10
Stavropolskiy Kray	21.28	50.00	33.33	9.00	135.14	-11.54
Astrakhan oblast	14.47	22.24	33.83	-5.36	121.82	4.40
Republic of Tatarstan	7.03	14.67	6.08	-0.42	93.41	-14.89
Chuvashiya Republic	38.34	18.46	13.18	-4.22	80.74	-5.30
Kirov oblast	44.18	7.85	30.38	-4.65	99.62	82.78
Nizhniy Novgorod oblast	34.26	37.50	52.24	-1.74	110.64	-6.64
Perm oblast	23.14	22.14	23.98	-12.85	97.90	-16.74
Samara oblast	10.36	17.28	40.63	10.97	131.86	32.90
Ulyanovsk oblast	36.31	45.10	33.69	-5.18	122.11	4.10
Sverdlovsk oblast	35.98	10.87	15.62	-15.80	33.11	-0.59

Tyumen oblast	27.62	39.59	43.85	3.05	64.02	17.97
Chelyabinsk oblast	11.22	5.05	5.67	0.80	61.02	3.60
Krasnoyarskiy Kray	34.99	11.88	14.79	1.21	93.42	-1.88
Irkutsk oblast	29.59	28.11	15.15	3.44	87.78	2.56
Kemerovo oblast	28.72	14.46	0.00	-2.93	113.26	12.09
Novosibirsk oblast	17.39	2.14	-3.80	-5.73	66.36	0.31
Omsk oblast	23.49	37.77	31.03	-1.08	127.02	13.46
Primorskiy Kray	-1.20	13.67	-0.84	-14.01	19.97	-21.03
Khabarovskiy Kray	19.70	22.13	12.18	10.62	94.73	1.87

Calculations are made by Post. Source is "Torgovaya Gazeta".

According to different sources, in October 2003 the price of wheat flour increased (regions report an increase from five to ten percent) and this was reflected in an increase in bread prices. Data on retail prices in different regions is not yet available, but sources also predict a further, almost fifteen percent, increase in bread prices by December. Regional authorities have already been strongly advised by top GOR officials to prevent bread prices from skyrocketing and most regions are doing their best on the eve of Duma elections. However before the Presidential elections, oblasts' willingness to allocate funds for keeping bread prices low may fade and this issue may become one of importance only in bargaining for additional federal funds for local bread price support.

### Policy

The Federal government does not have a uniform policy to keep bread prices low. All measures which MinAg may enact affect only the price of grain and this is only one, and not the most important, factor in the cost of bread. MinAg does not influence the prices of input supplies, milling and baking practices, or price policies in general. However, rumors and official statements by top officials may sooth the general public and officials sometimes announce the necessity of regulating input prices in an attempt to determine the price ratio between inputs and grain. Rumors are also being spread about a possible grain export duty and on opening the Federal grain reserves.