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Planting Seeds

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Report Highlights:

Although saved seeds continue to dominate the Russian seed market, the quality and use of imported seeds is rising. The value of imported seeds from all origins rose from \$88.5 million in MY 2003/04 to \$110.2 million in MY 2004/05, and Post forecasts a slight increase in imports in 2005/06. Imported seeds are most common in vertically integrated sectors and in the production of commodities fairly new to Russia. Russian research laboratories are also increasing seed imports, although these imports are generally not identified in customs data. On-going administrative reform in the Ministry of Agriculture continues to complicate inspection and registration of seeds in Russia.

Includes PSD Changes: No
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Executive Summary

Saved seeds continue to account for the majority of planting seeds in the Russian Federation. However, the quality and use of imported seeds are improving. The value of imported planting seeds increased from US\$88.5 million in MY 2003/04 to US\$110.2 million in MY 2004/05. The use of high quality imported planting seeds is most common in vertically integrated production, such as in the sugar and oilseeds industries, and for relatively new sectors, such as for the production of new vegetables, corn, and the commercial production of herbaceous plants. Russian research laboratories also increased imports of planting seeds for breeding purposes, although these imports are usually not identified in customs data. Administrative reform in agriculture was extended in 2005, and no improvements or clarifications have been made in the registration of new varieties and hybrids, despite problems with inspection and examination arising from the transfer of responsibilities to the Federal Service for Veterinary and Phytosanitary Surveillance.

Production

There is no official data on planting seed production, availability, or distribution by kind of seed or region. Therefore, Post uses official statistical data on crop production and yields, as well as unofficial estimates of planting seeds demand by major staple crops such as grains. Grain seeds continue to make up the main share of the planting seeds sector by volume. The majority of seeds used in grain production are saved seeds. However, in 2004 and 2005, use of common or certified seeds increased due to improvements in the management of grain and oilseed farms, as well as increased vertical integration in some segments of crop production. Increased grain production by more efficient farms also added to the use of improved planting seeds. Better seeds are less affected by weather. To some extent, improvements in planting seeds are reflected in the average yields of various crops. The 5-year average yields of most staple crops increased in 2000-2005 compared with the previous averages.

Table 1. Yields by Selected Crop, Metric Tons per Harvested Hectare

| Crop | 1991-1995 (avg.) | 1996-2000 (avg.) | 2001 | 2002 | 2003 | 2004 | 2005, forecast |
|-----------------|---------------------|---------------------|------|------|------|------|-------------------|
| Wheat | 1.61 | 1.59 | 2.06 | 2.07 | 1.78 | 1.98 | 1.93 |
| Rye | 1.56 | 1.50 | 1.88 | 1.90 | 1.86 | 1.54 | 1.57 |
| Barley | 1.55 | 1.55 | 2.01 | 1.97 | 1.96 | 1.80 | 1.81 |
| Oats | 1.24 | 1.36 | 1.71 | 1.56 | 1.68 | 1.51 | 1.44 |
| Corn | 2.52 | 2.24 | 1.79 | 2.83 | 3.25 | 4.03 | 3.83 |
| Millet | 0.19 | 0.90 | 0.79 | 0.85 | 1.39 | 1.19 | 1.12 |
| Buckwheat | 0.45 | 0.60 | 0.54 | 0.54 | 0.82 | 0.75 | 0.73 |
| Rice | 3.49 | 2.82 | 3.49 | 3.74 | 3.17 | 3.77 | 4.20 |
| Peas and Pulses | 1.16 | 1.29 | 1.79 | 1.59 | 1.48 | 1.62 | 1.54 |
| Sunflowers | 0.99 | 0.77 | 0.78 | 0.98 | 1.00 | 1.02 | 1.18 |
| Soybeans | 0.88 | 0.84 | 0.84 | 0.89 | 0.98 | 1.00 | N.A. |
| Rapeseed | NA | 0.64 | 0.68 | 0.72 | 0.98 | 1.20 | N.A. |
| Sugar beets | 17.8 | 15.8 | 19.9 | 21.9 | 22.7 | 2.76 | 2.82 |
| Potato | 8.8 | 10.5 | 10.9 | 10.3 | 11.6 | 1.15 | 1.22 |
| Vegetables | 13.8 | 14.0 | 15.5 | 15.2 | 16.9 | 1.67 | 1.75 |

Source: State Statistical Committee of the Russian Federation

Trade

Russia primarily uses domestic seeds, and imported seeds continue to play a minor role in the sector. However, imported seeds are becoming more common in the production of sugar beets, sunflowerseeds, vegetables, and horticultural crops. The quality of imported seeds also continues to improve. The total value of planting seeds imports in MY 2004/05 increased to US\$110.2 million from US\$88.5 million in the previous year. Imports of planting seeds for grain (primarily corn) increased by 38 percent to US\$25.6 million. Imports of oilseed planting seeds increased by 96 percent to US\$31.7 million. Imports of seeds for sugar beets, vegetables, grasses, herbaceous plants, and other fruits and spores for sowing increased by 16 percent to US\$52.8 million, with sugar beet seeds showing the greatest increase from US\$26.0 million to US\$31.9 million. Imports of planting seeds from the US in MY 2004/05 were US\$17.4 million (corn, sunflowerseeds, fodder grasses, and vegetables).

Table 2 shows the structure and dynamics of seeds imports in MY 2002/03 – 2004/05, and the forecast for MY 2005/06.

Table 2. Imports of Planting Seeds, Marketing Years, Metric Tons

| | | Jul 02 - Jun 03 | Jul 03 - Jun 04 | Jul 04 – Jun 05 | Jul 05 –Jun 06, forecast |
|----------|-------------------------------------|--------------------|--------------------|--------------------|-----------------------------|
| 07011000 | Potato, for sowing | 9,615 | 6,008 | 5,797 | 5,500 |
| 07131010 | Peas, for sowing | 234 | 469 | 809 | 900 |
| 07031011 | Onion, Sets | 7,075 | 7,524 | 9,034 | 9,000 |
| 07133310 | Beans, for sowing | 10 | 15 | 22 | 25 |
| | Subtotal | 16,934 | 14,016 | 15,662 | 15,925 |
| | | | | | |
| 10019091 | Wheat and meslin seed | 16,877 | 67,306 | 56,271 | 55,000 |
| 10030010 | Barley, for sowing | 3,132 | 1,870 | 3,873 | 4,500 |
| 100510 | Corn for sowing, not sweet corn | 4,959 | 7,095 | 9,163 | 10,500 |
| | Subtotal | 24,968 | 76,271 | 69,307 | 70,000 |
| | | | | | |
| 12010010 | Soybeans, for sowing | 221 | 161 | 413 | 420 |
| 12040010 | Flax, for sowing | 17 | 0 | 19 | 0 |
| 12051010 | | 128 | 126 | 132 | 130 |
| 12059000 | Rape or colza seeds, for sowing | | | | |
| 12060010 | Sunflowerseeds, for sowing | 2,684 | 3,386 | 6,127 | 7,000 |
| | Subtotal | 3,050 | 3,673 | 6,691 | 7,550 |
| | | | | | |
| 1209 | Seed, fruits and spores, for sowing | 4,324 | 5,584 | 7,468 | |
| | including: | | | | |
| 120910 | Sugar beet seed, for sowing | 869 | 1,263 | 1,642 | 1,700 |
| 120921 | Alfalfa, Lucerne, seed | 40 | 29 | 0 | 0 |
| 120922 | Clover seed | 107 | 105 | 55 | 50 |
| 120923 | Fescue seed | 298 | 381 | 337 | 350 |
| 120924 | Kentucky blue grass | 119 | 192 | 135 | 150 |
| 120925 | Rye grass seed | 96 | 183 | 126 | 100 |
| 120926 | Timothy grass seed | 0 | 2 | 2 | 2 |
| 120929 | Seeds of other grass plants | 2,019 | 2,174 | 2,026 | 2,000 |

| | | | | | |
|--------|--|-------|-------|-------|-------|
| | Subtotal for fodder grasses | 2,679 | 3,066 | 2,681 | 3,000 |
| 120930 | Herbaceous plants, seeds | 37 | 47 | 50 | 50 |
| 120991 | Vegetable seeds, except red beet and peas | 499 | 720 | 2,044 | 2,200 |
| 120999 | Seeds of other Herbaceous plants and forest trees 1209 | 239 | 488 | 1,051 | 1,000 |

Source: Customs Committee of Russia

Exports of planting seeds are very small and usually are not reflected in official customs data.

Seed Supply by Commodity

Wheat

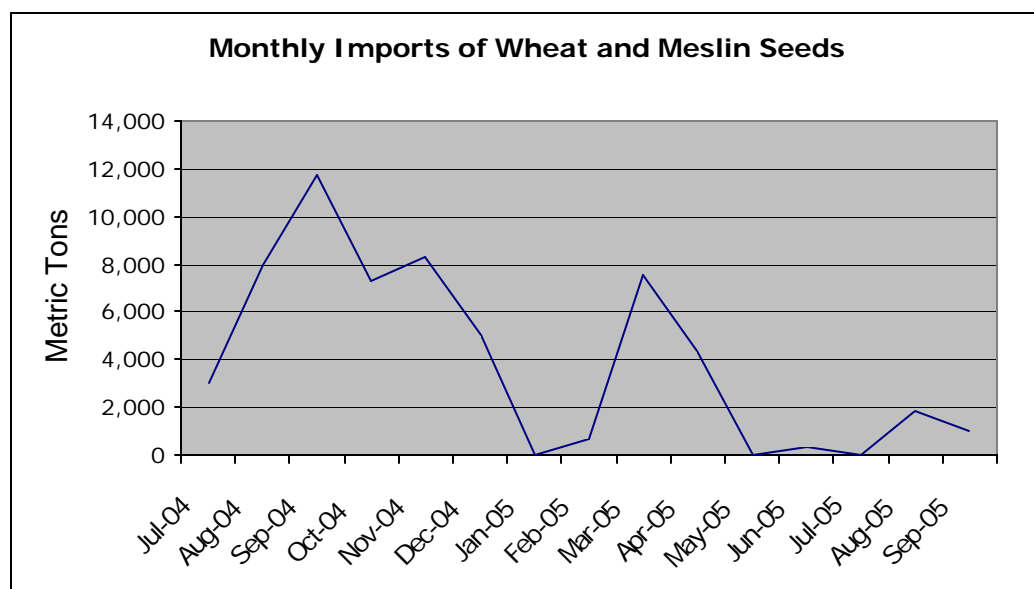
Wheat production in 2005 increased again and reached 47.6 mmt, the highest level in the last 15 years. The growth was due to increased area, although yields were lower than in 2004. There is no official data on seed stocks in Russia, but according to estimates, by January 2006, on-farm stocks of seeds were slightly higher than in the beginning of 2005. However, winter kill this year is forecast higher than in 2005, and farmers will need more seeds for sowing and re-sowing this spring. Some regions report improvements in the quality and condition of seeds, but most of the 6.4 – 6.5 mmt demand for seeds will be met by farmers' "saved" seeds. Imports of wheat and meslin planting seeds for spring sowing in MY 2004/05 decreased by 16 percent to 56,271 metric tons, but still remain one of the biggest imports of wheat seeds in the last 10 years. More than 98 percent of seeds are imported from Kazakhstan, but the range of countries of origin has been expanding during the last two years. September 2005 is the last month of available official import data, while seeds are traditionally imported from November through March. In July - September 2005 Russia imported 2,904 metric tons of wheat seeds, almost 8 times less than in the same period last year, but imports of seeds in January – March, 2006 will probably compensate for the lower earlier imports. Wheat seed imports in MY 2005/06 are forecast at 55,000 metric tons.

Table 3. Imports of Wheat Planting Seeds (HS Number 1001 90 91), Marketing Years 2002/03 – 2004/05, Kilograms and Thousand \$US

| Country- | Jul 02-Jun 03 | | Jul 03-Jun 04 | | Jul 04-Jun 05 | |
|-------------|---------------|------------|---------------|------------|---------------|------------|
| | Kilograms | 1,000 \$US | Kilograms | 1,000 \$US | Kilograms | 1,000 \$US |
| --The World | 16,876,696 | 1,543 | 67,306,333 | 8,358 | 56,270,802 | 7,490 |
| Kazakhstan | 16,814,706 | 1,514 | 66,592,113 | 8,074 | 55,406,648 | 7,202 |
| China | 0 | 0 | 0 | 0 | 365,000 | 59 |
| Ukraine | 0 | 0 | 0 | 0 | 192,850 | 65 |
| Germany | 21,650 | 12 | 152,500 | 86 | 154,000 | 90 |
| Sweden | 0 | 0 | 0 | 0 | 100,000 | 49 |
| Lithuania | 0 | 0 | 311,430 | 93 | 33,000 | 12 |
| Austria | 40,340 | 17 | 118,790 | 54 | 12,300 | 6 |
| France | 0 | 0 | 0 | 0 | 5,000 | 6 |
| Poland | 0 | 0 | 131,500 | 52 | 2,004 | 1 |

Source: Customs Committee of Russia

Chart 1. Monthly Imports of Wheat and Meslin Seeds



Barley

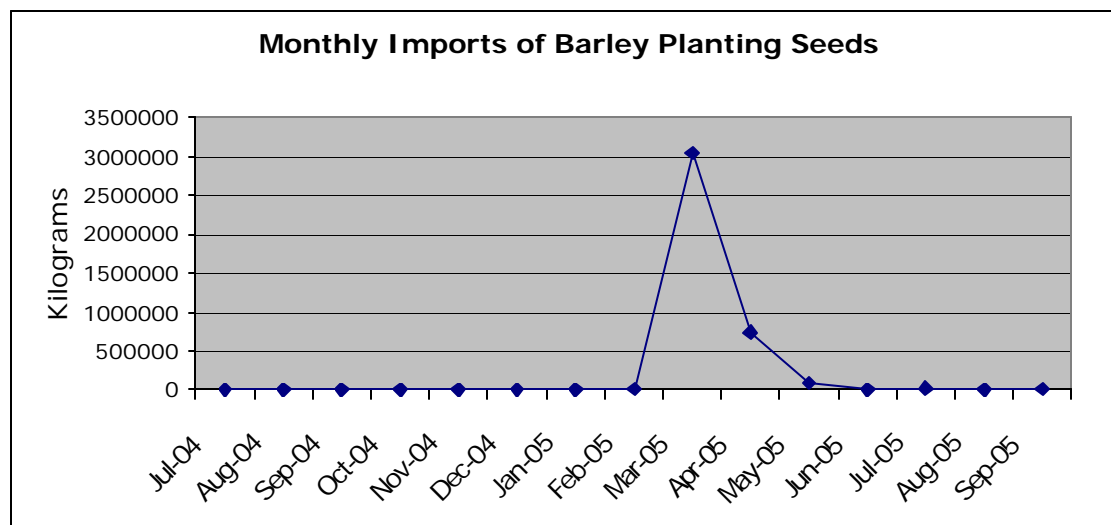
In 2005, barley production decreased 8 percent to 15.8 mmt, while yields remained level. Damage of winter barley is forecast to increase this year, and demand for barley seeds is raised by 250,000 metric tons to 3.0 mmt. Given that most seeds for feed barley are "saved seeds," the increased demand will primarily influence domestic barley prices and the supply of commercial barley in the market. Imports of barley planting seeds will also increase by 16 percent to 4,500 metric tons in MY 2005/06, but these will be primarily planting seeds of malting barley and seeds for selection work. Direct imports of malting barley seeds from Western Europe are recovering with the stabilization of Euro/Ruble exchange rate in 2005. Ukraine and Poland remain the primary suppliers of barley seeds to Russia. Barley planting seeds are generally imported in the spring, and customs data for the end of 2005 and for 2006 are not available. However, unlike previous years, in July – September 2005 Russia imported 28 metric tons of seeds, evidently for breeding purposes.

Table 4. Imports of Barley Planting Seeds (HS Number 1003 00 10), Marketing Years 2002/03 – 2004/05, Kilograms and \$US

| Country | Jul 02-Jun 03 | | Jul 03-Jun 04 | | Jul 04-Jun 05 | |
|--------------------------|---------------|----------|---------------|----------|---------------|----------|
| | Kilograms | 1,000 MT | Kilograms | 1,000 MT | Kilograms | 1,000 MT |
| --The World | 3,132,222 | 864 | 1,869,567 | 916 | 3,872,870 | 1,703 |
| Ukraine | 0 | 0 | 443,975 | 121 | 1,700,350 | 395 |
| Poland | 245,000 | 101 | 589,000 | 368 | 1,136,000 | 733 |
| Lithuania | 265,240 | 43 | 300,000 | 120 | 520,000 | 226 |
| Germany | 344,500 | 182 | 149,350 | 132 | 205,500 | 119 |
| Czech Republic | 0 | 0 | 0 | 0 | 114,000 | 81 |
| EU 15 (Cty Unidentified) | 57,342 | 25 | 0 | 0 | 108,000 | 67 |
| France | 2,127,450 | 459 | 0 | 0 | 76,000 | 73 |
| Austria | 34,690 | 9 | 28,050 | 14 | 13,020 | 10 |
| Other | 58,000 | 45 | 359,192 | 160 | 0 | 0 |

Source: Customs Committee of Russia

Chart 2. Monthly Imports of Barley Planting Seeds



Rye and Oats

Rye production increased 26 percent from the previous year's 30-percent drop, while oat production decreased 8 percent in 2005. Despite expected damage of winter rye in 2006, supply of "saved" rye seeds is forecast to be sufficient. According to sources, seed breeding is improving in Tatarstan Republic and in some other areas of rye production, but significant improvements in the quality of rye seeds are not foreseen and these seeds are not a priority for domestic seed breeding laboratories. Imports of rye seeds may be limited by several kilograms of seeds for these laboratories, but customs information is not available. Oat production is decreasing, and the supply of saved seeds follows this tendency. However, oats are not a priority crop, and Post does not forecast any measurable imports of oat seeds in 2006.

Corn

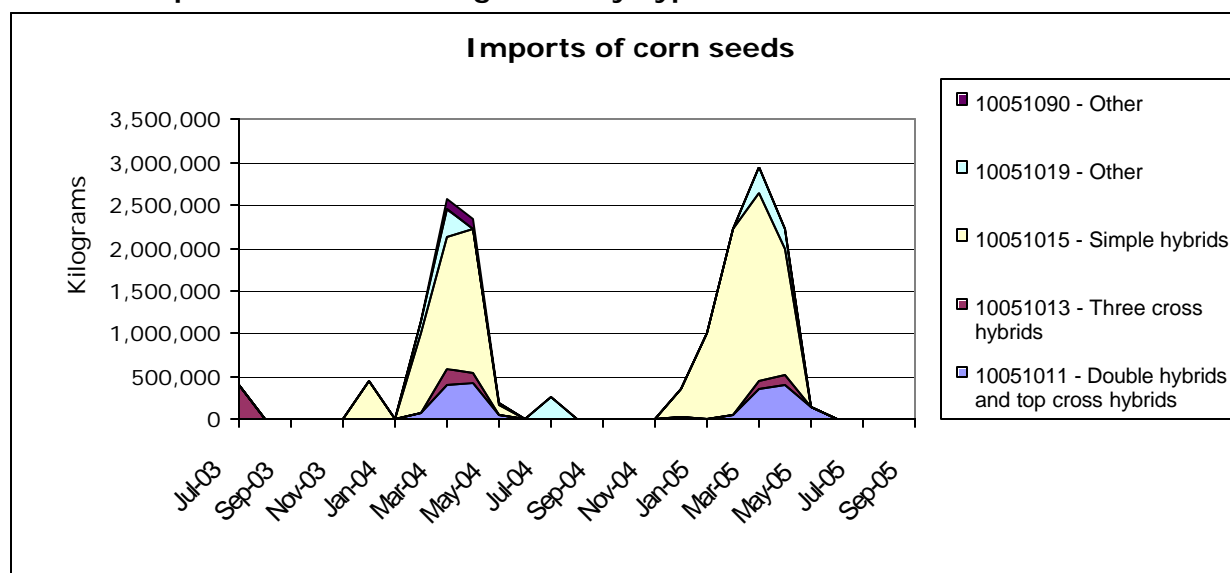
After a record large crop of 3.5 mmt in 2004, Russian corn production decreased by 9.5 percent in 2004, but still remained the second largest crop in the last 10 years. Seed quality is improving. Average corn yields decreased from 4.03 metric tons per hectare in 2004 to 3.83 metric tons per hectare in 2005, although the level is still high compared to the last 10 years. Price remains the primary factor in corn planting seed purchases, as farmers prefer cheap seeds to high yield seeds. Thus, corn seed breeders in Krasnodar complained that in 2005 they were not able to sell 3,500 metric tons of hybrid seeds of first reproduction (equivalent of registered seeds). The price of 14,500 Rubles (approximately US\$520) per metric ton for registered corn seeds hardly covers the cost of production of these seeds, while most farmers cannot afford to pay more than 8,000 – 12,000 Rubles (\$285 - \$430) per metric ton of seeds. Given that the corn seeds market is not developed, many small trading companies sprang up and started trading certified and even common seeds as registered seeds. These companies generally import seeds based on their yields, disregarding the vegetation period, and the seeds perform poorly in Russia's climate. The total imports of corn planting seeds increased 29 percent to 9,163 metric tons in MY 2004/05, while the value of imported seeds increased 77 percent to US\$16.4 million, reflecting an improvement in the quality of imported seeds and diversification of seed suppliers.

Table 5. Imports of Corn Planting Seeds (HS Number 1005 10) by Country, MY 2002/03 –2004/05, Kilograms and 1,000 \$US

| Country- | Jul 02-Jun 03 | | Jul 03-Jun 04 | | Jul 04-Jun 05 | |
|---------------------------------|---------------|------------|---------------|------------|---------------|------------|
| | Kilograms | 1,000 \$US | Kilograms | 1,000 \$US | Kilograms | 1,000 \$US |
| 0--The World | 4,958,943 | 5,011 | 7,094,732 | 9,246 | 9,162,859 | 16,411 |
| 1Hungary | 986,862 | 1,352 | 1,340,034 | 2,309 | 2,793,729 | 5,401 |
| 2Yugoslavia | 1,330,600 | 1,492 | 2,018,289 | 2,656 | 1,690,248 | 3,040 |
| 3United States | 93,685 | 298 | 495,452 | 1,182 | 1,351,686 | 2,554 |
| 4Austria | 24,903 | 43 | 112,362 | 245 | 859,036 | 1,680 |
| 5Ukraine | 990,985 | 352 | 1,644,048 | 699 | 710,074 | 337 |
| 6Moldova | 428,751 | 138 | 208,235 | 122 | 607,200 | 508 |
| 7France | 670,545 | 958 | 296,668 | 691 | 503,052 | 1,098 |
| 8Canada | 0 | 0 | 79,544 | 181 | 274,434 | 711 |
| 9Romania | 136,739 | 225 | 252,276 | 496 | 227,557 | 529 |
| 10South Africa | 0 | 0 | 150,017 | 255 | 41,492 | 77 |
| 11Croatia | 13,094 | 24 | 10,407 | 23 | 41,319 | 82 |
| 12China | 18,773 | 3 | 0 | 0 | 35,600 | 7 |
| 13Macedonia | 0 | 0 | 0 | 0 | 11,280 | 23 |
| 14Italy | 0 | 0 | 350 | 0 | 7,690 | 87 |
| 15Netherlands | 0 | 0 | 0 | 0 | 5,231 | 267 |
| 16Czech Republic | 0 | 0 | 0 | 0 | 3,016 | 8 |
| 17Germany | 5,000 | 8 | 45,652 | 115 | 215 | 2 |
| 18Chile | 2,860 | 54 | 549 | 1 | 0 | 0 |
| 19Kazakhstan | 237,096 | 41 | 340,745 | 104 | 0 | 0 |
| 20Poland | 0 | 0 | 1,000 | 3 | 0 | 0 |
| 21Slovakia | 18,000 | 14 | 99,104 | 163 | 0 | 0 |
| 22 EU 15 (Country Unidentified) | 1,050 | 9 | 0 | 0 | 0 | 0 |

Source: Customs Committee of Russia

Chart 3. Imports of Corn Planting Seeds by Types of Seeds



The bulk of imported corn seeds are simple hybrids. Imports of simple hybrids increased from 4,471 metric tons in MY 2003 to 7,217 metric tons in MY 2004, and account for 79 percent of imported planting seeds and almost 84 percent of the value of the total corn planting seeds imports this past year. The U.S. ranks the second after Hungary in supply of simple hybrids to Russia, 1,352 metric tons in MY 2004 for 2005 crop. Average price varied from US\$0.44 per kilogram for imports from Ukraine to US\$2.59 per kilogram from Canada. The average price of imported U.S. seeds was US\$2.25 per kilogram.

Total Russian demand for planting seeds is forecast at approximately 300,000 metric tons in 2006, and the major share of this demand will be met by local hybrids developed by seed breeding institutes in southern Russia, but imports of corn seeds are forecast to increase in 2006 to 10,500 metric tons.

Other Grain Seeds

Imports of other grain planting seeds were minimal and not included in customs data. However, the creation of the company "Kuban-rice" in Krasnodar (joint project of Razgulyay-Ukros and the administration of Krasnodar Kray) in 2005 increased investments in the improvement of domestic seeds and technologies for rice production, and rice production increased by 21 percent to more than 570,000 metric tons in 2005. Imports of seed breeding materials have also reportedly increased.

Sunflower seeds

Sunflower seed production has been growing during the last four years due in part to better seeds. In 2005, Russia produced a record high crop of 6.4 mmt sunflower seeds. The average yield did not change from the previous year, but was much higher than the yields in the 1990s. The demand for better quality seeds continues to grow. Domestic breeders are working on improvements to native varieties (especially to shorten the vegetation period and improve disease resistance) in an effort to increase production in more northern parts of the country. However, the majority of producers' demand for good quality, high yielding seeds is still filled by imports. Imports increased to 6,127 metric tons in MY 2004/05, an 81-percent increase from the previous year, and US seeds accounted for 41 percent of total imports. To some extent, imports from the United States versus imports from European countries were stimulated by a favorable exchange rate, but mutual research conducted by Russian and American breeders in this field was also a factor.

In MY 2004/05, Russia imported 6,127 metric tons of sunflower seeds for sowing, 60 percent of the total sunflower seed imports. Imports of planting seeds increased by more than 80 percent. Imports from the US increased by 3 times to 2,498 metric tons, or 41 percent of the total imports. The value of imported US seeds increased to US\$13.6 million from US\$3.7 million a year ago.

Table 6. Imports of Planting Seeds of Sunflowerseeds (HS Number 1206 00 10), Kilograms and 1,000 \$US

| | Country | Jul 02-Jun 03 | | Jul 03-Jun 04 | | Jul 04-Jun 05 | |
|---|---------------|---------------|------------|---------------|------------|---------------|------------|
| | | Kilograms | 1,000 \$US | Kilograms | 1,000 \$US | Kilograms | 1,000 \$US |
| 0 | The World | 2,683,560 | 10,317 | 3,385,722 | 15,581 | 6,127,341 | 30,667 |
| 1 | United States | 382,422 | 1,641 | 836,911 | 3,658 | 2,497,685 | 13,556 |
| 2 | Moldova | 715,355 | 682 | 759,438 | 973 | 1,286,580 | 2,208 |
| 3 | Turkey | 566,166 | 1,940 | 804,809 | 3,660 | 937,290 | 5,315 |
| 4 | France | 301,965 | 2,137 | 206,240 | 2,340 | 482,346 | 4,042 |

| | | | | | | | |
|----|------------|---------|-------|---------|-------|---------|-------|
| 5 | Hungary | 58,147 | 192 | 141,867 | 655 | 372,843 | 1,833 |
| 6 | Yugoslavia | 185,240 | 1,338 | 195,630 | 1,587 | 244,240 | 1,774 |
| 7 | Romania | 96,150 | 322 | 103,399 | 446 | 185,488 | 720 |
| 8 | Spain | 333,208 | 1,823 | 107,918 | 820 | 39,729 | 619 |
| 9 | Ukraine | 0 | 0 | 120,136 | 671 | 29,121 | 142 |
| 10 | Argentina | 0 | 0 | 0 | 0 | 23,634 | 143 |
| 11 | Italy | 5,671 | 27 | 3,763 | 3 | 17,235 | 152 |
| 12 | Chile | 0 | 0 | 0 | 0 | 10,967 | 133 |
| 13 | Australia | 30 | 5 | 900 | 111 | 183 | 30 |
| | Other | 39,206 | 210 | 104,711 | 1,247 | 0 | 0 |

Source: Customs Committee of Russia

The growth of imports of sunflower seeds for planting since 2000 is given in the Chart below.

Chart 4. Imports of Sunflowerseeds for Planting, by Countries, Kilograms

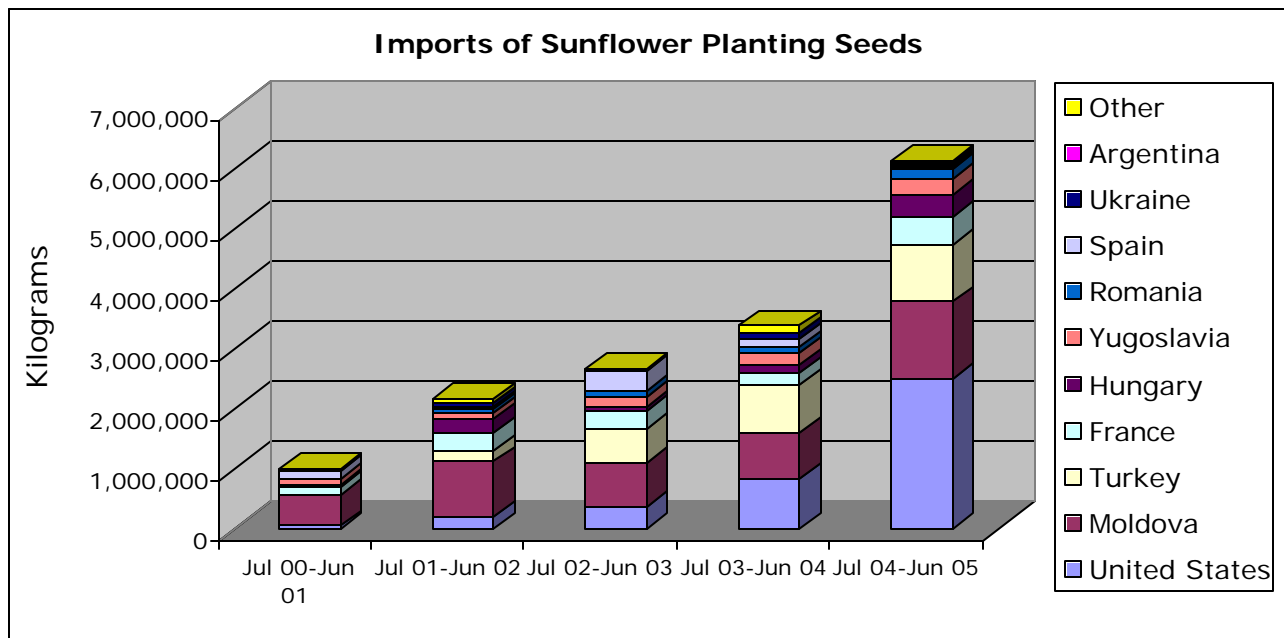
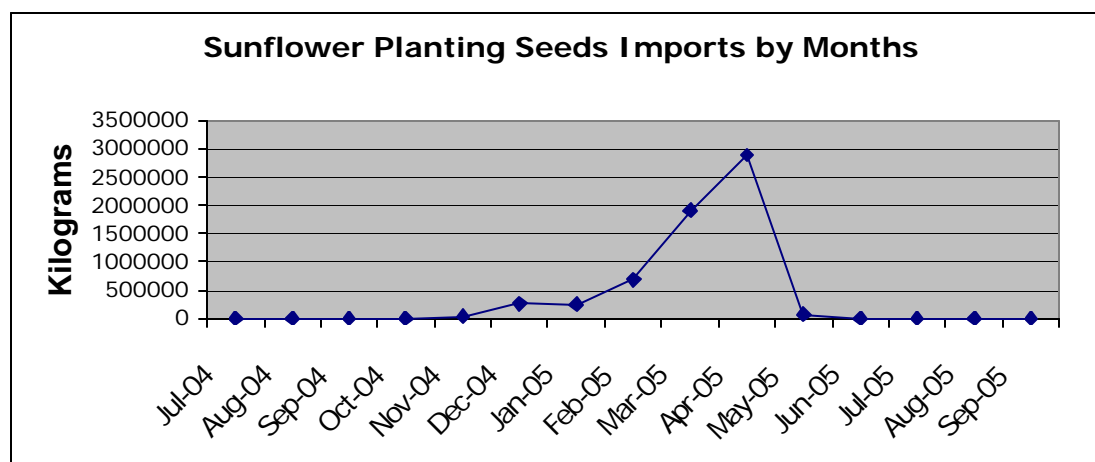


Chart 5. Imports of Sunflower Planting Seeds by Months



Seeds of Soybeans and Other Oilseeds

Russia continues to increase investments in soybean production, especially in European Russia. The data on the 2005 soybean crop is not available, but experts report that more attention has been given to seeds that can produce a stable crop in the weather dependent Far East and European Russia, and to be resistant to diseases. According to official customs data, in MY 2004/05 Russian soybean seed imports increased 2.5 times to 413 metric tons. However, seeds were imported primarily for breeding purposes. Given that most soybean production is concentrated in the Russian Far East, China remains the main supplier of seeds to Russia. Breeding stations and institutes in European Russia imported seeds from Ukraine and the US. All imported soybean seeds are assumed to be conventional varieties, as planting of GMO seeds is not allowed. Demand for soybeans is large and growing along with Russia's intent to increase production of poultry and swine. However, a significant increase in soybean planting seed imports is unlikely due to official restrictions on GMO seeds, and imports are forecast at 420 metric tons, at the same level as MY 2004/05.

Table 7. Imports of Seeds of Soybeans, Flax and Rape/Colza, by Countries

| Country | Jul 02 – Jun 03 | | Jul 03 – Jun 04 | | Jul 04 – Jun 05 | | |
|---|-----------------|------------|-----------------|------------|-----------------|------------|-------------------|
| | Kilograms | 1,000 \$US | Kilograms | 1,000 \$US | Kilograms | 1,000 \$US | \$US per Kilogram |
| Seeds of soybeans (HS number 1201 00 10) | | | | | | | |
| -- The World | 220,639 | 42 | 161,107 | 46 | 413,067 | 160 | 0.39 |
| China | 100,639 | 20 | 161,107 | 46 | 347,888 | 111 | 0.32 |
| Ukraine | - | - | - | - | 40,029 | 25 | 0.61 |
| United States | 120,000 | 22 | - | - | 25,150 | 24 | 0.97 |
| Seeds of Flax (HS Number 1204 00 10) | | | | | | | |
| -- The World | 17,000 | 14 | 400 | 1 | 19,400 | 24 | 1.23 |
| Netherlands | - | - | - | - | 19,400 | 24 | 1.23 |
| France | 17,000 | 14 | - | - | - | - | - |
| Germany | - | - | 400 | 1 | - | - | - |
| Rape or Colza Seeds (HS Number 1205 90 00) | | | | | | | |
| -- The World | 27,000 | 61 | 63,125 | 261 | 43,005 | 261 | 6.07 |
| Lithuania | 16,000 | 58 | 18,600 | 97 | 23,000 | 118 | 5.15 |
| Germany | - | - | - | - | 20,005 | 143 | 7.14 |
| Ukraine | 11,000 | 3 | 23,000 | 69 | - | - | - |
| Poland | - | - | 15,000 | 58 | - | - | - |
| UK | - | - | 6,000 | 34 | - | - | - |

| | | | | | | | |
|---|---------|-----|--------|-----|--------|-----|------|
| Austria | - | - | 523 | 2 | - | - | - |
| Low Erucic Acid Rape or Colza Seeds (HS Number 1205 10 10) | | | | | | | |
| -- The World | 101,030 | 404 | 62,558 | 276 | 88,680 | 590 | 6.65 |
| Germany | 50,600 | 192 | 46,568 | 212 | 88,080 | 586 | 6.65 |
| Austria | 680 | 23 | 990 | 5 | 600 | 4 | 6.19 |
| France | 19,950 | 105 | - | - | - | - | - |
| Poland | 29,80 | 104 | - | - | - | - | - |
| Hungary | - | - | 15,000 | 59 | - | - | - |

Source: Customs Committee of Russia

Other oilseeds crops are produced from domestic varieties and any imports are generally used by research and breeding institutes for improvement of traditional domestic varieties on a temporary basis.

At the conference, "Rapeseeds – Crop of the XXI Century: Food, Feed, and Energy" held in summer 2005, Russian scientists acknowledged that rape/colza will be one of the most important oilseed crops in Russia in the future for meal and oil, with the potential to produce bio-diesel fuel. At the conference, the decision was made to improve selection work, including the use of biotechnology and cooperation with foreign scientists. However, significant improvements in rapeseed production and seed breeding are not yet seen. Imports of flax and rape/colza planting seeds are forecast to remain at the MY 2004/05 level of 130 metric tons.

Vegetable seeds

Russian vegetable production continues to increase, and in 2005 reached 15.2 mmt, up 4 percent from 2004. Production is primarily concentrated on private plots and specialized farms. The variety of vegetables produced in Russia has expanded significantly and demand for a wider range of types continues to increase. In MY 2004/05, a significant portion of vegetable seeds were imported by small private companies under certificates of conformity that are given to a certain company for a set period from a list of vegetable products or seeds, and these imports may not be captured in official data. However, official imports of vegetable seeds more than doubled to 2,044 metric tons in MY 2004/05, and this increase may reflect both an increase of actual imports and better registration of imported vegetable seeds at customs. Vegetable seeds are imported from a wide range of countries where private Russian seed companies have contacts. In MY 2004/05, vegetable seeds were imported from 30 different countries. Ukraine remains the main supplier of cheap seeds of staple vegetables, while Netherlands is the main supplier of expensive seeds of a wide range of vegetables. Total imports of vegetable planting seeds are forecast to increase to 2,200 metric tons, primarily at the expense of high quality seeds. Vegetable seed imports from the US have been increasing and reached 68.4 metric tons, worth roughly US\$500,000.

Table 8. Imports of Seeds of Vegetables, except red beet and peas (HS Number 1209 91), Kilograms, 1,000 US Dollars

| Country | Jul 02-Jun 03 | | Jul 03-Jun 04 | | Jul 04-Jun 05 | |
|-------------|---------------|------------|---------------|------------|---------------|------------|
| | Kilograms | 1,000 \$US | Kilograms | 1,000 \$US | Kilograms | 1,000 \$US |
| --The World | 498,682 | 8,737 | 720,197 | 11,224 | 2,043,978 | 12,797 |
| Ukraine | 27,535 | 58 | 124,589 | 15 | 1,353,029 | 170 |
| France | 104,824 | 302 | 87,772 | 305 | 201,052 | 678 |
| Netherlands | 104,345 | 7,030 | 161,778 | 8,998 | 91,922 | 9,842 |

| | | | | | | |
|--------------------------|--------|-----|---------|-----|--------|-----|
| Uzbekistan | 8,407 | 12 | 43,053 | 83 | 77,075 | 200 |
| United States | 22,929 | 110 | 36,370 | 108 | 68,410 | 459 |
| Italy | 29,329 | 121 | 42,385 | 202 | 61,370 | 380 |
| Poland | 27,834 | 184 | 28,939 | 85 | 49,004 | 131 |
| EU 15 (Cty Unidentified) | 10,272 | 63 | 3,062 | 22 | 21,537 | 106 |
| China | 4,040 | 1 | 5,536 | 33 | 14,828 | 78 |
| Czech Republic | 25,654 | 164 | 15,980 | 261 | 14,408 | 246 |
| Denmark | 11,868 | 82 | 12,602 | 146 | 11,192 | 72 |
| Germany | 39,927 | 260 | 50,211 | 281 | 10,731 | 37 |
| Other | 81,718 | 350 | 107,920 | 685 | 69,420 | 398 |

Source: Customs Committee of Russia

Seeds of Horticultural Crops

Trade in seeds of horticultural crops depends on domestic demand, but as with trade in vegetable seeds, official customs data did not reflect the genuine situation in the previous years. However, customs reporting has improved, and an increase in seed imports of herbaceous plants (HS Number 1209 30) from 47 metric tons to 50 metric tons in MY 2004/05 may be attributed to both increased market and better reporting.

Table 9. Imports of Seeds of Herbaceous Plants (HS Number 1209 30), Kilograms, 1,000 \$US

| | Country | Jul 02-Jun 03 | | Jul 03-Jun 04 | | Jul 04-Jun 05 | |
|----|----------------|---------------|------------|---------------|------------|---------------|------------|
| | | Kilograms | 1,000 \$US | Kilograms | 1,000 \$US | Kilograms | 1,000 \$US |
| 0 | --The World | 36,972 | 1,220 | 46,893 | 1,213 | 50,472 | 977 |
| 1 | United Kingdom | 9,553 | 256 | 18,442 | 306 | 16,978 | 239 |
| 2 | Netherlands | 6,956 | 283 | 10,305 | 324 | 8,537 | 226 |
| 3 | France | 2,527 | 100 | 2,846 | 121 | 8,291 | 155 |
| 4 | Poland | 5,854 | 79 | 5,748 | 53 | 7,401 | 53 |
| 5 | United States | 32 | 2 | 180 | 17 | 3,031 | 98 |
| 6 | Germany | 9,601 | 375 | 6,873 | 282 | 1,530 | 36 |
| 7 | Taiwan | - | - | - | - | 1,260 | 6 |
| 8 | Belgium | - | - | - | - | 644 | 6 |
| 9 | India | - | - | - | - | 574 | 11 |
| 10 | China | 216 | 1 | 309 | 1 | 512 | 2 |
| | Other | 2,233 | 124 | 2,190 | 109 | 1,714 | 145 |

Source: Customs Committee of Russia

Sugar Beet Seeds

Imports of high yielding seeds increased, and despite of poorer weather conditions and a small production decline, sugar beet yields increased by 2 percent from the previous year's level. Producers in vertically integrated chains of sugar refineries were able to fully capture the benefits of imported seeds, such as high germination levels and higher yields. However, this intensive integrated production of sugar beets is limited to the southern part of the country. Along with the further development of vertical integration, imported seeds with guaranteed higher yields will become more attractive than domestic seeds. However, in regions where vertical integration is less developed, demand will prevail for domestic varieties that are cheaper and better suited to local storage conditions.

Domestic demand for sugar beet seeds is estimated at 8,500 – 9,000 metric tons, and the share of imported seeds increased from approximately 14 percent in 2004 (2004 crop) to 18 percent for the 2005 crop. In MY 2004/05, Russia imported 1,642 metric tons of sugar beet seeds, half of which came from France, as a French company is the main integrator of sugar beet production and refining in European Russia. In 2005/06, seed imports are forecast to increase by another 50 metric tons to 1,700 metric tons following the expansion of vertically integrated companies.

Table 10. Imports of Sugar Beet Seeds (HS Number 1209 10), Kilograms, 1,000 \$US

| | Country | Jul 02-Jun 03 | | Jul 03-Jun 04 | | Jul 04-Jun 05 | |
|----|--------------------------|---------------|------------|---------------|------------|---------------|------------|
| | | Kilograms | 1,000 \$US | Kilograms | 1,000 \$US | Kilograms | 1,000 \$US |
| | - The World | 869,115 | 15,584 | 1,263,304 | 26,024 | 1,642,332 | 31,901 |
| 1 | France | 119,374 | 519 | 254,525 | 1,338 | 871,007 | 17,917 |
| 2 | Ukraine | - | - | - | - | 234,280 | 260 |
| 3 | Italy | - | - | 110,468 | 3,846 | 165,215 | 5,695 |
| 4 | EU 15 (Cty Unidentified) | 16,345 | 444 | 163,222 | 3,309 | 147,460 | 3,370 |
| 5 | Belgium | 158,426 | 2,989 | 113,148 | 2,554 | 144,517 | 3,551 |
| 6 | Germany | 263,818 | 5,976 | 453,012 | 11,506 | 43,634 | 701 |
| 7 | Yugoslavia | 29,201 | 436 | 10,545 | 196 | 36,219 | 407 |
| 8 | Poland | - | - | 12 | 0 | - | - |
| 9 | Switzerland | 46,830 | 690 | - | - | - | - |
| 10 | United States | 6,210 | 2 | 1,295 | 2 | - | - |
| 11 | Uzbekistan | - | - | 8,180 | 11 | - | - |
| 12 | Denmark | 152,396 | 4,016 | 91,989 | 3,076 | - | - |
| 13 | Kyrgyzstan | 76,500 | 511 | 56,908 | 185 | - | - |
| 14 | Lithuania | 15 | 1 | - | - | - | - |

Source: Customs Committee of Russia

Seed Potatoes

In 2005, Russia harvested 37.5 mmt of potato, up 4.3 percent from last year. The average yield increased by 6 percent from last year to 12.2 metric tons per harvested hectare. Yields increased over the last 3 years, and the increase is due to both better management of potato production on farms, and due to improved seeds. Still most of the seed potatoes at individual plots of land are saved from the previous year and the quality of these seeds deteriorates from year to year. However, commercial potato production is growing because processing companies (potato chips, potatoes for French fries, etc.) increase contracting with farms to ensure a steady supply of needed raw materials. These companies provide better quality seed stock. The farmers also increased seed purchases from Russian seed companies. In MY 2004/05, seed potato imports decreased 3.5 percent to 5,797 metric tons. The number of countries that exported seed potatoes to Russia declined from 11 countries in MY 2002/03 to 9 countries in MY 2003/04, and to 6 countries in MY 2004/05. Seed potato imports are forecast to decrease to 5,500 metric tons in MY 2005/06, although the number of exporting countries will probably remain stable. Official customs data will be available in fall 2006.

Official data on domestic seed potato production is not available, but experts report slow recovery of potato seeds research, commercialization, and marketing. Along with the

transfer of functions of the Russian State Plant Quarantine to the Federal Service for Veterinary and Phytosanitary Surveillance, phytosanitary restrictions on seed imports strengthened, and this factor also curbs imports of seed potatoes. Imports of small cargoes from new sources are allowed only for research and breeding purposes.

Table 11. Imports of Seed Potato (HS Number 0701 10), Marketing Years 2003/2004 and 2004/2005, Kilograms, 1,000 \$US, by Country

| Country | Jul 02 – Jun 03 | | Jul 03-Jun 04 | | Jul 04-Jun 05 | |
|----------------|-----------------|------------|---------------|------------|---------------|------------|
| | Kilograms | 1,000 \$US | Kilograms | 1,000 \$US | Kilograms | 1,000 \$US |
| --The World | 9,615,375 | 4,949 | 6,008,165 | 3,414 | 5,796,767 | 2,823 |
| Netherlands | 5,088,185 | 2,755 | 3,412,900 | 2,033 | 3,873,577 | 1,810 |
| United Kingdom | 316,100 | 160 | 281,100 | 179 | 661,400 | 258 |
| Finland | 931,690 | 477 | 475,610 | 300 | 592,490 | 390 |
| Germany | 2,599,900 | 1,282 | 1,445,800 | 712 | 574,900 | 300 |
| Poland | 355,000 | 128 | 159,400 | 95 | 79,400 | 56 |
| France | - | - | 35,080 | 16 | 15,000 | 10 |
| Other | 324,500 | 147 | 198,275 | 79 | 0 | 0 |

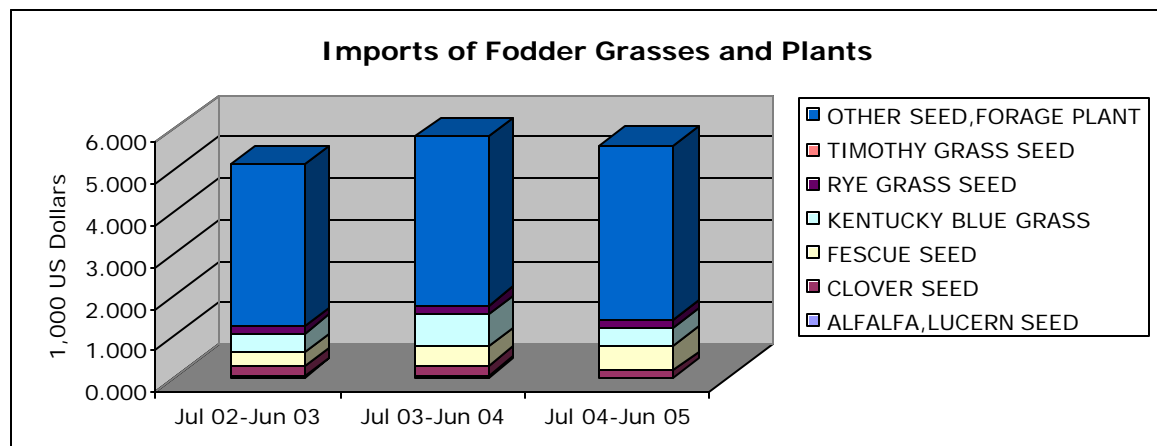
Source: Customs Committee of Russia

Forage Grass Seeds

Demand for forage grass seeds is growing slowly, but domestic seeds meet most of the demand. Russia imported more than 3,066 metric tons of forage grass seeds in MY 2003/04, but imports decreased to 2,680 metric tons in MY 2004/05. The total value of imported forage grass and plants seeds decreased from US\$5.8 million to US\$5.6 million, but still remain a significant portion of Russian imports of planting seeds.

Non-specified seeds (seeds of other grass plants – HS Number 1209 29) account for the biggest share of imported fodder grass seeds. Imports of these seeds reached US\$4.18 million in MY 2004/05, and the main suppliers of these seeds were Denmark, Germany, Netherlands, France, and Poland. Imports of fescue seeds (HS Number 1209 23), the second largest segment of forage grass seeds imports, were 337 metric tons, worth US\$605,000. Canada, Denmark, and the US were the leading suppliers of fescue seeds. The US exported only 3 tons of grass seeds to Russia.

Chart 6. Value of Imports of Seeds of Fodder Grasses and Plants



Import Tariffs

Table 12 provides information on current import tariffs for planting seeds and the value added tax. Over the last year, changes were made only to rice for sowing and soybeans for sowing. Soybeans for sowing are imported duty free, while the import duty for rice for sowing was raised to 0.07 Euro per 1 kg. Another temporary amendment was made for peanuts for sowing, and import tariff now is currently zero. Trade in seeds within the members of the Customs Union (Russia, Belarus, Kazakhstan, Kyrgyzstan, Tajikistan) remains duty free.

Table 12. Import Tariffs for Planting Seeds

| HS number | | Import tariffs percent of customs' value or in EURO | Value Added Tax percent |
|-----------|-------------------------------------|---|----------------------------|
| 07011000 | Potato, for sowing | 5% | 10% or 18%* |
| 07131010 | Peas, for sowing | 15% | 18% |
| 07031011 | Onion, Sets | 15% | 10% or 18%* |
| 07133310 | Beans, for sowing | 15% | 18% |
| 10019091 | Wheat and meslin seed | 5% | 10% |
| 10030010 | Barley, for sowing | 5% | 10% |
| 100510 | Corn for sowing, not sweet corn | 5% | 10% |
| 10061010 | Rice, for sowing | 0.07 EURO per 1 kg | 10% |
| 10070010 | Sorghum, hybrids for sowing | 5% | 10% |
| 12010010 | Soybeans, for sowing | 0% | 10% |
| 12021010 | Peanuts, for sowing | 5% | 18% |
| 12040010 | Flax, for sowing | 5% | 10% |
| 12050010 | Rape or colza seeds, for sowing | 5% | 10% |
| 12060010 | Sunflowerseeds, for sowing | 5% | 10% |
| 1209 | Seed, fruits and spores, for sowing | 5% | 18% |

*

Source: Customs Committee of Russia

Policy

Inspection and Registration

The policy and responsibilities over seed testing and registration have not yet been fully defined. In 2005, the functions of seed inspection were finally assigned to the Federal Service for Veterinary and Phytosanitary Surveillance (VPSS), and the appropriate structures in this Service started functioning by the end of this year, without evident facilitation of the process of inspection and examination. However, in the course of administrative reform in 2004-2005, the remainder of administrative functions, such as seeds testing and registration, was given to the Agency for Agriculture that was liquidated in the fall 2005. The originally prescribed authorities of this Agency are in the process of transfer to the Ministry of Agriculture. Still, the legal production and marketing of seeds in Russia are allowed only if the seeds (varieties, hybrids, etc.) are tested in Russia and are included in the federal register.

As for seed breeding, in 2006, researchers will be able to use federal subsidies for breeders of elite seeds. In 2006, the federal fund for support of seed breeding will be 80 million rubles (approximately US\$2.9 million), paying 6,000 rubles (\$214) subsidies per 1 metric ton of elite seeds.

Patent Rights

According to seed breeders, farmers have increased the use of patented seed varieties and hybrids that allow them to increase yields. However, despite existing patent laws, farmers reportedly do not usually pay the required royalties and the selections centers do not have enough money to pay for legal action to recoup the losses.

Local grain seed subsidies

There are no prescribed rules for local grain seed subsidies. The policies aimed at stabilizing the seed supply of staple grains differ by region, and depend on local budgets, crop planting conditions, and winter crop survival. In some cases, local budgets provide credits for seed purchases, in other regions seed producers (usually former state seed stations) are supported and sell seeds below the commercial price, while some oblasts cover a portion of the expenses of treating seeds with chemicals.