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Report Highlights:

On July 20, VPSS lifted the import ban on Indian rice. Monthly fluctuations in rice imports since Russia's general rice import ban in December 2006 closely track with VPSS' inspections of rice production and handling in countries of origin. Russia's rice imports (Jan-May) have fallen more than 60 percent compared to the same period last year, while prices have increased by 30 percent and domestic market choice and quality of rice have deteriorated.

Includes PSD Changes: No
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Trade Report
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Executive Summary

On July 20, the Federal Service for Veterinary and Phytosanitary Surveillance of the Russian Federation (VPSS) lifted the ban on Indian rice imports, although all imports must be certified by Shriramsky Research Institute, the only Indian laboratory approved by VPSS. Following the suspension of all rice imports in December 2006¹, renewal of imports from the major traditional suppliers has depended on the VPSS' country-by-country inspections of rice production and handling chains. Imports remain banned from all countries that have not consented to VPSS' request to inspect their domestic rice production, transportation, storage, and handling, including lists of chemicals, norms of application and practices of certification of these chemicals by the government agencies. In January – May 2007, Russia imported 67,000 metric tons of rice, compared with 172,000 metric tons during the same period last year. Along with the reduced rice import volumes, the number of suppliers decreased significantly, with those granted market access depending entirely on VPSS' inspections and goodwill, as is demonstrated by the charts on page five of this report. Experts estimate that the average price of rice in the domestic market increased by 30 percent compared with prices in 2006. Furthermore, some types of rice, especially premium quality varieties, disappeared from the market completely. Total 2007 rice imports are forecast to fall 50 percent from the previous year to 180,000 metric tons².

Rice imports from the United States have been banned since September 2006.

Chronology of VPSS' Activities Related to Rice Imports

In January – May 2006 rice was exported to Russia from twenty countries, with China, India, Vietnam, Pakistan and Thailand as the main suppliers. In January – May 2007, fewer than ten countries exported rice to Russia, with Thailand, Kazakhstan, India and Pakistan accounting for more than 98 percent of the trade. Imports of rice from Vietnam and China have almost ceased. The chronology of VPSS' relations with the remaining supplying countries, and monthly fluctuations in rice imports are discussed below.

China

According to the Russian press, Chinese authorities expressed willingness to invite VPSS specialists to China in order to become acquainted with their phytosanitary service, but the Chinese side required more precise information on the matter. Chinese rice exports to Russia ceased in December 2006, and have not yet resumed. Chinese rice exports to other markets have increased.

Vietnam

Vietnam has reportedly not responded to VPSS' request for inspections, and their rice exports to Russia have stopped completely. However, Vietnam is reportedly not in a hurry to renew exports to Russia, due to tight supplies and export commitments to its Asian customers.

Pakistan

In March 2007, VPSS detained a rice shipment from Pakistan ostensibly due to Khapra beetle infestation, and VPSS banned imports of all plant products from Pakistan. Russian authorities reported their intent to visit Pakistan for inspections. However, Pakistan's

¹ See GAIN RS 6066 "Russia Temporary Bans Rice Imports", and GAIN RS 6069 VPSS Eases Rice Import Ban for Shipments on the Water.

² For more information see GAIN RS 7045 Rice Situation Update

government reportedly cannot pay for the travel, and inspections have not yet taken place. Rice trade with Pakistan was officially discontinued.

Thailand

Thailand was the first country for VPSS's rice chain inspection.

In late November 2006, VPSS announced that Russia might ban rice imports from Thailand because when it detected that pesticides exceeded 2.3 times the maximum allowable limit in a 375 metric ton shipment to Omsk oblast.

On December 24, 2006, Sergey Dankvert, Head of VPSS, informed the Russian press that a team of Russian inspectors had flown to Thailand for a week to study rice production and methods of laboratory testing of rice. On January 10, 2007, Dankvert informed the press that henceforth every lot of rice shipped from Thailand would be accompanied by certified test results from one Thai government laboratory that had been accredited by VPSS. Dankvert added that rice would be accepted from processing facilities that have been inspected and approved by Russian inspectors.

India

On February 23, 2007, VPSS concluded inspection of India's rice production and handling chain, and demanded that India arrange for documentation to accompany each lot of rice, showing which pesticides, in what doses, and what dates were used during the growing season. VPSS allowed Indian rice imports into Russia with certificates from one authorized laboratory (Sriramsky Research Institute), but warned that if this condition was not met, rice imports might be halted May 1. In order to continue rice exports to Russia, VPSS required that India must, "organize... their work regarding rice exports to Russia in such a way that every shipment is accompanied by documented information about use of pesticides in the growing and storing of rice, with doses applied and the date of the latest application."

On April 29, 2007, VPSS imposed temporary restrictions on rice imports from India beginning May 1, 2007, because India did not provide the required information on pesticide use and government control of rice production.

In June 2007, VPSS banned import of rice, peanuts, and sesame seeds from India. All licenses and permits previously issued were cancelled. Data on rice imports in June are not yet available, but according to sources, these volumes were very small.

On July 25, VPSS published on its website that on July 10, 2007, VPSS and Indian government authorities signed Minutes on their meeting relating to creation of a system of safety control and guarantees for rice shipped from India to Russia. Based on these Minutes, VPSS lifted the ban on imports of Indian rice. According to VPSS' press-release, "rice, shipped from India after July 20, 2007, is imported to the territory of the Russian Federation based on the results of control-surveying measures on availability of valid import quarantine permits, certificates, confirming safety of rice and quality, issued by Indian Shriramsky Research Institute, and phytosanitary certificates." According to the press, approbation of other Indian laboratories for issuance of safety certificates for rice can be expected after another VPSS examination trip to India.

Rice Imports by Countries, January – May 2006 and January May 2007

The charts below show rice imports by country for the same periods in 2006 and 2007.

Chart 1. Russia's Rice Imports by Countries, January – May 2007

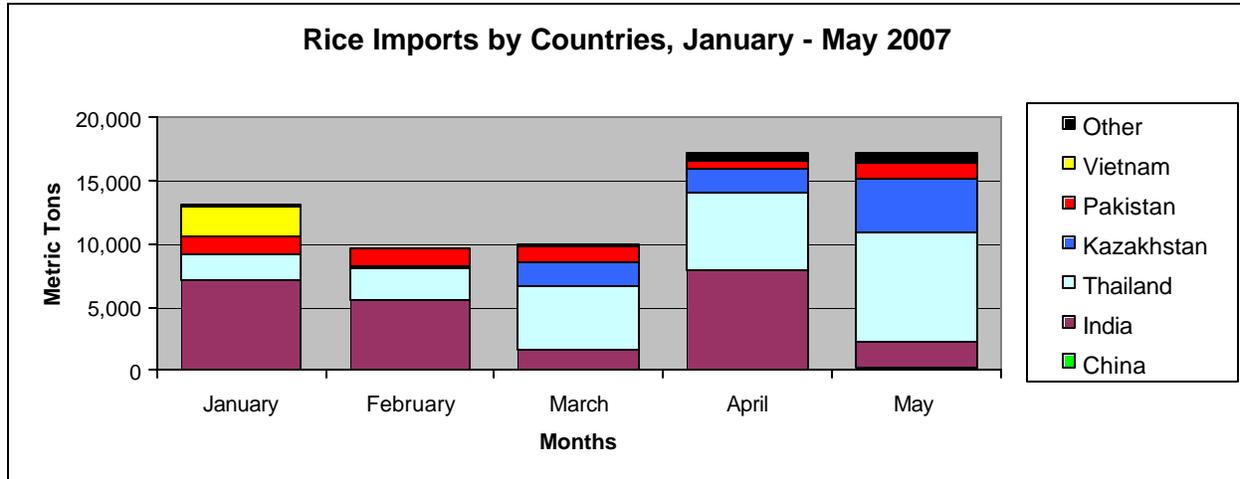


Chart 2. Russia's Rice Imports by Countries, January – May 2006

