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Increase in Minimum Customs Declaration Prices Boosts Import Values

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Approved by:

Kimberly Svec
U.S. Embassy

Prepared by:

Kimberly Svec, Mikhail Maksimenko, Kristy Goodfellow

Report Highlights:

Russian chilled and frozen red meat imports increased 30 percent in volume and almost doubled in value from January through May 2007 in comparison with the same time period in the previous year. The Federal Customs Service significantly increased the minimum customs declaration price in April 2006, largely in an effort to combat underreporting of product values.

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

Executive Summary

Official statistics indicate that Russian chilled and frozen red meat imports increased 30 percent in volume and almost doubled in value from January through May 2007 in comparison with the same period last year. The Federal Customs Service significantly increased the minimum price permitted for declaration of customs in April 2006. Previously, low indicative prices allowed importers to underreport the value of products, sometimes creating situations where significant increases in world meat prices tempted specialized offshore middle companies to take advantage of the difference between the prices declared at customs and the real prices. Regardless of increased world market prices in 2006 and 2007, the effects of the new policy are appear to be regulating food importers in a way that helps honest companies compete fairly with those companies that were underreporting.

Good Results from Russian Custom Service Strengthened Control Over Imports

In April 2006, the Russian Federal Customs Service strengthened control over imports of meat and other food products by significantly increasing the minimum price required for declaration of custom value. Chilled beef prices increased by three times, chilled pork carcass price increased by 2.4 times, and the frozen meat declaration price doubled. The new minimum declaration prices are much closer to actual market prices than the previous declaration prices. The new price reporting requirements brought increases in declared prices of meat and poultry in January-May 2007 in comparison with January-May 2006. The volume of imports of chilled and frozen meat increased by 30 percent; meanwhile the value of imported products almost doubled (see table below). Imports of chilled and frozen seafood increased by 39 percent while the value increased by 66 percent. Poultry meat imports fell by eight percent from January-May 2007, while the value of poultry meat imports grew by 12 percent. Previously low indicative prices helped importers underreport the value even while world market meat prices were increasing. This allowed specialized offshore middle companies to take advantage of the difference between the customs-declared price and real price. Analysts estimate that ninety percent of importers were underreporting.

Regardless of increased world market prices in 2006 and 2007, the effects of the new policy are appears to regulate food importers in a way that helps honest companies fairly compete with those companies that were underreporting.

Imports of livestock and seafood products into the Russian Federation in January – May 2006 and January – May 2007

Commodity	Description	January – May 2006		January – May 2007			
		MT	\$mln	MT 1,000	As percent of January – May 2006	\$1,000	As percent of January – May 2006
0201-0204	Meat, frozen, chilled	398,000	645.6	518.8	130	1,266	196
0207	Poultry meat	464.0	297.4	426.9	92	330.8	112
0302-0304	Seafood	255.5	326.8	352.7	138	544.0	166