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Russian Federation

Grain and Feed

Russia's Federal United Grain Company Created 2009

Approved by:

Mary Ellen Smith
U.S.Embassy

Prepared by:

Yelena Vassilieva

Report Highlights:

On March 20, 2009, Russian President Medvedev signed a Decree establishing a federal Grain Company. The current state entity responsible for managing federal grain procurement and programs will be expanded to include shares from 31 state grain companies. The main priorities for this company will be to increase purchasing and selling of grain on the domestic market, to increase grain exports, to modernize and to construct new elevators and port terminals.

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

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Executive Summary

On March 20, 2009, Russian President Medvedev signed Decree #290, establishing a federal grain company. The main priorities for this company will be to increase purchasing and selling of grain on the domestic market, to increase grain exports, to modernize and to construct new elevators and port terminals. The new entity will be called the "United Grain Company" and consist of the federal agency currently implementing state grain activities, "Open Joins Stock Society (OAO)"¹ Agency for the Regulation of Food Markets" and shares from 31 additional state entities. The additional companies include Russian grain processing, handling and storing enterprises, and three major port elevators. The President gave the Russian Government nine months to develop the company's strategy for 2009-2012 and 2013-2015. The idea of the federally owned grain trading company was originally proposed by the Ministry of Agriculture in July 2008².

Presidential Decree on the United Grain Company (unofficial translation)

Begin text

Decree
of the President of the Russian Federation
on the OAO "United Grain Company"

For the purpose of development of domestic elevator capacity, grain market transport and port infrastructure, and for an increase of Russia's grain export potential, I decree the following:

1. To accept the proposal of the Government of the Russian Federation:
 - a) on changing the name of the OAO Agency for Regulation of the Food Market (Moscow), 100 percent shares of which are in the federal property, into the OAO United Grain Company;
 - b) on investing to the Charter Capital of the OAO United Grain Company, as a deposit of the Russian Federation, the federal shares in the companies in the attached list as a payment for issuance of additional shares by United Grain Company in connection with increase of its Charter Capital;
 - c) on working out the strategy of development of the OAO United Grain Company for 2009-2012, and through 2015, which will meet the purpose of its creation, including raising additional private capital for this company.
2. To determine that the priority activities of the OAO United Grain Company will be to increase purchasing and selling of grain on the domestic market, to increase grain exports, to modernize and to construct new elevators and port terminals.
3. To introduce to section 2 of the list of strategic enterprises and strategic joint stock societies, approved by the Decree of the President of the Russian Federation #1009 of August 4, 2004 "On approval of the list of strategic enterprises and strategic joint stock societies" (Collection of legislature of the Russian Federation . . .)³ the following changes:

¹ Open Joint Stock Society is a form of ownership close to Open Joint Stock Company, and the Russian abbreviation is OAO. This abbreviation will be used further in the text and in the translation of the Presidential Decree.

² GAIN RS8052 Government Grain Trade Monopoly May Return

³ The long list of dates and numbers of legislative acts referring to the Presidential Decree #1009 of August 4, 2004 is not included in the translation

a) to include item 324³ of the following content:

324 ³	United Grain Company, Moscow	100
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b) the following entities will be removed from the text

90	Gerkules, Klin, Moscow oblast	25.5
105	Grachevskiy elevator< Stavropol kray	51
110	Elanskiy elevator, Volgograd oblast	25.5
155	Ipatovskiy elevator, Stavropol kray	49
313	Novosibirsk grain products combine (kombinat), Krasnodar kray	50.99
364	Pallasovskiy elevator, Volgograd oblast	51
472	Surovikinskiy elevator, Volgograd oblast	51
537	Elevator, Buddenovsk, Stavropol kray	51

4. The Government of the Russian Federation in 9-months period shall:

- a) implement activities, envisaged in para 1 of the present decree;
- b) bring its acts in line with the present Decree.

5. The present Decree comes into force on the day of its signing.

President
of the Russian Federation

D. Medvedev

Moscow, Kremlin
March 20, 2009
#290

Attachment
to the Decree of the President
of the Russian Federation
of March 20, 2009, #290

List of open joint stock societies in federal ownership which shares are to be deposited on behalf of the Russian Federation to the Charter Capital of the OAO United Grain Company

##	Open joint stock societies and their location	Quantity of deposited shares (percent)
1	Ardatovskoye grain collecting enterprise, Mordoviya Republic	100 minus 1 share
2	Atyashevskoye grain collecting enterprise, Mordoviya Republic	100 minus 1 share
3	Balashovskiy Feed mill, Saratovsk oblast	25.51
4	Balashovskiy grain and bread combine, Saratovsk oblast	25.5
5	Buturlinovskiy flour mill, Voronezh oblast	51
6	Gerkules, Klin, Moscow oblast	25.5
7	Grachevskiy elevator, Stavropol kray	51
8	Yeyskiy port elevator, Krasnodar kray	46
9	Elanskiy elevator, Volgograd oblast	25.49
10	Zarayskikhleboprodukt, Moscow oblast	51
11	Zelenokumskiy elevator, Stavropol kray	49
12	Ipatovskiy elevator, Stavropol kray	49
13	Murmanskiy grain and bread combine	25.5
14	Novorossiyskiy grain and bread combine, Krasnodar kray	50.99
15	Obrochinskoye grain collecting enterprise, Mordoviya Republic	100 minus 1 share

16	Orskiy elevator, Orenburg oblast	51
17	Pallasovskiy elevator, Volgograd oblast	51
18	Penzenskiy grain and bread combine	31.22
19	Permskiy flour mill	25.5
20	Port elevator, Kaliningrad	50.99
21	Pugachevskiy elevator, Saratov oblast	25.5
22	Reservkleb, St. Petersburg	100 minus 1 share
23	Rybinskiy flour mill, Yaroslavl oblast	25.5
24	Surovikinskiy elevator, Volgograd oblast	51
25	Torbeevskiy elevator, Mordovia Republic	100 minus 1 share
26	Tumanovskoye grai collecting enterprise, Smolensk oblast	100 minus 1 share
27	Khakaskhleboproduct, Abakan	51
28	Grain (bread) base #3, township Moskalenka, Omsk oblast	25.5
29	Elevator Rudniy klad, township Svetlyi, Orenburg oblast	25.5
30	Elevator, Budennovsk, Stavropol kray	51
31	Elevatorspetsmontazh, Moscow	100 minus 1 share

End text

Comments

While many have feared the establishment of a "Russian grain company" as a fierce competitor in the grain international market, this decree alone should be viewed as only a potential looming threat. Per the decree, in nine months there will be a company with significant assets, but the viability and potential of this entity is unknown. While the authority for its establishment now exists, the implementation procedures are only in its infancy.

The present Decree gives the Government nine months to develop a strategy for the new company, including raising private funds. According to mass media, some private major grain trading companies, which were in July 2008 on the list of potential co-partners of this company, are on the brink of bankruptcy now, and it may not be easy for them to invest their depreciated shares in the new company. State property is in the jurisdiction of the Federal Agency on Management of State Property at the Ministry of Economic Development (Rosimushestvo), and this agency, not the Ministry of Agriculture, will survey the transfer of shares of state companies to the charter capital of the Uniform Grain Company, and will play an important part in forming the policy of this Uniform Grain Company concerning raising private capital for this company in the future. Mass media reports that the nine month postponement of participation of private companies in the Uniform Grain Company was Rosimushchestvo's victory over MinAg's plan. Thus, the proportion between the state and the private ownership in this company, as well as its status and influence in grain export activities is not clear yet.

Meantime, Russian experts forecast an abundant supply of grain in 2009 due to condition of winter grain crop in mid March 2009, and a further increase of the end-of-year grain carry over stocks to 25-26 million metric tons (MMT). In this environment, government role in exports and direct and indirect support will be a priority. The new company may be an important tool to support export measures even before the end of nine month period.

Relevant Reports

RS9002 Government Strengthens Grain Market Control
<http://www.fas.usda.gov/gainfiles/200901/146327109.pdf>

RS8090 Russian Government Intends to Support Grain Exports

<http://www.fas.usda.gov/gainfiles/200812/146306735.pdf>

RS8085 Government Increased Wheat Procurement Prices

<http://www.fas.usda.gov/gainfiles/200811/146306353.pdf>

RS8052 Government Grain Trade Monopoly May Return

<http://www.fas.usda.gov/gainfiles/200807/146295244.pdf>