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## **Russian Federation**

**Post:** Moscow

### **Government Allowed Fuel Price Discount for Farmers**

**Report Categories:**

Policy and Program Announcements

Agricultural Situation

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**Report Highlights:**

The Russian Government Resolution No. 129 of March 5, 2010, empowered provincial authorities to conclude agreements with fuel suppliers to deliver gas and diesel fuel to farmers at reduced prices. The discount might reach 10 percent of the wholesale price. Farmers' savings on these discounts are estimated at 5.5 billion rubles (\$183 million).

**General Information:**

The Russian Government issued Resolution No. 129, dated March 5, 2010 “On Agreements between the State Bodies of Executive Power, Municipal Authorities and Business Entities on Reduction or Maintenance of Prices of Certain Types of Fuel and Lubricants Sold to Agricultural Producers”. The Government Resolution No. 129 is on the Russian Government’s web-site:

<http://www.government.ru/ru/gov/results/9635/>

This Resolution empowers Russian provincial and municipal authorities to enter into agreements with oil companies to supply petroleum products to farmers at a discount of up to 10 percent of the regional wholesale price, but not below the cost of petroleum production and marketing. Mass media called this Resolution an "indulgence" that will protect petroleum companies from the claims of the Federal Antimonopoly Service (FAMS). Article 16 of the Federal Law "On Protection of Competition" prohibits the Russian provincial authorities (constituent entities of the Russian Federation) from entering into any agreements with business if these agreements restrict competition. However, the law makes exceptions for cases when such agreements are allowed by a special resolution of the Government.

According to the Deputy Prime Minister Igor Sechin, who monitors fuel industry in the Russian Government, with this 10 percent wholesale discount the retail price reduction can reach 20-30 percent; and farmers could save up to 5.5 billion rubles (\$183 million) on fuel prices in 2010. Igor Sechin estimated that in 2009 similar price discounts allowed farmers to save about 3 billion rubles (\$100 million). Russian government expects that in 2010 shipments of fuel at discount prices will reach 450,000 metric tons of gas and 2.5 million metric tons of diesel fuel.

In 2009 provincial governments already used agreements with oil companies to provide farmers discounted fuel. These agreements were supported by the Federal Government [1], although the Government did not issue any document on this practice. These agreements were violating the Russian anti-monopoly legislature, and led to “conflicts” with the FAMS. Mass media claimed that schemes had high risks of corruption, and allowed both farmers and some companies to sell “farmers” fuel at the market price. In some provinces oil companies compensated for the lower prices for farmers by increasing oil prices for other consumers.

The Resolution No. 129 also clarifies that only agricultural producers are eligible for the discounted fuel and lubricants. The criteria for selection will be developed by the Ministry of Economic Development, and the list of selected agricultural producers shall be approved by the Ministry of Agriculture. The discounted fuel may be only a short-term program as government authorities are exploring other options for supplying fuel such as subsidized loans.

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[1] GAIN RS9017 \_ Agricultural Situation \_ Government Fixed Diesel Fuel and Gas Prices for Farmers

## BEGIN TRANSLATION

### On Agreements between the State Bodies of Executive Power, Municipal Authorities and Business Entities on Reduction or Maintenance of Prices of Certain Types of Fuel and Lubricants for Agricultural Producers.

In order to ensure the agricultural works in 2010 and in accordance with the Federal Law "On Protection of Competition" the Government of the Russian Federation decrees the following:

1. To establish that the executive authorities of the Russian Federation and the local authorities of executive power may conclude agreements with business entities, producers or suppliers of fuel, on reducing or keeping prices of certain types of fuel and lubricants for agricultural producers for their farm works;
2. To establish that the agreement concluded between suppliers of fuel and lubricants and agricultural producers, which comply with the requirements set by paragraph 4 of the present resolution, considered acceptable if the following conditions are met:
  - a) the subject of agreements is the supply of certain types of fuels and lubricants to agricultural producers at prices stipulated in paragraph 3 of this Resolution;
  - b) agreements do not restrict the right of agricultural producers to choose suppliers of fuel and lubricants and do not contain requirements that do not belong to the subject of agreements;
  - c) agreements provide for the use of fuel and lubricants purchased by agricultural producers at reduced prices exclusively for agricultural works;
  - d) agreements do not allow agricultural producers to transfer their agreement rights.
3. Agreement described in paragraphs 1 and 2 of this Resolution shall be in writing for a period of up to December 31, 2010, and shall includes measures taken by the parties to reduce or maintain prices of petroleum products sold to agricultural producers.

These prices are set at discount of up to 10 percent of the current wholesale price prevailing in those Russian provinces where agricultural producers operate, but not below the cost of production and marketing of fuels and lubricants.

4. The executive body of the state power in the Russian province generates a list of agricultural producers, recipients of fuel and lubricants at reduced prices, which may be parties of agreements under paragraph 2 of this Resolution.

The executive body of the state power in the Russian province shall send to the Ministry of Agriculture of Russia the generated list of agricultural producers and changes to this list within 3 working days after the formation of the list or amendments to the list.

5. The Ministry of Agriculture of Russia and the Ministry of Economic Development of Russia shall approve the criteria for the formation of lists of agricultural producers, recipients of fuels and lubricants, taking into account the reduction or maintenance of prices.

These lists shall be posted on the official Internet website of the Ministry of Agriculture of Russia on the Internet.

6. The executive bodies of state power of Russia's provinces and local authorities on a quarterly basis shall inform the Ministry of Agriculture of Russia, Ministry of Energy of Russia and the territorial bodies of the Federal Antimonopoly Service on the following: implementation of the agreements referred to in paragraphs 1 and 2 of this Resolution; compliance with procedures for the selection of agricultural producers; volumes of fuel and lubricants, which are scheduled for delivery which are actually delivered to agricultural producers; and the total amount of discounts received from suppliers.

7. To establish that the conditions provided for in paragraph 2 of this Resolution are valid until January 1, 2011.

Paragraphs 1 and 2 of this Resolution applies to legal relationships arising from March 1, 2009

Chairman of the Government  
Russian Federation

V. Putin

END TRANSLATION