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Potato and Vegetable Situation in Russia

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Prepared by:

Michael J. Fay

U.S. Embassy, Moscow

Drafted by:

Eric Trachtenberg and Yelena Vassilieva

Report Highlights:

The August 1998 economic crisis accelerated changes in the Russian diet away from meat and fruit in favor of potatoes and vegetables. Although potato output is expected to fall from 1998 levels, significant shortages are not expected. Despite the May frost and the drought earlier in the summer, the vegetable crop is expected to be higher than in 1998 but supplies are unlikely to meet demand, especially in North, Northwest, Siberia and some parts of the Far East.

Includes PSD changes: No
Includes Trade Matrix: No
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The increasing importance of potatoes and vegetables

Consumption patterns during the 1990's

Vegetables and potatoes have historically been important staples in the Russian diet. Potatoes provide a large share of needed calories to many Russians while vegetables are an important source of vitamins. The importance of these crops has grown during the 1990's because of falling real incomes combined with higher food prices caused by decreasing Russian agricultural production. As a result, even before August 1998, Russian food consumption was shifting to cheaper and often homegrown foodstuffs such as bread and grain products, vegetables and potatoes -- and away from expensive meat and fruit.

Effects of the 1998 August economic crisis

The 1998 economic crisis accelerated the shift in consumption in favor of grain, potatoes and vegetables as import prices soared for fruit and meat and many Russians either faced unemployment, large pay cuts or delayed wages. In addition, cold weather in May 1999 sharply cut production of fruit while the crisis hastened the decline of the Russian livestock industry, further increasing the demand for potatoes and vegetables. As a result, Russians depend heavily on potatoes and vegetables for vitamins, calories and carbohydrates -- a situation likely to continue for the foreseeable future.

Potatoes

Production

Cold weather in May at the beginning of the growing season is expected to depress 1999 potato production in European Russia to 30.0 million tons. This is a 4 percent fall from 1998 which was a year of record low production in many parts of European Russia. Although area sown to potatoes increased from a year ago (stimulated by August crisis and shrinking incomes), yields will be low. The rainy August has increased concerns that September could be wet also -- which could cut final potato output significantly, similar to 1998 events. Disease and pests are expected to reduce crop quality because of an ongoing shortage of chemicals. However, the falloff in supplies may be blunted by reduced losses caused by recent improvements in storage practices. Private producers and individuals, who now produce more than 90 percent of potato crop, are able to store their potatoes better than the old large collective farms where losses ranged between 40 and 50 percent of the crop. This loss reduction will be particularly important in big cities like Moscow and St. Petersburg where

storage practices have improved the most.

Consumption

The potato supply in Russia is expected to meet overall demand. Although human consumption will be the largest use for the crop, a minimum of 7 million tons either fed to animals (mostly pigs) on farms or wasted. To calculate the balance between supply and demand, post used Russian dietary standards. Russian law sets the per capita minimum consumption of potatoes at a minimum of 125 kg per year while the official Russian Center for the Market Economy calculates that Russians need 155 kg per year to make up for lost consumption of more expensive food products. Using the 155 kg requirement assumptions which better reflect the changing Russian diet, Table 1 shows the balance between supply and demand for potatoes throughout Russia. The data confirm that the overall supply of potatoes is sufficient in most regions even at the 155-kg level. Despite the data, supplies should also be sufficient in Moscow and St. Petersburg where governments and consumers have the money to import products. For example, Moscow city authorities have already started buying potatoes from Belarus, Tatarstan, Chuvashia, Tambov and Orel Oblasts for winter reserves. Shortages are very unlikely save in isolated regions.

Table 1. Potato: Production and Required Minimum Consumption by Regions, 1998

	Production	Consumption Requirements		Population	Shortage or Surplus
	1998	125 kg	155 kg	1,000	Percent of Consumption
RUSSIA	31,296	18,538	22,987	148,306	36.1%
North	1,252	743	922	5,947	35.8%
North West	1,076	1,012	1,254	8,093	-14.2%
- St.Petersburg and oblast	606	814	1,009	6,512	-40.0%
Central	6,507	3,751	4,651	30,005	39.9%
- Moscow and oblast	945	1,918	2,378	15,343	-60.3%
Volgo-Vyatka	3,467	1,059	1,313	8,473	164.0%
Central Black Earth	3,179	985	1,221	7,879	160.3%
Volga Valley	2,693	2,112	2,619	16,896	2.8%
North Caucasus	1,916	2,209	2,739	17,670	-30.0%
Ural	4,114	2,561	3,176	20,488	29.6%
West Siberia	2,979	1,892	2,347	15,139	27.0%
East Siberia	2,344	1,146	1,421	9,166	65.0%
Far East	1,600	953	1,182	7,625	35.4%
Kaliningrad	167	116	144	926	16.3%

Source: Russian State Statistical Service

Trade

After a three-year period of low potato imports which ranged between 60,000 - 70,000 tons because of good harvests, imports increased in 1997/98 to 180,000 tons because of lower harvests. In 1998/99, imports are forecast at 130,000 tons as a result of the post-August 1998 ruble devaluation. Post forecasts that potato imports in the coming year will remain between 130 - 150,000 tons. Main suppliers of potatoes to Russia (mostly for use in Moscow and St. Petersburg) are the Netherlands (47 percent of total potato imports), Poland (16 percent), France (14 percent), Belgium (5 percent), and China (4 percent).

Potato imports are assessed a 25 percent duty. Only seed potatoes are imported duty free. Potato is one of few food products which is assessed a favorable 10 percent Value Added Tax – as opposed to the normal rate of 20 percent.

Vegetables

Production

According to preliminary estimates, the production of staple vegetables in 1999 is forecast at 11 million tons, which is close to the 5-year average and slightly more than 1998 levels. This total includes approximately 8.9 million tons of open ground vegetables and 2 million tons of green house vegetables (including those produced in small private green houses or in individual orchards). Although the May frost killed some vegetable plantings, most of the losses were made up through replanting while the effects of the June and July drought were offset by irrigation.

The mix of vegetables produced has not changed significantly since mid 90's. In 1998, Russian farmers and individuals produced 2.8 million tons of cabbage which came to 28 percent of the total vegetable production. Production of carrots and red beets was 1.93 million tons, 20 percent of production, tomatoes made up 1.66 million tons (17 percent), cucumbers - 1.03 million tons (11 percent), and onions - 1.05 million tons (11 percent). Other vegetables (including squash, eggplant, etc.) increased to 13 percent of the total open ground vegetable production.

**Table 2. Production, Imports, Exports, and Utilization of Fresh Vegetables
MY 1997/98, MY 1998/99, in 1,000 metric tons.**

	1997/98	1998/99
Tomatoes		
- Production	1,598	1,662
- Imports	258	111
- Exports	0	0
- Domestic use	1,855	1,773
Cucumbers		
- Production	1,080	1,026
- Imports	29	12
- Exports	0	2
- Domestic use	1,109	1,035
Onions		
- Production	1,077	1,054
- Imports	463	419
- Exports	0	0
- Domestic use	1,539	1,472
Cabbage		
- Production	3,033	2,830
- Imports	170	184
- Exports	1	1
- Domestic use	3,202	3,012
Carrots, beets		
- Production	2,311	1,926
- Imports	96	78
- Exports	0	0
- Domestic use	2,407	2,004
Peas		
- Production	215	132

- Imports	1	2
- Exports	11	3
- Domestic use	204	130
Other vegetables		
- Production	1,262	1,285
- Imports	47	34
- Exports	1	2
- Domestic use	1,308	1,318

Note: Balances for staple fresh vegetables, green house production not included 1,000 metric tons

Source: Russian State Statistical Service

Consumption

Vegetable consumption is forecast at 12 million tons for 1999, which includes 1.0-1.2 million tons of imports. Russian production determines the level of vegetable consumption because imports are very small. The small fruit (especially the apple) crop in 1999 and falling fruit imports have made the vegetables a critical source of nutrients for Russians. Table 3 compares supplies and nutritional requirements throughout Russia using Russia's legal standard for yearly vegetable consumption of 94 kg per person (which is well below such requirements in the West). Because official data miss a considerable share of backyard and barter production, post adjusted supplies upward by 25 percent to arrive at a more accurate picture of production. Production and consumption data indicate that Russia has a shortage of vegetables which varies in severity among regions. Although Moscow and St. Petersburg have deficits, post expects that local governments and consumers will be able to make up most of the shortfalls through imports either from other regions or imports from other CIS and on-CIS countries. Imports should also be able to ease shortages in Kaliningrad and some parts of the Far East. However, other regions with less money and access to imports in the North, Northwest, Siberia and some parts of the Far East could experience either shortages, high prices or both. With the decline in fruit imports caused by the ruble devaluation and a short fruit harvest expected in 1999, a shortage of vegetables creates the significant possibility of vitamin deficiencies and related illnesses in segments of the Russian population located in these areas.

Table 3. Vegetables: Production and Required Minimum Consumption by Regions, 1998

Vegetables: production and requirements, by territories, 1998, 1,000 tons					
	Official Production (1)	All Production (2)	Consumption	Population	Shortage or Surplus (3)
	1998	1998	94.0 kg	1,000	% of Consumption
RUSSIA	10,517	13,146	13,941	148,306	-5.7%
North	290	363	559	5,947	-35.1%
North West	431	539	761	8,093	-29.2%
- St.Petersburg and oblast	220	275	612	6,512	-55.1%
Central	2,089	2,611	2,820	30,005	-7.4%
- Moscow and oblast	486	608	1,442	15,343	-57.9%
Volgo-Vyatka	907	1,134	796	8,473	42.4%
Central Black Earth	839	1,049	741	7,879	41.6%
Volga Valley	1,232	1,540	1,588	16,896	-3.0%
North Caucasus	1,332	1,665	1,661	17,670	0.2%
Ural	1,416	1,770	1,926	20,488	-8.1%
West Siberia	878	1,097	1,423	15,139	-22.9%
East Siberia	536	670	862	9,166	-22.2%
Far East	507	634	717	7,625	-11.6%
Kaliningrad	60	75	87	926	-13.9%

Notes: The required per capita minimum consumption of 94 kg is determined by Russian law by adding recommendations for three staple vegetables: Onions - 28.4 kg, Cabbage - 28.1 kg, Carrots and red beets - 37.5 kg per year.

- (1) Official Production refers to officially reported data
- (2) All Production refers to official data plus 25 percent to account for unreported production by individuals, the military and the barter trade. This figure comes from discussions with local government officials and observations by attaches on travel in Russia.
- (3) Consumption balances use all production data not just official data.

Trade

Until 1998, imports of vegetables had been increasing since the mid 90's. Over time, the diversity of imports had been changing from staple vegetables like onions, cabbage and tomatoes to purchases of more diverse and expensive vegetables, like lettuce, eggplants and squash. In 1997/98 (starting July 1997) vegetable imports reached 1.2 million tons, coming to almost 10 percent of total vegetable supplies. However, the August crisis cut both vegetable imports and the diversity of available products. In 1998/99, most imports were onions, cabbage, carrots and beans. Total imports of vegetables from July 1998 through June 1999 were 1.06 million tons with cabbages, onions, carrots and beets making up 64 percent of the total compared with 61 percent a year earlier. This pattern is not expected to change significantly although imports into Moscow and St. Petersburg may increase as the regions try to make up for a shortage of locally available vegetables.

The VAT for vegetables is 10 percent.

Import Duties for Tomatoes, Cucumbers and Vegetables

Product	Date of Import	Rate	Minimum Duty
Tomato	January 1 - May 14; November 1 - December 31	15 percent	0.08 Euro per kg
	May 15 - October 31	15 percent	0.12 Euro per kg.
Cucumbers	January 1 - May 14; November 1 - December 31	15 percent	0.08 Euro per kg
	May 15 - October 31	15 percent	0.12 Euro per kg.
Vegetables not listed	NA	15 percent	None