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Russian Far East Ag Policy and Situation Update

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Report Highlights:

Government to Approve Draft of Federal Law on Territories of Priority Development in Russian Far East... Russia to Resume Rice Imports from China... China to Supply Russia with Vegetables and Fruits... Khabarovsk to Import Pork from China... Meat Importers in the Russian Far East to Join Forces and Oppose Food Ban... Primorye Did Not Get Low-Cost Chinese Meat... New Zealand Businesses to Create Milk Production Facility in Primorye... FESCO to Launch a New Regular Train Service from Vladivostok to Tashkent... The Government to Consider Introduction of Protective Duties on Fish Exports... Volume of Fish Traffic from Far East Decreased by 23 percent.

General Information:

Post introduces the Russian Far East Agricultural Policy and Situation Update, a summary of issues of interest to the U.S. agricultural community. The report includes information reported in the local media and offered by Russian federal and regional officials. Press articles are included and summarized in the report. Significant issues will be expanded upon in subsequent reports from the office.

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Government to Approve Draft Federal Law on Territories of Priority Development in Russian Far East.

The Russian Federation Government Commission on Legislative Activities approved a draft of the federal law "On Territories of Priority Social and Economic Development in Russian Far East and in Certain Regions of the Russian Federation." According to Development of the Far East Minister Alexander Galushka, creation of special areas of priority economic development will form a favorable environment for attracting investments and ensure competitive conditions for the establishing export-oriented enterprises in the Far East. After the territories of priority social and economic development prove their effectiveness in the Far East, this experience can be replicated in other regions of Russia. Federal draft bills were sent for approval to the 18 federal executive bodies. Ministry of Development of the Far East took into account the comments and suggestions of the federal bodies of executive power. The list of the best prepared sites for territories of priority development in Primorye includes Nadezhdinskaya and Michailovskaya sites, Zarubino port, Russian island and VNHK project (Eastern Petrochemical Company Project) in Partizansk region. Primorye Governor Vladimir Miklushevsky notes that the territories of priority development will have a number of tax and administrative benefits that will create the conditions for competitive offers from entrepreneurs.

<http://primorsky.ru/news/main/74517/>

Russia to Resume Rice Imports from China.

Russia has resumed rice imports from China through the ports of Khabarovsk and Nizhneleninskoye, as the chairman of Association of Applied Economics in Heilongjiang Province reported to *Interfax*. China has launched three port terminals for the supply of rice to Russia. For the same reason Russia is equipping and will open two more sites - Grodekovo and port of Blagoveshchensk which will receive goods from Heihe. However Deputy General Director of JSC "Habrechtorgport" Vladimir Zykov informed *Interfax* that last year Khabarovsk was excluded from the list of ports permitted to receive grains and that he hasn't been informed of any modifications. He suggests that the decision to exclude Khabarovsk from the list was caused by a lobby of neighboring territories. According to him, rice started to come through Primorye and this affected the price. Earlier it was reported that the General Administration of Customs of China approved Suifenhe city as a testing logistics center of cross-border trade. Chinese Baorong opened the site of direct export of vegetables and fruits to the Russian Far East in Dunin district. The site operates as the center for goods collection, distribution and pricing. China plans to launch one more platform for the supplies of agricultural products to Russia in the end of 2014. <http://www.vedomosti.ru/companies/news/34030201/rossiya-vozobnovlyaet-import-risa-iz-kitaya-cherez-habarovsk#ixzz3F28x5FQe>

China to supply Russia with Vegetables and Fruits.

China is ready to meet fully the needs of the Russian market for vegetables, fruits and pickles writes "Izvestia" newspaper citing the head of the Ministry of Commerce of China for the District of Shandong Zhang Qingwei. According to the Chinese official, one of the most developed in China agricultural provinces (Shandong) is ready to deliver carrots, ginger, garlic, pepper, peas, zucchini, squash, tomatoes, cucumbers and broccoli, as well as peaches, pears, grapefruit and watermelon to Russia. In October, the governments of China and Russia will discuss the terms of mutually beneficial supplies. Rosselkhoz nadzor [Federal Service for Veterinary and Phytosanitary Surveillance] confirms that it is actively negotiating with China for the supply of agricultural products. They are discussing not only the import of meat, vegetables and fruits from China, but also export of wheat, fodder grain and oilseed rape from Russia. China is also interested in opening farms in Russia, however these will be joint Russian-Chinese enterprises. According to experts, even the massive supply of agricultural products from China to the Russian will not affect prices, but the quality can be significantly affected. In particular, hazards are herbicides which are used in that country. They do not coincide with those that are registered in the EU, nor with those that are registered and used in Russia. Russian specialists don't have the methods to identify such chemicals.

http://amurburg.ru/news/economy/kitay_gotov_obespechivat_rossiyu_ovoshchami_i_fruktami

Khabarovsk to Import Pork from China.

A delegation of public officials and businessmen from Khabarovsk recently visited China to discuss importing pork from the Chinese province of Heilongjiang. Khabarovsk Deputy Minister of Agriculture Aleksander Ryzhkov said that it could be a good chance to revive trade cooperation with Chinese pork exporters that had been banned for almost a decade. Chinese exporters could seriously rival other suppliers who appear to have used the recent import ban to justify increased meat prices. This year up to 4,500 metric tons of pork imports could arrive in Khabarovsk from China. Two agriculture companies in a neighboring Chinese province have already received permission to sell meat to Russia.

http://amurburg.ru/news/economy/khabarovskiy_kray_planiruet_naladit_postavki_svininy_iz_knr/

Meat Importers of the Far East to Join Forces and Oppose Food Embargo.

Representatives of the meat industry from all over the Russian Far East came together to cope with the severe economic problems that arose as a result of the ban on food and agricultural products from the United States, EU, Australia, Canada and Norway. The Far Eastern Meat Association which includes meat products manufacturers, processors and importers gathered in Vladivostok on September 3 to discuss the current situation. The industry representatives believe that in this way they will be able to work efficiently with the federal authorities. The Far East Meat Association unites the representatives of the meat industry from Primorye, Khabarovsk Territories, Sakhalin, Magadan and Kamchatka. According to Vice-Governor Sergey Sidorenko, Primorskiy Territory Regional Administration supports the idea of establishing the meat association because it is important to do the best for the enterprisers to develop efficiently, modernize production, and raise labor productivity. The association is projected to protect the interests of the whole range of meat producers, including producers of raw materials. The authorities hope that the association will help to the Far East meat industry to reduce its dependence on imports from Brazil and Chile.

<http://primamedia.ru/news/primorye/03.09.2014/383513/myasniki-dalnego-vostoka-ob-edinili-usiliya-chtobi-protivostoyat-pr.html>

Primorye Did Not Get Low-Cost Chinese Meat.

The Far East importers have not received relatively inexpensive Chinese meat which they hoped for

after the embargo. Moscow companies have managed to buy all the volumes proposed by China's business for 2014. Primorye was left to enjoy "expensive exporters" - Brazil and Chile. As a result, the meat purchased by Primorye's vendors, may be uncompetitive in comparison with the goods which will be delivered from Moscow. According to the executive director of meat importing group of companies "Rubezh DV", in early September, Far Eastern businessmen raised concerns that Moscow business lobby could grab the meat market of Primorye and the Far East. Market participants said that Chinese companies were "closed" for the Far East by a special regulation and were concerned that Moscow was trying to become the only buyer of Chinese meat. As a result, when Primorye managed to get the appropriate permission to import products from China, it was found that almost all Chinese meat at a price in average of \$5.5 per 1 kg had been already contracted up to the end of the year. The meat the Chinese could offer in 2014 was sold to several major Moscow companies. In this connection Primorye businesses will fail to start supplying Chinese meat this year. Thus, the Primorye meat importers had to purchase products from overseas exporters - Brazil and Chile. South American butchers took advantage of the situation fully and put the price of \$7 per 1 kg. Primorye importers were forced to buy meat even at this high price because no one wanted to lose foreign trade quotas for the next year. Brazil demanded 50 percent advance payment for the total volume cost. In two weeks after Primorye importers paid the advance for the contracted meat at a very expensive price, Brazilian entrepreneurs reduced the price to \$6 under a certain pressure from Rosselkhoznadzor (Federal Service for Veterinary and Phytosanitary Surveillance). As a result, in late November the Far East will receive absolutely uncompetitive goods, as the Muscovites meat is 40-50 rubles (\$1 - \$1.25) cheaper.

<http://primamedia.ru/news/economics/09.10.2014/392181/nedorogoe-kitayskoe-myaso-ne-dostalos-biznesu-primorya---uchastnik-rinka.html>

New Zealand Businesses to Create Milk Production Facility in Primorye.

On September 19, 2014, First Vice-Governor of Primorye Vasily Usoltsev met Ambassador of New Zealand in Russia Hamish Cooper. The parties discussed the cooperation of New Zealand and Primorskiy krai in economics, trade, cultural and educational exchanges. 2014 demonstrated a positive trend of economic cooperation. The volume of New Zealand investments in the economy of Primorskiy region grew by 15 percent in the first half of the year. Traditionally, successful sphere of cooperation between New Zealand and Primorskiy Territory is agriculture and forestry. Hamish Cooper noted that there has been a real increase in interest of New Zealand investors to the Primorye Territory. 2012 APEC summit in Vladivostok contributed to it to a large extent. Investors are interested in the territories of priority development which are now being created in the Far East and in the Primorskiy Territory, in particular. Hamish Cooper informed about the negotiations on building up a business for dairy products manufacture which will apply new technologies in the region.

<http://deita.ru/news/economy/19.09.2014/4748552-novozelandskie-biznesmeny-namereny-sozdat-v-primore-molochnoe-proizvodstvo/>

FESCO to Launch a New Regular Train Service from Vladivostok to Tashkent.

FESCO Transportation Group continues its policy of expanding train services and increasing shipments from the Commercial Port of Vladivostok. In late July 2014, FESCO launched a new service between Vladivostok and Tashkent - FESCO Tashkent Shuttle. It is the part of the public intermodal service which starts at the ports of Southeast Asia via Vladivostok and transits to Chukursai station, Tashkent. The final destination is a new container terminal «ULS». Currently, the regularity of the train service shipments is 2 times a month. Capacity of one train is 150 TEU. The basic transported goods are

consumer goods, chemicals, electronics, auto parts, construction materials and equipment. FESCO Tashkent Shuttle is a public train service available both for FESCO customers and customers and container forwarders of various shipping lines and cargo owners. The transit time by rail from Vladivostok to Chukursai station is 12 days; the return of empty containers after unloading in Tashkent is also 12 days.

<http://www.fesco.ru/press-center/news/5039/>

The Government to Consider Introduction of Protective Duties on Fish Export.

As Primorye Governor Vladimir Miklushevsky declared during the open air of "Vladivostok" broadcasting company, Primorye's initiative to introduce protective duties on the export of salmon will be considered by his administration. The Head of the region stressed that he had previously stated this proposal at the meeting with the President Vladimir Putin on September 17. Miklushevskiy agrees with the imposed duties on Norwegian salmon since Russia has enough fish which should be processed on shore and not to be exported in raw condition. The Governor stated that under conditions of sanctions the region should supply more fish to the internal market. Russian President Vladimir Putin had ordered the government to explore the issue of subsidizing rail transportation of the Far Eastern fish to the European part of Russia. It is very important to start transporting fish in reefer containers which is the cheaper and more convenient worldwide practice.

<http://vestiprim.ru/2014/09/29/iniciativu-glavy-primorya-o-vvedenii-zagraditelnyh-poshlin-na-eksport-ryby-rassmotryat-v-pravitelstve.html>

Volume of Fish Traffic from Far East Decreased by 23 percent.

Volume of fish transportation from the Far East to the central regions of the country in September amounted to 27,700 tons, which is less by 22.8 percent than in September 2013, as reported by the press service of the Far Eastern Railway [DVZHD]. Several years ago the Far Eastern Railway organized fish transportation in high speed refrigerated trains, which can deliver the goods to the western regions of the country for up to 10 days. Since the beginning of 2014, 52 high speed refrigerated trains have transported 100.3 thousand metric tons of fish from the Far East. The schedule allows shipping two such trains per day, which would carry up to 1.5 million metric tons of fish. The potential of the train traffic is used only for 6 percent. According to the Acting Head of the Far Eastern Territorial Centre for Corporate Transport Service, the reason for this situation is not high railroad rates but the lack of agreement in prices between suppliers and consumers of fish products. Taking into account the ratio of the transportation costs and the retail price of fish and fish products, the level of transportation costs in terms of using transportation facilities totals from 1.6-8.3 percent depending on the distance. To reduce the cost of the Far Eastern fish, a number of intermediaries should be removed from the supply chain and unnecessary barriers should be eliminated, including ones from the side of veterinary surveillance bodies. <http://vestiprim.ru/2014/10/06/obemy-perevozki-ryby-s-dalnego-vostoka-v-centralnye-rayony-strany-v-sentyabre-snizilis-pochti-na-23.html>