



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Scheduled Report-public distribution

Date: September 28, 1999

GAIN Report #RS9047

Russian Federation

Sugar

1999 Sugar Semi-Annual Report

Approved by:

**Geoffrey Wiggin, Agricultural Minister Counselor
U.S. Embassy, Moscow**

Prepared by:

Michael A. Smith and Mikhail Maximenko

On August 1, 1999, Russia implemented seasonal import duties on sugar in an effort to ensure processing of domestic sugar beets during the harvest season. However, output of sugar in Russia is far below domestic consumption levels. During the 1998/1999 marketing year, Russia imported an estimated 5.6 million MT of raw sugar, as world sugar prices plunged to record low levels. In 1999/2000, however, Russia's significant stocks of raw sugar will limit raw sugar imports, forecast at 3 million MT.

Includes PSD changes:
Includes Trade Matrix:

Executive Summary	1
Production	1
Consumption	2
Trade	2
Stocks	3
Policy	3
Free Customs Duties for Belarusian and Ukrainian White Sugar	3
Special Duty on Starch	3
Seasonal Duties for Imported Raw and White Sugar	3
Marketing	5
Prices	5

Executive Summary

Although the 1999 sugar beet harvest is forecast at 42 percent above the previous year, 850,000 MT, Russia's output of white sugar from domestic sugar beets is expected to remain far below current consumption levels. During the 1999/2000 marketing season, Russia is expected to produce almost 1.5 million MT of white sugar from domestic beets while total domestic consumption is forecast to be over 5 million MT. During the 1998/1999 marketing year, international trading companies purchased raw sugar cane and financed sugar processing operations in Russia in response to record low world market prices for raw sugar. Imports of processed white sugar from Ukraine and Belarus were insignificant, as imports of raw sugar for processing reached 5.2 million MT that year. Stocks of raw sugar cane remain high as the Russian sugar beet harvesting and processing season begins. Although, the GOR implemented prohibitive import tariffs on raw and processed sugar (on August 1, 1999), the domestic price of sugar is expected to remain low in the near future.

Production

Despite May frosts which forced replanting of approximately 90,000 hectares, area planted rose to 900,000 hectares, in comparison to 820,000 hectares during 1998. Anticipation of seasonal import tariffs on raw and white sugar, imposed during the Russian sugar beet harvest encouraged spring planting and more effective harvests. Area harvested is projected at 850,000 MT this year, assuming that Russia will harvest most of its production before unfavorable weather conditions prevail in October. However, greater profits during 1999/2000 are unlikely because of an over supply of sugar in the market.

Reportedly, yields are up to approximately 16.5 MT a hectare, in comparison to only 13 MT per hectare last year, as Russian sugar beet farmers received high quality imported seed from Denmark during the spring of 1999. Russian sugar beet production is expected to rebound to 14.5 million MT, a 12 percent increase from last year. In marketing year 1999/2000, Russian production of white sugar production is also expected to increase by 12 percent, in comparison with the previous year.

Consumption

In Russia, an estimated 40 percent of sugar consumption is attributed to industrial demand, with the remaining 60 percent consumed by households. While the 1998 financial crisis led to a decline in imports of confectionary products, the Russian confectionery industry boosted its output and demand for sugar. An increase in domestic beverage production also boosted sugar consumption, as a number of international beverage companies produced more products locally.

Russia's total domestic sugar consumption of sugar is estimated at 5.6 million MT during the 1998/1999 marketing year, representing a 14 percent increase compared with the previous year. However, during the 1999/2000 season, total domestic consumption is expected to decline to 5 million MT because Russia is expected to import less raw sugar.

Trade

Russia imported a record 5.2 million MT of raw cane sugar during the 1998/1999 marketing year, as low world prices for raw sugar prevailed, and large international companies purchased sugar and sold it to their subsidiaries inside Russia, or to independent Russian processors. With 1999 ending stocks estimated at almost 2.7 million MT, Russia is expected to import less sugar during 1999/2000, when raw sugar imports is expected drop to 3 million MT.

Table 1: Russian Sugar Imports; FY1998 - FY1999

	1998				1999		
	MT	Value \$1000	Price \$/MT		MT	Value \$1000	Price \$/MT
October 97	86,300	29,204	338	October 98	25,000	5,750	230
November 97	74,100	24,167	326	November 98	189	48	254
December 97	235,930	80,191	340	December 98	50	13	256
January	302,220	97,390	322	January	254,972	63,643	250
February	298,796	97,828	327	February	330,559	82,277	250
March	427,159	135,817	318	March	671,828	151,951	227
April	671,475	199,794	298	April	887,633	186,346	210
May	526,170	150,639	286	May	876,960	163,655	187
June	618,432	172,000	278	June	995,496	178,684	179
July	625,687	167,379	268	July	1,139,734	204,259	179
August	39,006	11,877	304	August	n.d	n.d	n.d
September	n.d.	n.d.	n.d	September	n.d	n.d	n.d
Total	3,905,275	1,166,286			5,182,421	1,036,626	

Source: Russian State Statistical Committee

Stocks

October 1, 1999 beginning sugar stocks are estimated at almost 2.7 million MT. White sugar production from local beets combined with significant stocks of imported raw sugar indicate that stock levels will remain high in the near future.

Policy

Free Customs Duties for Belarusian and Ukrainian White Sugar

In September 1999, the GOR passed legislation that grants Belarus the right to import 175,000 MT of white sugar duty free. Additionally, Russian and Ukrainian officials are discussing the possibility of allowing Ukraine to ship to Russia 100,000 MT of white sugar duty free, as payment for Ukraine's natural gas debt to Russia. However, neither Ukrainian nor Belarusian refined sugar is expected to have a significant impact on the Russian market because Russia has significant stocks of raw sugar and can get by without importing refined sugar.

Special Duty on Starch

On August 6, 1999, the GOR imposed a special duty of 16 percent of the customs value (not less than 0.07 euros per kilogram). The duty is valid for 180 days, and follows an investigation that concluded that between 1997 and 1998, starch syrup imports damaged the Russian starch syrup industry. The largest suppliers of starch to Russia are the United States, Israel, Ukraine, Latvia, and Lithuania.

Seasonal Duties for Imported Raw and White Sugar

On August 1, 1999, GOR Decree # 511, imposed a seasonal 45 percent tariff on imported raw and white sugar during the domestic sugar beet harvest and processing period. The seasonal tariff will replace basic tariff rates, not be added to them.. Rates and effective dates are listed in the table below:

Table A: Sugar Tariff and Classifications based on New GOR Decrees, 1999

HSC	Product	Sugar Tariffs based on Decree No. 511		Sugar Tariffs based on Decree No. 444 (from October 18 to April 22, 1999)
		Tariffs based on Decree No. 511	applied from	
1701. 11.100	For refining	45%	August 1 to November 30	5%
1701.11.900	Other	45%	August 1 to November 30	5%
1701.12.100	for refining	45%	August 1 to November 30	5%
1701.12.900	Other	45%	from August 1 to November 30	5%
1701.91 000	Aroma or flavor added	45%	from August 1 to November 30	5%
1701.99.100	White sugar	45%	from August 1 to January 31	30%, but not less than 0.12 EURO per kg
1701.99.900	Other	45%	from August 1 to January 31	5%

Marketing

Prices

During the 1998/1999 marketing year, low world prices for sugar combined with record volumes of imported raw sugar, pushed down domestic sugar prices. Between May and September 1999, average wholesale prices for sugar in Moscow, Novosibirsk, Ekaterinburg (the major markets) fell from 8.0, 9.0, and 8.3 roubles per kg, to 6.8, 6.5, and 7.0 roubles per kg, respectively. According to sugar analysts, the price of sugar in Russia was affected primarily by the price of sugar on world markets. In response to record low international prices, international companies began purchasing large amounts sugar from sugar producing countries like Brazil and Cuba, to sell in Russia.

The Russian Union of Sugar lobby has called for minimum prices on imported and domestically produced sugar. According to the chairman, high imports of cane sugar are a threat to sugar prices, especially during the time of the domestic sugar harvest. Domestic sugar producers believe that the price of sugar should provide enough profit to ensure reinvestment in the industry.

PSD Table						
Country:						
Commodity:	Sugar Beets					
		1998		1999		2000
	Old	New	Old	New	Old	New
Market Year Begin		10/1997		10/1998		10/1999
Area Planted	820	820	820	820	820	900
Area Harvested	780	780	600	600	775	850
Production	15000	15000	10800	10800	13500	14000
TOTAL SUPPLY	15000	15000	10800	10800	13500	14000
Utilization for Sugar	15000	15000	10800	10800	13500	14000
Utilizatn for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	15000	15000	10800	10800	13500	14000

PSD Table						
Country:	Russian Federation					
Commodity:	Sugar					
		1998		1999		2000
	Old	New	Old	New	Old	New
Market Year Begin		10/1997		10/1998		10/1999
Beginning Stocks	1115	1115	1105	1105	1600	2650
Beet Sugar Production	1300	1300	1300	1300	1300	1450
Cane Sugar Production	0	0	0	0	0	0
TOTAL Sugar Production	1300	1300	1300	1300	1300	1450
Raw Imports	2850	2850	3500	5200	3000	3000
Refined Imp.(Raw Val)	950	950	500	200	400	150
TOTAL Imports	3800	3800	4000	5400	3400	3150
TOTAL SUPPLY	6215	6215	6405	7805	6300	7250
Raw Exports	10	10	10	10	10	10
Refined Exp.(Raw Val)	140	140	150	150	170	170
TOTAL EXPORTS	150	150	160	160	180	180
Human Dom. Consumption	4960	4960	4645	4995	4740	5100
Feed Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	4960	4960	4645	5645	4740	5100
Ending Stocks	1105	1105	1600	2650	1380	1970
TOTAL DISTRIBUTION	6215	6215	6405	7805	6300	7250