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Report Highlights:

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General Information:

Welcome to the Russian Agricultural Policy and Situation Bi-Weekly Update, a summary of issues of interest to the U. S. agricultural community. The report includes information that has been garnered during travel within Russia, reported in the local media, or offered by host country officials and agricultural analysts. Press articles are included and summarized in this report. Significant issues will be expanded upon in subsequent reports from this office. Minor grammatical changes have been made for clarification.

DISCLAIMER: Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. government agency's point of view or official policy.

Russia's Grain Stocks Reach 31 Million Metric Tons: Rosstat data recently reported that as of February 1, 2016, Russia's grain stocks are 31.05 Million Metric Tons (MMT), the second highest February stocks in the last 6 years, and 7 percent higher than stocks on the same date last year. The reported data for stocks includes: stocks reported by agricultural enterprises (17.82 MMT) and stocks reported by assembling, storing and processing enterprises (13.23 MMT). Grain stocks stored at assembling, storing and processing enterprises are composed of: 8.94 MMT of wheat, 0.47 MMT of rye, 1.38 MMT of barley, 2.02 MMT of corn, and 0.42 MMT of other grain crops.

http://www.gks.ru/bgd/free/b04_03/IssWWW.exe/Stg/d06/29zern%D0%BE16.htm

New Federal Agricultural Subsidy Distribution Orders: Recently the GOR issued eight new orders on the distribution of agricultural subsidies among provinces. Most of the subsidies are allocated within the framework of the federal program "Development of Agriculture and Market Regulation of Agricultural Production and Raw Material from 2013 until 2020:"

- GOR Order No.280-p of February 22, 2016, on distribution of 1.37 billion rubles to 84 provinces for partial compensation of interest rate on short-term loans for the development of dairy breeding.

<http://government.ru/docs/21958/>

- Order No.279-p of February 22, 2016 on distribution of 1.86 billion rubles for partial compensation of interest rate on short-term loans for processing of plant and animal products in the sphere of developing wholesale distribution centers.

<http://government.ru/docs/21960/>

- GOR Order No.278-p of February 22, 2016, on distribution of 7.25 billion rubles in subsidies to 84 provinces for partial compensation of interest rate on short-term loans for the development of plant breeding, processing and marketing products of plant origin.

<http://government.ru/docs/21959/>

- GOR Order No.260-p of February 20, 2016, on distribution of 2.4 billion rubles to 78 provinces for partial compensation of interest rate on long-term, mid-term and short-term loans to small agricultural enterprises. <http://government.ru/docs/21944/>

- GOR Order No.277-p of February 22, 2016, on distribution of 2.52 billion rubles in subsidies to

84 provinces for partial compensation of interest rate on short-term credits for the development of cattle breeding, processing and marketing of livestock products.

<http://government.ru/docs/21946/>

- GOR Order No.319-p of February 27, 2016, on distribution of 3.9 billion rubles in subsidies to 79 provinces in grants for starting and developing private farms and lump-sum support for household needs to new farmers <http://government.ru/docs/22002/>.
- GOR Order No. 320-p of February 27, 2016, on distribution of 3.47 billion rubles in subsidies to 74 provinces for grants provided for development of family livestock farms. <http://government.ru/docs/22028/>
- GOR Order No.335-p of February 29, 2016, on distribution of 7.2 billion rubles in subsidies to 75 provinces for implementation of state targeted program “Development of Rural Territories for the period 2013-2020.” The support is aimed to improve housing for farmers, infrastructure and for grants to support initiatives of rural community.

<http://government.ru/docs/22041/>

EAEU Members Forecast Development of Russia’s Agricultural Sector for 2016-2017:

On February 24, 2016, experts from the Eurasian Economic Union (EAEU) countries discussed the forecast for the supply and demand of principle agricultural products, and the forecast for the development of the agro-industrial sector during the period 2016-2017. An increase in production of poultry by 14 percent and pork by 9 percent is forecast in 2017, compared with 2015 production. In addition, in 2017, total production of sugar beets is expected to increase by 11 percent, oilseeds by 5 percent, and grain, vegetables, fruits and berry production by 3 percent. In 2016-2017, the value of total exports of agricultural products is expected to increase by 4.5 percent, including trade within the Union which is predicted to go up nearly 10 percent. It is forecast that against an insignificant growth in imports (estimated at 1 percent), a negative balance of foreign trade with third countries will improve (increase) by 2.3 percent.

The EAEU Agreement established the development of a uniform system of forecasting as a priority and a necessity for balancing the development of production and markets of agricultural products and foods.

In addition, the EAEU contends that forecasts facilitate estimating the status of food security, which in turn enables decisions on the application of protective mechanisms when importing.

<http://www.eurasiancommission.org/ru/nae/news/Pages/26-02-2016-5.aspx>

GOR Approves Fisheries Commission Members: On February 27, 2016, the GOR issued Order No. 315-p appointing members of the Government Commission on the Development of the Fisheries Sector (Commission). Arkadiy Dvorkovich, Deputy Chairman of the GOR, was appointed the Head of the Commission. Other members of the Commission include representatives from federal and regional administrations, the Audit Chamber, the State Duma, the Federation Council, research institutes and fisheries organizations. The Commission was established on December 25, 2015 by government resolution No.1431. The objective of the Commission is to ensure coordinated actions by federal and regional executive authorities on the development and implementation of a uniform state policy in fisheries and aquaculture. FAS/Moscow reported on the creation of the Commission in its first edition in 2016 of the [Bi-weekly](#) Report. <http://government.ru/docs/22023/>

Russian Fish Catch Increases Two Percent: Russian Federal Fisheries Agency reports that as of March 2, 2016, Russian fishermen caught 864.4 TMT of fish, a 2 percent increase in comparison with the same time last year. The higher catch is primarily attributed to increased harvest of Pollock in the Far Eastern basin, as well as cod and haddock in the Northern basin.

<http://www.fish.gov.ru/press-tsentr/novosti/12176-vylov-rossijskikh-rybakov-k-nachalu-marta-dostig-846-tys-tonn>

X5 Retail Group Launches New Alcoholic Beverage Chain: The second largest Russian retail group “X5 Retail Group” launched a new chain of alcoholic beverage stores called “Pyatnitsa.” To date, the company has opened 4 alcoholic beverage stores next to its budget “Pyaterochka” grocery stores in Moscow and St. Petersburg. The X5 Retail Group plans to open from 10 to 15 additional Pyatnitsa stores in 2016.

<http://www.rbc.ru/business/24/02/2016/56cd7c4f9a794712934b7805>

Russian Production of Juice and Mineral Water Declines: Data from the Federal Statistics Service showed that fruit and vegetable juice production in Russia fell by 29.5 percent in 2015. In addition, the bottling of mineral water decreased by 16.9 percent compared to 2014 data. Coca Cola holds a 24.2 percent market share of the juice segment and Pepsi has a 39.5 percent market share. The domestic manufacturer "Sady Pridonya" has an 8.4 percent market share.

<http://bfi-online.ru/rnews/index.html?kk=119cf650f6&msg=4852>

2015 Chocolate Production in Russia Dropped: The production of chocolate and sugar confectionery products declined in 2015. It should be noted that the chocolate and sugar confectionery sector in Russia demonstrated solid growth for many years prior to 2015. The main cause of the decline in chocolate production was the depreciating ruble, as domestic producers are highly dependent on raw material imports. In addition, the Russian confectionery industry uses many types of nuts and dried fruit, most of which fell under the 2014 food import ban.

www.konditerprom.ru <http://bfi-online.ru/index.html?kk=4d0cf64a8e&msg=4871>

Russia's Imports of Cheese and Cottage Cheese Falls: According to a new report of the National Union of Milk Producers (Soyuzmoloko), Russia's imports of cheese and cottage cheese amounted to 200,600 metric tons (\$720.2 million) in 2015, down 37 percent compared to the previous year. Belarus is the main supplier of cheese and cottage cheese to Russia, accounting for 25 percent of all dairy imports in 2013, 41 percent in 2014, and 81 percent by the end of 2015.

<http://bfi-online.ru/rnews/index.html?kk=ca67a7c228&msg=4954>

EEC Temporarily Cancels Duty on Cocoa Products: The Board of the Eurasian Economic Commission (EEC) decided to temporarily eliminate the import duty on cocoa products until the end of 2017, the main raw material for production of chocolate, according to the press service of the EEC. The zero rate will apply to non-defatted cocoa paste, cocoa butter and cocoa fat, which are used by manufacturers of confectionery products for making chocolates.

<http://bfi-online.ru/rnews/index.html?kk=492ef10518&msg=4952>

Fish Processing Cluster to be Established in the Far Eastern Federal District: The Ministry for Development of the Russian Far East signed an agreement with the Federal Fisheries Agency for the creation of a fish processing cluster in the Far Eastern Federal District. Four regions, including Khabarovskiy, Primorskiy, Kamchatskiy Krai and Sakhalinskaya Oblast, have given official approval for their accession to this agreement. The establishment of a fish processing cluster has several objectives related to the development of the fisheries industry of the Russian Far East: improving the sector's contribution to GDP, increasing private investment in processing facilities, and increasing the

availability of Far Eastern fish in the domestic market.

http://minvostokrazvitia.ru/press-center/news_minvostok/?ELEMENT_ID=4056

Khabarovsk Territory Develops Greenhouse Business: Foreign and domestic investors continue to build vegetable greenhouses in the Khabarovsk Territory. The total area of greenhouses in the region increased from 0.32 hectares in January 2015 to 3.4 hectares in January this year. According to regional government representatives, construction of greenhouses has been initiated by "APK Vostok" Co., Ltd., private entrepreneur Viktor Butko, the Russo-Japanese company JGC Evergreen and the Agrarian Technology of the Future Company, Ltd. According to the Regional Ministry of Agriculture, "a new approach to greenhouse vegetable production will be applied in our region. The greenhouse space will be completely covered by natural light. This technology increases the green growth culture 50 percent more than under natural conditions." <http://www.vostokmedia.com/n275039.html>

*Note: News Items below on Kazakhstan are quoted from Interfax Agency in Kazakhstan:
www.interfax.kz.*

First McDonald's Opens in Kazakhstan: The first McDonald's in Kazakhstan opened on March 8th in Astana. With an investment of \$3.5 million, the 200-seat restaurant promises to create over 200 jobs. A second McDonald's is scheduled to open in Almaty during the first half of the year. A total of 15 McDonald's restaurants are planned for various cities across Kazakhstan, according to McDonald's franchisee businessman Kairat Boranbayev. All main products – salads, frozen rolls, semi-finished meat, etc. – will be supplied to the restaurants by the Russian-based company HAVI Logistics Russia, some other food items will likely be shipped from Europe. Management has promised to look into the possibility of sourcing some inputs locally as the supply chain develops. Boranbayev is also a McDonald's franchisee owner in Belarus.

Kazakhstan Ratifies EEU Free Trade Agreement with Vietnam: Kazakh President Nursultan Nazarbayev signed the Law on Ratification of the Free Trade Agreement between the Eurasian Economic Union (EAEU) and its Member States, and Vietnam. Earlier, First Deputy Minister of the National Economy, Marat Kusainov, said that the agreement covers such areas of cooperation as trade protection measures, sanitary and phytosanitary measures, technical barriers to trade, intellectual property rights, competition, customs cooperation, e-commerce etc. In accordance with the agreement, a duty-free trade regime between the EAEU member states and Vietnam will exist for the majority of goods. A transition period will apply to certain goods before relevant import duties are abolished. To date, Kazakhstan's trade with Vietnam tops \$200 million, including \$190 million in imports from Vietnam and \$10 million in exports to Vietnam, according to Kusainov.

New Feedlot in Kostanai Region: Terra LLP established a new feedlot in the Karabalyk District of the Kostanai region, according to the Regional Administration Press Office. The first phase of the feedlot accommodates 3,400 heads of cattle for a total of 140 million tenge. In 2016, the entity plans to expand the feedlot capacity to 8,000 head and in 2017 to 20,000 head. The firm, Terra LLP, has been active in Kazakhstani agricultural production since 2009.

Kazakhstan Plans Trade Representative Office for Iran: Kazakhstan plans to open a trade representative office in Iran, according to the Chairman of the Committee of Industrial Development and Production Safety of the Ministry of Investment and Development, Amaniyaz Erzhanov. During recent negotiations in Tehran, Kazakhstan agreed to supply Iran with transformers, oil equipment, communications equipment, fertilizers, and food, while Iran offered to export food, household

appliances, building materials and textile products. Discussions also included: facilitating a visa regime, increasing flight frequency between the two countries, and seeking a speedy solution to clearing mutual payments between banks of the two countries.

Kazakhstani Meat Producers to Supply Beef and Mutton to Iran: With the assistance of Kazakhstan's Foreign Chamber of Commerce, Kazakhstani exporters signed a long-term contract to supply a total of \$30 million of beef and mutton to Iran. The contract between Kazakhstani and Iranian companies was signed during the meeting of the Kazakh-Iranian Business Council in Tehran. The Chairman of the Chamber of Commerce of Kazakhstan, Meirbek Mazhitov, issued a press statement: "I believe that this contract has marked the beginning of a strategic partnership between the two countries. A vivid sign of that is a keen interest in cooperation shown by the business communities of Kazakhstan and Iran. I am confident that by setting the pace we can improve the dynamics of trade and economic relations between our countries and give our a new impetus to our partnership."