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Government Import Substitution Measures in Agriculture

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Report Highlights:

On August 4, 2015, the Russian Government created the Commission on Import Substitution in the Russian economy. The first meeting of the Commission, on August 11, 2015, was devoted to import substitution in agriculture. At the meeting the Government ordered different ministries and agencies to develop legislative acts for monitoring import substitution in agriculture and confirmed that all federal financing of agriculture will be targeted to import substitution projects. In view of such goals, the Ministry of Agriculture plans to update the concept of Russia's food security doctrine, and the Agriculture Development Program 2013-2020, and to submit its proposals to the Government in the fall 2015.

General Information

On August 4, 2015, Prime Minister Dmitry Medvedev signed Government Resolution No. 785¹ that established the government Commission on Import Substitution (hereinafter the Commission)². The objective of the Commission is to coordinate activities of the federal bodies of executive power, bodies of executive power in the subject (regions) of the Russian Federation, local administration authorities and organizations that implement state policy in the sphere of import substitution. The first meeting of the Commission was held on August 11, 2015 and was devoted to import substitution in agriculture.

The Government began discussing import substitution in agriculture and was initiated some measures as early as 2014. The meeting on August 11, 2015 confirmed that import substitution in agriculture remains one of the government priorities. Opening the meeting, D. Medvedev reported that import substitution in agriculture was the highest priority of the Russian Government: “The very first decisions on the development of import substitution were made in agriculture and the special plan to promote import substitution in agriculture was approved earlier than in other sectors. We adjusted the state program for the period until 2020, which was tailored to these goals. Additional funding has been allocated from the federal budget. Close to 240 billion rubles will be allocated to support agriculture this year alone. Next year and in the next period, we are planning to sustain this level of support. A list of investment projects to promote import-substitution in agriculture was approved in March of this year. There are about 460 such projects. The level of investment is also significant: 265 billion rubles³.”

Government Decisions on Import Substitution in Agriculture in 2014-2015

In December 2014, the Government amended the 8-years State Program “Development of Agriculture and Regulation of Markets of Agricultural Products, Raw Materials and Foods for 2013-2020” (hereinafter Agriculture Development Program 2013-2020)⁴, and pointed out that the government would pay special attention to the acceleration of development of the following segments of agriculture: meat (pork, poultry, beef), dairy, vegetables in open and protected cover, fruit orchards, selection of planting seeds, and processing and distribution of agricultural products. In order to facilitate financing of import substitution programs in agriculture in May 2015, Russia amended its 2015 Federal Budget and increased federal support of agriculture in the spheres outlined by the amended Agriculture Development Program 2013-2020. FAS/Moscow GAIN report [Agricultural budget 2015](#)). Since May 2015, the Government issued several Resolutions on the distribution of federal funds, which are envisaged in the updated 2015 Federal Budget for agriculture. FAS/Moscow reported on these orders of the Russian Government in the following Bi-Weekly Updates:

- [Agricultural Policy and Situation Bi-Weekly Update 11.pdf](#);
- [Agricultural Policy and Situation Bi-Weekly Update 10.pdf](#);
- [Agricultural Policy and Situation Bi-Weekly Update 9.pdf](#).

In addition to these orders, the Government amended several rules pertaining to loan and interest rate subsidies for agricultural producers. FAS/Moscow reported on this government Resolution No. 766 of

¹ Text of the Government Resolution No. 785 of August 4, 2015: <http://government.ru/media/files>

² FAS/Moscow reported on the creation of the Commission in [Russian Agricultural Policy and Situation Bi-Weekly Update 8-20-2015.pdf](#)

³ From the transcript of the meeting in English: <http://government.ru/en/news/19246/>

⁴ Government Resolution No. 1421 of December 19, 2014: <http://www.garant.ru/products/ipo/prime/doc/70727272/>

July 28, 2015 in GAIN report: [Government Amends Rules of Federal Support to Agricultural Producers.pdf](#).

In March 2015, the Russian Ministry of Agriculture summed up investment projects in spheres that were underlined in the amended Agriculture Development Program 2013-2020, and presented it as the List of investment projects that will help import substitution. The total value of credit agreements for implementation of these projects is almost 266 billion rubles (approximately \$3.97 billion)⁵. Most credit agreements for these projects were concluded in 2014, although there are some that were concluded earlier. The credit repayment date for most of the agreements is 2020 and 2021. There are no data on the sources of these loans or the terms of repayment, but since these investment projects are approved by the Ministry of Agriculture, they will be receiving interest rate subsidies and/or other types of support from the federal and provincial budgets. The list consists of 464 investment projects, including 49 projects in vegetable growing in greenhouses (31.0 billion rubles or approximately \$463 million), 48 projects for construction of storage facilities for vegetables (10.7 billion rubles or \$160-million), 4 projects for development of processing facilities for horticulture projects (0.7 billion rubles or \$11 million), 166 projects in dairy cattle breeding and dairy processing (24.3 billion rubles or \$362 million), 79 projects in pork production (124.2 billion rubles or \$1.85 billion), 65 projects in poultry production (64.9 billion rubles or \$968 million) and 53 projects in beef production (10.2 billion rubles or \$152 million).

List of investment projects that will help import substitution

Industry	Unit of measurement of capacity of the project	Number of projects	Value of credit agreement, million rubles	Increase of capacity		
				Total	2015	2016
Vegetable production (greenhouse gardening)	HA	49	31,013.55	344.59	341.64	2.96
Vegetable storage facilities	Th. MT	48	10,716.82	857.35	856.55	0.79
Processing of fruits and vegetables	Th. MT	4	718.71	22.35	22.35	
Dairy farming and processing of dairy products	Th. MT of milk	166	24,260.12	291.12	232.57	58.55
Pork production	Th. MT of meat, live weight	79	124,197.37	612.50	281.06	331.44
Poultry production	Th. MT of meat, live weight	65	64,862.72	455.35	315.64	139.70
Beef production	Th. MT of meat, live weight	53	10,167.85	24.04	24.04	
TOTAL		464	265,937.14			

The complete list of approved projects is posted on the site of the Ministry of Agriculture: <http://www.mcx.ru/navigation/docfeeder/show/293.htm>

Results of the Meeting on August 11, 2015

⁵ [In 2014 and 2015 the ruble exchange rate was very volatile. As of September 4, 2015 it is 67 rubles per \\$1](#)

At the August 11, 2015 meeting the Government ordered different ministries and agencies to develop legislative acts for better control of import substitution in agriculture and confirmed that all federal financing of agriculture will be targeted to import substitution projects. The Russian Government published a summary of the following decisions and orders for implementation of the import substitution policy in agriculture:⁶

- The Russian Ministry of Agriculture, Russian Interior Ministry, Rospotrebnadzor⁷, and Rosselkhoz nadzor⁸ in cooperation with the State Duma of the Federal Assembly of the Russian Federation shall speed up the preparation of the draft federal law that would strengthen the administrative responsibility for violation of requirements of technical regulations of the Customs Union for food products, which are in circulation in the Russian Federation;
- Rosselkhoz nadzor and Rospotrebnadzor with the participation of the Russian Interior Ministry and the Prosecutor General of the Russian Federation in accordance with their respective mandates shall strengthen the control (supervision) over the quality and safety of food raw materials and food products, paying special attention to ensuring their safety during production (manufacturing), processing, transportation and storage;
- The Ministry of Agriculture and Rosselkhoz nadzor, together with the interested federal executive authorities shall submit by September 30, 2015, proposals to the Government for improving mechanisms of control of organizations engaged in the slaughter of farm animals, and in the disposal of dead animals;
- The Ministry of Agriculture, Russian Ministry of Economic Development, Russian Ministry of Finance, and Rosselkhoz nadzor together with interested federal executive authorities shall submit to the Government by September 30, 2015, draft regulations on the following:
 - - - To empower Ministry of Agriculture with the authority to issue normative legal acts aimed at regulation of use of pesticides and agrochemicals in agricultural production, as well as control of products of plant origin, including those imported into the territory of the Russian Federation;
 - - - To empower Rosselkhoz nadzor with the authority to control the safe handling of pesticides and agrochemicals during their use in agricultural production, as well as to control the products of plant origin, including those imported into the territory of the Russian Federation;
- Rosselkhoz nadzor and Rospotrebnadzor shall monitor compliance of milk and dairy products sold in the territory of the Russian Federation with the requirements of technical regulations of the Customs Union "On the safety of milk and dairy products", paying particular attention to their compliance with the requirements for labeling and packaging of milk and dairy products;
- The Ministry of Agriculture together with the Ministry of Economic Development and the Ministry of Finance shall submit by September 15, 2015, to the Government of the Russian Federation agreed proposals on imposing a moratorium on the use of new regulatory action in the field of agriculture, leading to an additional financial load on agricultural producers.

In order to improve monitoring of implementation of the Agriculture Development Program 2013-2020 in 2015 and in the planned period 2016 and 2017, the Ministry of Agriculture developed a step-by-step monitoring, with control dates for reporting, about the fulfilment of the Program and its subprograms. This Plan was approved by the Government of the Russian Federation by the Order 1758-p of September 9, 2015⁹.

⁶ From the Minutes of the meeting on August 11, 2015: <http://government.ru/orders/19411/>

⁷ Federal Service for Consumer Rights Protection and Human Wellbeing (Rospotrebnadzor)

⁸ Federal Service for Veterinary and Phytosanitary Surveillance (Rosselkhoz nadzor), abbreviation in English - VPSS

⁹ <http://government.ru/docs/19628/>

In view of the general goals of import substitution, the Ministry of Agriculture prepared the draft Order of the President of the Russian Federation on Amendments to the Food Security Doctrine. The amendment increased the self-sufficiency targets for the following groups of products: sugar – from 80 percent to 90 percent, sunflower oil – from 80 percent to 90 percent, for fish products – from 80 percent to 85 percent. The amendment adds new minimal levels of self-sufficiency in vegetables and melon – 90 percent, and in fruits and berries – 70 percent. Self-sufficiency requirements for other product groups have not been changed: grain – 95 percent, meat and meat products – 85 percent, milk and dairy – 90 percent, potato – 95 percent, salt – 85 percent. Amendments also specify criteria for determining national food security and general social economic goals for development of agriculture and rural area¹⁰.

The Ministry of Agriculture also plans to propose additional amendments to the Agriculture Development Program 2013-2020. It plans to submit proposals to the Government by the end of 2015.¹¹.

FAS/Moscow will continue monitoring and reporting on the changes in the goals and timeframes of the Russian Food Security Doctrine and the State Program 2013-2020.

¹⁰ The draft was posted on the government site <http://regulation.gov.ru/projects#npa=38295>.

¹¹ http://www.mcx.ru/news/news/v7_show/41521.285.htm