In the context of an election year, on June 23rd, 2011, Russian Prime Minister Vladimir Putin delivered a speech at the fifth annual conference of the Russian Agrarian Movement in Rostov-on-Don, Russia. This speech included important policy statements regarding the Russian Government’s support to the agricultural sector, Russia’s WTO accession, government policy on grain exports and livestock production, and answers to a variety of questions from farmers and agri-business representatives.
Executive Summary:
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General Information:

Vladimir Putin’s speech:

Good afternoon, ladies and gentlemen,

Thank you for your invitation to participate in the fifth annual conference of the Russian Agrarian Movement.

Today, as I am told, you have already made an important decision with regard to organization and personnel. The organization's Central Council has been reshuffled, and Viktor Zubkov has been elected as its chairman. I’d like to congratulate him. And I would like to congratulate all of you on this decision because, indeed, Mr. Zubkov is a person who has devoted virtually his entire life to agriculture, with the sole exception of the period in which he served as head of the Russian government.

(Addressing Viktor Zubkov) I understand you started working at a state-owned farm. Am I right? You started out as an ordinary worker and rose to the position of farm manager, then you worked as a Communist party and Soviet functionary. From then on, your career was always linked to the Communist party, and you were successful in it.

He thought it would be improper to speak of it, but I have known Viktor Zubkov for a long time. I know that he took charge of a state-owned farm that had one foot in the grave and he built it into a leader, then
he was put in charge of another defunct farm and he helped it rise to its feet as well. I very much hope that Mr. Zubkov will be as successful in his position within this non-governmental organization.

I would also like to express my gratitude to the members of the Russian Agrarian Movement, AKKOR (the Russian Association of Farm Holdings and Agricultural Cooperatives), and other industry associations for supporting the creation of the Russian Popular Front. It is important to create new mechanisms for joint discussion and decision-making, the effective promotion of important and relevant ideas, and, of course, a basis for constructive feedback and public control over the way these decisions are implemented. I look forward to good teamwork, all the more so since there are many problems and questions being raised concerning the implementation of these ambitious joint plans. I expect to discuss such issues today.

Let me remind you that in the early 2000s, when we laid out the guidelines for our development strategy, we made the agro-industrial complex a key priority. Those present here know and have surely heard that this is a difficult sector to manage and that results are very hard to achieve. Many have even said, somewhat insultingly, that agriculture is a black hole in which the government would do better to avoid investing its resources. I have always considered and still consider this point of view to be profoundly mistaken. I am pleased that, together, we have managed to discredit these attitudes. We have proved that our decisions have been absolutely correct and that giving support and attention to those who till the land and are determined to achieve success invariably reaps rewards.

In 2006, we launched a national agricultural sector project. It was followed by the launch of a state agriculture development program. We funded it out of the federal budget to the tune of 550 billion rubles. For their part, the Russian regions contributed a further 250 billion. Those were investments in new and promising developments in agriculture, jobs, social infrastructure, welfare, and opportunities for millions of our citizens to fulfill their potential and guarantee our food independence, providing the Russian people with high-quality, affordable food.

Today the call to “buy Russian” is no longer an attractive abstract slogan but a reality: domestic products are returning to stores after a period in which imports had wiped them off the shelves. There are still plenty of foreign imports, but the situation is changing. More and more, people prefer domestic products that have an edge in terms of quality and environmental purity and that are natural products rather than some cheap synthetic surrogate brought in from abroad.

We are becoming the masters of our own food and agrarian market step by step. All this is the result of the development of the Russian agro-industrial sector – the tangible result of the work of Russian farmers, livestock breeders, and the food processing industry. I can site one example: the share of domestic products in the meat market has increased from about 50% in 2005 to over 75% today, with poultry production more than doubling from 1,388,000 tons to 2,824,000 tons. Frankly, I do not know that any of our neighbors have achieved such success. These are record indicators.

The production of pork has increased 1.5 times. Fish production has grown by more than a quarter. We have more than enough grain in spite of two consecutive years of drought in 2009 and 2010.

Moreover, only recently, many people did not take the suggestion seriously that Russia could be a viable exporter. We were net importers. Nobody believed that we could sell grain abroad. And yet we
have managed to do so by bringing in harvests approaching 100 million tons. In 2007, Russia became one of the top three grain exporters in the world. One of the top three.

I am sure that our producers will regain and consolidate their position in the grain market, and the state will render all the support necessary in terms of organization, finance, and foreign trade. I hope that we will have the opportunity to discuss these plans today in more detail.

But the immediate challenge in this difficult period has been to render emergency assistance to farms stricken by drought and prevent anomalous weather patterns from reversing positive trends in the development of the agro-industrial complex. That includes not only large enterprises but also small and medium-sized private farms. This has been our principled stance, and it has proved a success.

Speaking of support for small farmers, I would like to return to the initiatives proposed at this year’s AKKOR conference in Tambov. I am referring to special projects in support of start-up farmers and assistance to private farms in registering their titles to land. We will follow this initiative through. This year, more than 120 million rubles have been allocated for obtaining land titles. Next year, the figure will be over 1 billion. As regards the project for start-up farms, it will be launched in 2012, as we agreed. The federal budget will allocate 2 billion rubles for this purpose next year. Of course, we expect the regional authorities to contribute their share.

With regard to what has been accomplished, let me say that about 320 billion rubles were allocated in 2010-2011 to subsidize interest rates, leasing, tax benefits, seed and fertilizer, as well as to support cattle producers and provide direct financial assistance to farms that have been affected by emergencies. I am aware that there are some problems with actually disbursing the 5 billion rubles that we allocated to farms that preserved their livestock numbers. We just visited such a farm, and I asked the manager, “Have you preserved your livestock?” “Yes.” “Did you get the money?” “No.” But the region has received the money. And I expect (the governor has promised) that it will reach these farmers shortly. I am referring not only to the Rostov Region but also to other regions. It is a real problem. These are problems connected with the bureaucracy, and these are clear abuses of the bureaucracy. I hope this issue will be settled in the very near future. I am sure it will be. I ask the Agriculture Ministry to monitor this situation and bring the matter to a close.

Next, we have extended the discount period on fuel and lubricants to December 31, and Rosselkhozbank (the Russian Agriculture Bank) and Sberbank have made more than 150 billion rubles available in credit to fund spring sowing this year. Moreover, in spring we used surplus federal budget revenue to support agriculture: we earmarked an additional 13 billion rubles, despite certain limitations and the need to reduce the budget deficit. It’s no secret that the government initially believed that we should first eliminate the deficit and then decide what to do with surplus revenue. But we made an exception for agriculture. In spite of the budget deficit, we allocated additional funding out of this year’s revenue. First, we allocated 3.7 billion rubles to Rosagroleasing in order to allow it to lease equipment to farms at a 50% discount, covering about 6,000 units of equipment in all. Second, an additional 9 billion rubles was allocated for the development of pig and poultry breeding.

Of course, state support could not solve all the problems caused by the drought. But, nonetheless, in a very difficult situation, we managed to build up agriculture’s financial stability, and, as a result, the domestic agro-industrial complex has garnered considerable potential for growth and a large margin of
strength, which helped us make it through the natural disasters of the past two years and helped us overcome the negative consequences of the global financial crisis.

Obviously, the impact of weather on farming is always unpredictable. However, we anticipate that this year, agricultural and industrial production will be restored to its pre-crisis levels, and we have every reason to have such optimistic expectations.

You have successfully completed the sowing, which is the basis for a good harvest. You have probably heard the estimates. We expect to reap around 85 tons. Let’s hope that the weather remains the same, and I believe that we can reach this goal.

Estimates for the grain harvest are quite good. We should add our crop stocks here, including the intervention fund. As you know, we used part of the intervention fund reserves (mostly fodder grain) to support farming. However, there is still a significant reserve left. Therefore, I would like to confirm our decision to lift the grain export ban from July 1st onward. I think that everyone here understands the reasons for this decision. We could not leave our own country without grain, for fodder or for bread. From the very beginning, I emphasized that this was a temporary decision. By limiting grain exports in August 2010, the government prioritized the domestic supply and preserved the stability of the domestic food market. Despite additional costs and other problems, we succeeded. Now, the domestic grain price is lower than the price on the global market. We have enough stock to ensure smooth supplies until the next harvest. A balance of consumption has been reached, and we can now export our excess supply. Besides, the FOB export price on our crops is around 7,000 rubles in the Black Sea, whereas the global market price is 9,000 rubles.

We fully understand that grain export is a strong motivating factor in production, increased harvests, and extended cultivation. It also implies growing investment into logistical improvements and port infrastructure in southern Russia and the Far East. Finally, it is a real opportunity to diversify the structure of Russian foreign trade turnover. According to experts, next year, Russia will be able to export up to 15 million tons of grain and retake its place at the top of the world’s grain exporters. We hope you can make specific suggestions as to how this potential can be fully realized for the benefit of Russian producers. For our part, we promise to provide all the necessary support.

Colleagues, we have no doubt that our pursuit of comprehensive agricultural development should continue. And it is not only about production rates. It is about competitiveness and efficiency. It is about the growing accessibility of quality produce for our citizens and, as I just said, about stronger export potential. What we need is a massive flow of investment and advanced technology. The agricultural sector must become one of the driving forces behind the national economy. And it can do so, just as it can become an industry that is attractive to capital investments, an industry that creates modern and rewarding jobs and allows rural citizens to improve their incomes so that young and qualified specialists choose to work in agriculture. It is clear that the social infrastructure of the villages must be improved, which includes rural healthcare, education, culture, sports and housing utilities.

When it comes to rural healthcare and education, you are aware of the large-scale projects we have created for the next two years. According to the education modernization program, rural schools will receive twice as much funding [as their urban equivalents]. We must also focus on the development of rural healthcare, which is in itself a big issue. In the immediate future, we plan to discuss it thoroughly.
with the representatives of federal agencies, regional and local authorities, social organizations, and, certainly, agricultural businesses. We must specifically concentrate on bottlenecks (and there are still plenty of them) that hinder this process and reallocate our resources to the most pressing matters.

Recently, the government has been deeply involved in drafting the federal budget for the next three years, and this work is still in progress. We have just examined the parameters of financial support for the sector under the auspices of the state agricultural program. I can report that we decided to increase funding to 130 billion rubles in 2012 and added 12 billion rubles to the initial proposal. This amount (130 billion) has been included under the state program on agricultural development. We must now ensure its full spending and application to the most critical problems facing the sector. Therefore, I would like to invite the Russian Agrarian Movement and other agricultural unions to participate in a detailed discussion of budget priorities in the sector. I believe that such cooperation will help us take prudent action and better execute our mutual responsibilities. Mr. Zubkov is directly involved in the process, and he eagerly defends the interests of the industry – sometimes perhaps too eagerly, if we consider the scale of the sector, although I admit that there is good reason for it. Today, he was elected chair of your organization's Central Council, therefore his ties with this activity are even more clear.

I am asking the Russian Agrarian Movement to send its proposals to Mr. Zubkov so that he can enlist your help in this work. We will consider these proposals as we develop a new state program on rural development for the period starting in 2015. We will also consider your suggestions on the budget for the next three years. Let me remind you that, according to the federal law, the program I have just mentioned must be approved this summer.

In turn, we will suggest that several completely new and independent courses of action be taken under the state program. The first regards support for the food and food processing industry, as well as small farming communities. The second concerns the infrastructural development of the food market. Third, there is a need to improve the economic regulation of food markets. And, finally, we must consider the maintenance of soil fertility.

By the way, I believe that we should consider returning to localization in the field of agriculture. There are regions with high economic value and profits. There are also unstable farming regions. We are all fully aware of that. And we should differentiate between the crops that can be produced most cost-effectively in a given region. That means that we should also review Russia’s long history and experience in farming. There is no shame in learning from our ancestors. We can grow watermelons here but we cannot do it there. We should proceed from experience, practice and modern knowledge base. Getting back to the draft of future government program, I wish to add that we will by all means make provisions for broader measures to support animal farming, especially cattle breeding. I would like to bring to your attention the fact that entrepreneurs and private businesses should be the driving forces behind the agro-industrial sector development. The state, as is the case in the majority of developed economies, should facilitate this work, remove all bureaucratic barriers, tune the market correctly and eliminate all imbalances. I will get back to the issues of imbalances shortly. I realize that they cause an understandable reaction. To be sure, we need to seriously think about increasing the effectiveness of measures to support farmers, so as to encourage agribusiness to improve the quality of their products, enhance competitiveness and cut costs.

One of the objectives here is to enhance the efficiency of industry-specific developmental institutes,
primarily, Russian Agricultural Bank and Rosagroleasing (Russian Agro-Industrial Leasing Company). The Agricultural Bank cut its lending rates this year, thus making the financial resources more affordable for businesses. At the same time, loan issuing is becoming less complicated and takes less time than previously, especially for farmers and small rural businesses. Lending system should take into account the special needs of agribusiness, including its seasonal nature and special features of collateral that farmers can provide. Therefore, I suggest that we think about expanding the range of items that can be used as collateral, such as farmlands or future crops. Clearly, forecasting isn’t something that can be easily done in agriculture, but it’s still feasible under certain circumstances, and many countries use it.

I would like to ask the Russian Agricultural Bank to submit relevant proposals to the government, but before doing so, please go over them with experts and representatives of the Russian Agrarian Movement – agrarian unions and associations.

Next important area includes upgrading equipment of the agro-industrial complex. Obsolete combine harvesters and tractors account for 70% and 80% of the currently used agricultural machinery. The worn-out equipment gobbles up fuel and money for repairs and has low efficiency of operations. As you know, we propose to launch a program to scrap old farming equipment in 2012. For the beginning, the government will provide 3.5 billion rubles for this program. We will then look at the initial results and the outcome, and decide what to do next.

We need to develop rules for registration, deregistration, etc. We already have similar procedures for replacing obsolete cars, so we can apply them to farming equipment, taking into account some specificities. We will need to think it over.

To be sure, leasing arrangements should be at the forefront of re-equipping the industry. The Russian Agro-Industrial Leasing Company also cut fees for its services, but I still suggest that we think about what else we can do to make equipment leasing a more appealing option.

As you know, we accommodated the farmers’ requests and removed all restrictions on loans for purchasing foreign-made agricultural equipment issued by the Russian Agricultural Bank. However, the loan rates will not be subsidized from the budget in this case. I believe that this decision is clear and justified: we cannot subsidize foreign manufacturers of whatever it may be, farming machinery or foodstuffs. If we do so, we’ll just sign a death warrant to the Russian makers of farming equipment.

Alternatively, we suggest that leading foreign companies set up their production sites here, in Russia, similarly to the automaking industry. We do have successful operations in Tatarstan, Krasnodar Territory, Moscow and Samara regions. We should also encourage farmers to buy and use modern Russian equipment and machinery. I would like to ask the Ministry of Industry and Trade and other ministries and government agencies involved to draft proposals and submit them to the government.

We should also think about how to improve the framework for providing enterprises with fuel and lubricants at favorable prices so as to promote the modernization effort. We should do things in a way that encourages farmers to cut inefficient fuel expenses. We should replace old gas-guzzling equipment with fuel-efficient modern machines. I have just been in the field with the colleagues, and heard a harvester operator saying that new types of gas are becoming increasingly available, while the old ones
are almost nowhere to be seen. That’s correct, and that’s the way it is supposed to be. If we keep using old equipment and obsolete gas then our competitiveness will stay at the level it is now. The issue is different here: there must be some incentive to make people buy new equipment. Like I said, we need to expand the use of leasing mechanisms, support manufacturers and buyers of agricultural equipment. Mr. Zubkov, we need these mechanisms to be in place.

Firm conviction that manufactured products will find their buyer at good prices is an incentive of paramount importance for any business, including manufacturers of farming equipment. That’s why we need tools for monitoring and forecasting the market situation, objective balance sheets for staple agricultural commodities and foods. The farmers will then be able to use long-term reference points in prices and demand for drafting their own business plans and development strategies.

We should also continue to improve purchasing and commodity intervention procedures in order to make them more flexible and effective in maintaining stable market functioning, level out seasonal grain price fluctuations and secure fair and economically justified income for farmers. Steady income will provide resources for business development and expansion.

I would also like to say a few words about an issue that is always brought up during our meetings with the farming community. This is about something that you have reacted to with a round of applause a little earlier – price disparity, namely, a gap in price indices for agricultural products, on the one hand, and tariffs, fuel prices, electricity, gas, fertilizers, and machinery (in short, basic resources consumed by farmers), on the other hand.

Clearly, no responsible government should increase the level of profitability of agricultural production at the expense of uncontrolled increases in food prices. However, it is also clear that strict administrative regulation of prices for agricultural products also deprives farmers of economic incentives for development. We should use other more flexible solutions that are designed to secure fair income to farmers.

I hope that the Ministry of Economic Development, Ministry of Industry and Trade, Ministry of Agriculture, Federal Agency for Markets, and the Federal Anti-Monopoly Service will soon come up with proposals for balancing inter-industry economic interests and establishing price parity. We have to analyze very carefully what is going on here.

First and foremost, this concerns price indices for fuel and electricity. We managed, (and I hope you were able to see it) just like in previous years, to negotiate good prices with manufacturers of fuels and lubricants. However, these mechanisms should work independently, so that we never have to use administrative resources to address these issues. The same applies to electricity tariffs.

The next important question is about the Russian agricultural producers getting broad access to global markets. We have already spoken about grain. I think that now we can and should look at this task in a broader perspective. Similarly to other sectors of the Russian economy, supporting exports of products with high added value, including poultry and dairy industries, should become a priority. Let me reiterate, we do have such capabilities.
Indeed, it’s hard to make it to the global food market. Many countries, primarily the European Union and the United States, have put up such insurmountable administrative barriers and so much red tape, that we can’t even imagine their scope despite all the criticism that goes the way of Russian bureaucracy. In order to be able to export their products, our enterprises have to come up with an inordinate amount of paperwork. This process may take years. At the same time, Western food manufacturers have over the years developed a habit of treating Russian food market as their own backyard, where they feel free to do whatever they want.

Let me give you a recent example with vegetables. The fair requirement to comply with Russian food safety regulations was immediately interpreted almost as a political faux pas by our Western colleagues. I can say it again: we are willing to maintain a dialogue with our partners, but we will only do so on a level field. We will protect the interests of the domestic consumers and producers. By the way, we just spoke about it on the farm: one of the prerequisites for Russia’s accession to the WTO has to do with agriculture. It’s about trade in meat products. There is a certain line that we cannot cross. I am talking about the amount of subsidies, quotas, etc. I can assure you that we will take things very seriously here. We will never adopt a decision that would put our producers at a disadvantage or undercut their competitiveness.

I believe that the Ministry of Economy and Ministry of Foreign Affairs in conjunction with the Ministry of Agriculture and agribusiness industry associations should be pro-active and systematically promote Russian goods to foreign markets. I am not talking about discussions or formal reports to the government. There must be clear and understandable criteria for evaluating effectiveness of such work, for example, the number of the Russian companies accredited to trade on the Western markets, the number of foreign auctions for supply of, say, grain or foods, in which the Russian enterprises participated and won, as well as the dynamics and growth of Russian exports. In all things related to supporting exports, we have a lot to learn from our foreign colleagues whom I just mentioned. Their high-ranking officials, ambassadors or ministers, are never shy about defending the interests of their respective agricultural producers.

I would also like to discuss the development and use of the potential of the Russian agricultural research and education. The industry lives and dies by human resources and equipment. It would be just right if the agribusiness industry actively participates in forming orders for R&D studies and training requisite staff. I would like to ask Mr. Zubkov to sit down together with the industry unions and Russian Agricultural Academy and develop specific proposals for organizing such work and appraising its effectiveness. It’s clear that work is in progress, and we have a lot of experience under the belt, and so on and so forth. However, it is also clear that we are living in different times and we should therefore act accordingly.

Friends, we have spoken today about strictly professional issues. However, we understand that solving these issues is a prerequisite for the prosperity of millions of Russian people, good prospects and sustainable development of vast farmlands and preservation of natural resources for the benefit of future generations. When we talk about agriculture, we are not talking only about 40 million people who are to a different extent involved in farming. This also has much to do with consumers, and so now we are talking about the entire country.

In Russia, the national agricultural policy has always been more than pure economics. It has at all times
carried social implications and in many ways determined the potential for the country's development in general. I am positive that if we join the efforts of the government, businesses and public organizations (like yours) we will be successful. Thank you very much for your time!

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Vladimir Putin takes questions at the fifth annual Russian Agrarian Movement Congress

Viktor Zubkov: Mr. Putin, lots of questions have come up. All the speakers on the list have had their say, so what shall we do next? Will you take questions from the audience?

Vladimir Putin: I prefer not to be distracted with reading notes, so let’s take questions from the floor. Not that I mean I won’t read the written questions, but I’d rather have an impromptu talk.

I’m making one exception for the note I just read. It’s from Ms Olga Baidova, who is going to start issuing a magazine. She says rural life and farm work need public promotion. That’s quite true. Ms Baidova wants to pass along some materials for the magazine she will be publishing. Just where are they? Will you bring them here? Fine, thank you.

Please ask the rest of the questions from the floor. These should be topical questions about fuel, electricity, etc.

Yevgeny Zozulya: Good afternoon, Mr. Putin. My name is Yevgeny Zozulya. I represent Top Agro Company from the Volgograd Region. We build pig farms with assistance from Rosagroleasing. We have no grudges at all against it, and we are grateful to the region and the federal government.

However, I have a question to ask. I want you to know about rural people’s problems. They wonder whether the government plans to put all the villages on the phone grid. You see, it’s good that new hospitals are being built and excellently equipped – but how will they call an ambulance if Granny has a heart attack?

Vladimir Putin: I see. I think you will agree with me that telephone services are improving in rural areas, as elsewhere in Russia. It is one of the fields in which our country is making spectacular progress. The number of mobile phones per capita exceeds the European average, if I am not mistaken.

However, much has yet to be done in the countryside. You are a villager yourself, so you know that landlines are being installed in places that have never had telephones before, but still… Many people used these new lines during last year’s wildfires. But this is not enough. People want to have the latest means of communication – mobile phones, the Internet, and so on. The Communications Ministry has plans to this end. I promise to meet with the minister quite soon to update these plans. We will do everything to promote them and develop rural landline and mobile telephone networks.

Speak up please.

Anatoly Mitin: Good afternoon, Mr. Putin. My name is Anatoly Mitin. I am the manager of the Mai collective farm in the Lipetsk Region. Many questions arose after your address. They have all been
settled now except one. It’s a critical matter. It concerns fertilizer prices, which have increased by an unaffordable 30%.

Vladimir Putin: 30%, you say? Mr. Mitin, you know that we have a written agreement between Agrosoyuz and fertilizer manufacturers to set price balances and rates. They announce the rates twice a year, in spring and autumn – in March and November, if I’ve got it right. I think that the prices are set to rise by 12% this year.

Remark: 12.8%.

Vladimir Putin: Yes, 12.8%, on average.

Response: No more than that.

Vladimir Putin: Yes. Yours is an exceptional instance, with a 30% rise. We should pay attention to it. I don’t mean that the arrangement doesn’t work. On the contrary, it works nationwide. You might be the sole exception. I meet with people constantly, so I have firsthand information that it works in many regions and in a majority of localities. The system fails when the seller is after fat profits. If this is the case in your situation, we will look into it. You are from the Lipetsk Region, you say?

We are creating every condition to promote fertilizer manufacturers and support them in world markets. Whatever I said about the necessity to support agricultural producers concerns them, too. That is why they sign these agreements – not out of charity. Their exports several times exceed what they supply to the domestic market. In fact, they export 80% of their products, if I am not mistaken. That’s why they comply with the agreement so readily. We will certainly look into the matter, I promise. Mr. Zubkov, please see what’s going on in the Lipetsk Region.

Question: Mr. Putin, I have sent my question in writing. Now I’m repeating it. I am a farm manager from the Orenburg Region. We have 24,000 hectares of arable land and 2,300 head of cattle, including dairy cows. I would like to hear your opinion on the European method, with which you are certainly familiar. I mean subsidies calculated not from the amount of meat or grain but…

Vladimir Putin: …per hectare.

Response: Yes, per hectare of crops. I would also like to hear a confirmation of differentiated rates for particular regions. We make similar investments into tilling the land, but some regions reap 7 tons of grain per hectare, while in other, drier localities, the yield is 1.5 tons. One of my colleagues here referred to 30,000 ruble earnings. We live in a droughty area and don’t make that kind of money. The gap between town and countryside is wider in our parts. It is a hard life. What do you think about it? Thank you.

Vladimir Putin: This problem has been discussed for quite a long time. Many countries really apply this method of subsidy, which is very expensive and egalitarian. The matter requires profound analysis and calculation before we see how effectively it might work, and where. We might introduce it in some places, but it could prove inefficient in the Orenburg Region, which would feel robbed in contrast to, let
say, the Stavropol Territory or the Rostov Region, where we are now.

Response: But the rates are differentiated.

Vladimir Putin: That will depend on who will make the calculations.

Response: As everything does in this country.

Vladimir Putin: This method works in some places, I repeat. We can’t just shrug it off. Experts are studying it even if we aren’t using it now.

Mikhail Chernov: My name is Mikhail Chernov. I am the manager of the Kirov state farm in the Stavropol Territory, and regional committee chairman of the National Grain Producers Union. To begin with, I would like to reassure you that the Stavropol Territory will remain a driving force [behind Russian agriculture] as it has always been in the past, and we will continue to make further progress.

I would also like to say a few words about price disparities. I know that you’ve had enough of such conversations, but I will still cite several examples. The first concerns electricity: the farm cut energy consumption by 30%, and, as if in response, the electricity price rose by 30% at the same time.

The second problem concerns natural monopolies – gas suppliers, to be more precise. We had to spend three months at Gazprom’s central office in Moscow to have a mere grain drier tapped into the grid. Such matters were formerly settled in the local office – we just went there when we needed things done.

There is another problem – with irrigation. My colleague from the Stavropol Territory raised this question. As you know, it is a droughty place. Much was done through Soviet irrigation programs. Now, we have no irrigation to speak of. More than that, they intend to charge 66 kopecks per cubic meter of water after this year. We will no longer be able to afford to water our crops! And the region will no longer be able to cope with its duties as Russia’s breadbasket.

Last but not least, we have our regional specifics. One is the land issue. The law on farmland turnover does not work well enough, due to our geographic location, to protect future farmers. So, we would like to consider the prospect of cheap long-term loans for today’s farmers as a legislative initiative to enable them to purchase land from their shareholders. That’s all I wanted to say. Thank you.

Vladimir Putin: You’ve said quite a lot!

The Law on Land is a crucial and controversial law in Russia. It has always been so, and, regrettably, it still is today. We are working at it as actively as we can. I think you are perfectly right. The legislators might have had the best of intentions, but whatever concerns land shares… I wouldn’t say it was an erroneous decision, but the matter is extremely tangled, and it will drive us further and further into a deadlock unless we do something about it. But steps are being proposed, and I hope we will implement them quite soon, as I said during my meeting with private farmers. Just look up what was said at that meeting. The materials are available. This is an acute problem, and we should solve it in such a way so as not to hurt the landholders, on the one hand, and not to hamper farm development on the other. I
mean the farms and farmers who do not know just where they are. There are many of them, unfortunately. The problem concerns unused farmland. We should reduce the time limits for companies, especially middlemen, to keep such land idle. Such land should be confiscated.

There are many proposals which, I hope, we will implement as soon as possible, including the insurance issue a colleague mentioned here. We keep encouraging farmers to switch to modern effective means of protecting their assets from adverse weather through insurance while insurers cheat us. Should we tolerate it? These tools certainly must be improved. The draft law on the support of agricultural insurance has come through the first reading, and I hope we will pull it through the State Duma by next spring, and it will be approved in the third reading.

As for price disparity, it is an extremely complex matter in our conditions, and much is still to be done here. Of course, we cannot set food prices by administrative methods, as I said in my address here. We cannot use administrative methods to force other manufacturers and servicing businesses to keep low prices and tariffs. However, this is a vital issue, and it should be achieved by using modern means. That was why I asked the Agriculture Ministry, the Economic Development Ministry, and the Federal Antimonopoly Service in my address to draw comprehensive proposals for eliminating these huge market scissors. The world has modern market tools at its disposal, and uses them. We should also do so.

There is more to it. Next year we will assess the option of keeping the growth of so-called natural or infrastructural monopolies’ tariffs within the inflation rate. This decision will be hard for those companies but we will make it. I hope it will drastically curb the inflation and tariff-related parameters.

As for Gazprom, you have addressed the wrong man. Here is Mr. Zubkov, whom you have elected your chairman. He is, at the same time, Gazprom board chairman. Let him handle it – better late than never.

Yury Sutyaginsky: Good afternoon, Mr. Putin. My name is Yury Sutyaginsky. I represent Titan-Agro Company of Omsk. The company employs 1,200 people and has more than 5,000 heads of cattle. We work more than 100,000 hectares of farmland in the Omsk Region. So, you see, Titan-Agro can make a major interdepartmental agro-industrial biocluster. The regional government approved the program, and we received your personal support among other West Siberian priority projects when you were in Novosibirsk. We are opening this year a mixed fodder plant that will produce 250,000 tons of feed a year, and a pig farm to hold 50,000 heads at a time.

I have a question to ask you. It’s rather a request. Cluster implementation implies ambitious infrastructure development. More than 30 billion rubles have been invested in construction alone while infrastructure development requires roughly 2.5 billion rubles of federal allocations. We appealed to the Regional Development and Economic Development ministries but have not got their consent so far. We applied to the Investment Fund for a targeted government grant. Meanwhile, we have only private investment and regional grants for the project. I wrote a note to Mr. Zubkov. Now, I would like to use this opportunity to ask you for support as the prime minister. Thank you.

Vladimir Putin: What is it all about? Do you need to build roads and electric transmission lines?
Yury Sutyaginsky: There are highways and a railway to be built plus local waste treatment facilities to service the entire complex, which is also to be connected to a gas pipeline. We also need a sewage collector to service communication means and other facilities. So it will be large-scale construction.

Vladimir Putin: For how long do you need the two billion rubles?

Yury Sutyaginsky: Investment will be recovered within eight years, according to estimates. Vnesheconombank has granted us 4.5 billion rubles for two projects, one of which will process more than a million tons of grain even now.

Vladimir Putin: You misunderstood my question. I mean for how many years will you need the two billion grant for infrastructure development?

Yury Sutyaginsky: Just for the next two years because we intend to open the cluster in 2014.

Vladimir Putin: So it will be a billion a year?

Yury Sutyaginsky: Practically so.

Vladimir Putin: Let us see what we can do by putting together federal funds and assistance from development institutions and the Omsk Region.

Yury Sutyaginsky: Thank you.

Question: Good afternoon. I am the Russian Agro-industrial Trust manager from the Rostov Region. Since 2007, our company has invested roughly 5 billion rubles in the regional economy, and we intend to invest another 5 billion in 2011-2013, for which we need considerable collateral. Now, state guarantees allow…

Vladimir Putin: You lack collateral for a loan?

Response: Yes.

Vladimir Putin: So you want to have state guarantees?

Response: Yes.

Vladimir Putin: Where have you applied?

Response: The Rostov regional government. The situation is paradoxical – the Budget Code runs counter to… At present, such guarantees can be granted in compliance with the code only if there is 100% highly liquid collateral. So we can not have the Rostov Region’s government guarantees without collateral today. It puts a halt on our projects. Please, Mr. Putin, look into our problem and issue instructions to the Finance Ministry and the Economic Development Ministry to study the issue in detail, and to initiate changes to the Budget Code to allow Russia’s regions to determine themselves the
size and the terms of the collateral under state guarantees.

Vladimir Putin: I will look at it. So, we can devolve this right to the regions. They have the money for this purpose. If they exercise that right in order to come to us asking for money, then why do they need that right?

Remark: Perhaps somebody else…

Vladimir Putin: We shall see. Have you referred to the governor?

Response: Yes.

Vladimir Putin: We are going to have a meeting with the governor just now after this event, a separate meeting. Three of us, including Viktor Zubkov. If it is about state guarantees, I think they have been exhausted for this year. This may be the problem. As for the collateral, I have already said in my remarks that Rosselkhozbank has reduced its requirements in terms of the size of the collateral, so it could probably be done. Do you have a concrete project for which funding has not been provided?

Response: Yes, we have two projects in the Rostov region – the building of two multi-site fast pig-breeding complexes, each for 100,000 pigs.

Vladimir Putin: I suggest that you talk with Yelena Skrynnik immediately after this meeting. Go and talk with her right away. And she will report to me.

Remark: Okay. Thank you.

Response: Mr. Putin, I would like to go back to the question of grain prices. You said quite correctly in your speech that our grain prices are below world prices. That is a bad sign because grain prices account for just 10% of the price of bread and do not make all that much difference for the end consumer, but they make a lot of difference for the agricultural producer and for the agricultural equipment manufacturer. Even if nothing was done (for example, there was no government policy on agricultural machine-building), prices helped us out. But this destabilizes us greatly. If grain prices fall, agricultural machine-building and chemistry suffer, too. Elsewhere in the world, there are minimum guaranteed prices (something we do not have) and transparent mechanisms for their implementation. I want to be very emphatic that we should introduce this in Russia because it guarantees stability not only in agriculture, but also ensures food security in Russia in general. That is my first point.

Vladimir Putin: Let me respond to the first point now. What we would need then is not simply a guaranteed minimum, but we should cut off excess profits and inflated prices. We would need a corridor. We should think about this.

Question: And the second question. I would like to touch upon the production cost of our grain. Outdated technologies make us uncompetitive. Corruption also makes us uncompetitive and, to top it all off, our prices are below the world level. How can we compete? That is very difficult. And it slows down technological progress.
Vladimir Putin: Regarding world prices. Oilmen say to me – allow us to sell on the domestic market at world prices. You disagree, don’t you? So do I. We have economy in transition. We have to regulate a little differently here. We cannot set everything free at once. But as I have said, there is a price disparity. My colleague to my right has quite correctly said, and everybody shares this view, that there is disparity. We have to build up a mechanism to eliminate this disparity, but we cannot as yet accept all the world prices on everything. We can’t sell fertilizer to you at world prices. So we put a bit of pressure on fertilizer producers.

Question: More about the drought. As many producers have said, the drought is not only about weather, but also about the lack of modern effective agriculture management systems. Take the yields forecast… A decision might not be needed if we knew the exact amount of grain in storage in Russia. That can be done by satellite monitoring. After all, we are a great space power, and there are also yield counters. We can know how many tons per hectare we harvest. Rosselmash harvester combines are already fitted with these yield monitoring devices. In our opinion, the main challenge for the Agriculture Ministry is to introduce a modern technological policy. You are currently battling monopolies to make them cut fuel and lubricant prices, but if new technologies are introduced, we can save up to 30 billion rubles on fuel and lubricants for agriculture alone. Technology can be used more efficiently too, and the money saved can be used to develop infrastructure, to develop agriculture and so on. It is a key task, putting in place a modern agrarian technological policy.

Vladimir Putin: I am quite with you there. I think you are absolutely right. Moreover, when we introduce, for example, GLONASS (space positioning) systems, even in the housing and utilities sector, the cost of fuel and lubricants, of petrol, instantly drops by 30%. They no longer make detours because they must stick to the fixed route. I think the system should be introduced in agriculture, too. It spells additional spending, but that will be money well spent. And obviously the Agriculture Ministry and the government and the state must encourage all of the sectors of the economy, including agriculture, to use modern technologies. We like to repeat that we work in areas of high-risk farming. But our colleagues in the north-west are also in high-risk farming areas, but they manage somehow. They also have problems, but they have more stability than us. At the same time, I think you would all agree that there has been a great improvement in recent years. Look at the livestock farms that we are building. They are a feast to the eye. They don’t make them that good in the West. The West still doesn’t have such farms. You see, we already have something to be proud of. We have a modern base. Of course, that should be our policy. We will stick to it.

Remark: Thank you for the discussion.

Question: Manager of the Soznatelny collective farm in the Tver Region. My question is: Can agriculture exist without land?

Vladimir Putin: It depends on the branch of agriculture. In general, nobody can exist without land, not only agriculture. I am joking, of course.

Remark: We have a livestock farm with 1,500 head of cattle and our farmlands are taken out of cultivation.
Vladimir Putin: Why? How come?

Response: By the governor’s edict.

Vladimir Putin: For what purpose?

Response: For construction.

Vladimir Putin: That is very wrong. When I addressed AKKOR, I said that we were in the process of making a decision to allow construction on agricultural lands only to those who till that land. And even that decision is not final yet. How do they manage to withdraw land from you?

Response: I have conveyed the package of documents to Viktor Zubkov.

Vladimir Putin: We shall see. Is that in the Tver Region?

Response: Yes. The Agriculture Ministry has certified our farm as steadily developing.

Vladimir Putin: Are they taking away your lands for housing developments?

Response: Yes.

Vladimir Putin: I promise you, we will work with your governor.

Remark: With the previous governor.

Vladimir Putin: With the previous governor? We have already worked with him. We will see. Perhaps, it has something to do with the activities of federal agencies, sad though it is. Perhaps it has something to do with the agency that selects land for housing construction.

Remark: The same amount…

Vladimir Putin: It is not just the question of the amount. In the case of the Housing Construction Agency, it should use state lands that are vacant. We will make a point of looking into this matter, I promise.

Sergei Barabanov: Fish-Canning Factory No.55, Kamchatka, Sergei Barabanov. It is salmon fishing season in the Far East and I would like to know if the government supports fishermen in terms of railway tariffs for delivering salmon to the domestic Russian market. Thank you.

Vladimir Putin: The problem arises practically every year. Let us see. I think that we extended subsidies in 2007 specifically to fishermen. We shall see what we can do this year, but in any case we will have to compensate for the shortfall of revenue on Russian railways if they introduce additional discounts. As you know, there is a cut-rate tariff over long distances (that applies to the Far East and eastern Siberia), a downward coefficient of 0.5 is applied to the transportation of goods over a distance of more than
1,100 kilometers. I understand that this may not be enough for fishermen, considering the product costs. We will revisit that issue, okay?

**Remark**: Thank you.

**Question**: A question from Murmansk, if I may. Robinson fishing company. We have five big refrigerator ships that operate all over the world with all kinds of fish. They have large crews, at least 80 on every ship. Make a note of this. We deliver fish exclusively to Russian markets and Russian ports and we do not sell anything abroad. We have a letter for you from our company. For example, why are we building a modern ship in Singapore and not in Russia, according to Russian designs? It is all in the letter. And it also contains some wishes. And I would like to ask you a counter question. You have spoken about aquaculture. Following your instructions, the Russian government drafted a law on aquaculture and submitted it to the State Duma. It creates additional incentives for this kind of activity. We would like you to do what you can to speed up the adoption of that law.

**Vladimir Putin**: Very well. Regarding shipbuilding. How do you prefer them to be built, per ship or per quotas?

**Response**: It could be said that we want both.

**Vladimir Putin**: Okay, give me your letter, I’ll look at it. We are engaged in a major discussion with fishermen and shipbuilders on how to extend credit and how to guarantee repayment.

**Question**: Thank you very much. Igor Tsariyev, chairman of the board of directors of Donskoy Agrosoyuz, from Rostov Region. Mr. Putin, the importance of technology and machines has been stressed here today. But I would like to raise a still more important question, that of human resources. We have a very serious shortage of human resources at all levels. I have been a farm manager for ten years and each year the problem has been getting worse and worse. I would like you to pay attention to all the levels of education—vocational, secondary technical and higher.

The second problem is the total lack of a procurement system. I have worked in France and they have solved the problem of farmers selling their produce 100% (starting with 5 kilograms and ending with tons). Today, we face the problem of replacing the former system (consumer cooperatives or whatever) and that is also very important.

And a third question comes from the inhabitants of the Lopanki village. It may not be related to the topic of our meeting, but it is really about who will be sitting in this room in 10 or 20 years. Villagers have asked us to do more to popularize their work on television, to promote their heroes—people who work with their hands—and to pay attention to the quality of television in Russia, so that while we build machines, there should be enough people to operate them in the future, young people.

**Vladimir Putin**: That is what we should decide in the kind of dialogue we are having now—when is the right time to act and what to do. As regards the popularization of people who till the land and create material values and provide high quality services, of course, I agree with you. There is not enough of this on television and in the cinemas. They seem to be after sensational facts instead of covering these
problems. They are very important. And not only are they important. They can provide food for discussion among talented people because usually if somebody does something well and achieves results, then that makes an attractive story. It can and must be presented to society. But this is an issue that we discuss again and again. Thank you for drawing attention to it.

As for education, I have discussed it and I have nothing to add. I quite agree with you and we will work on that. It applies not only to agricultural education and science, but to all education – higher, specialized, vocational, secondary education... We have a whole program and we will work on it.

Olga Nazarenko: Rostov Region, Olga Nazarenko. The Rostovsky Agro-Chemical Centre is a soil fertility service. You raised this issue today and you said that we need to have zoning. I would like to say that zoning can only be introduced if we have survey materials. The last survey took place 20 years ago, so we first have to update our materials. We suggest that the agro-industrial complex development program that is being drafted should include a fertility monitoring sub-program, or agricultural land monitoring, which would include a soil analysis because the tasks that you set today can only be fulfilled on the basis of these materials. This is a job for a federal agency. The region cannot conduct this work. We want to bring this to your attention. A service exists and that service must fulfill its tasks and be financed properly. Thank you.

Vladimir Putin: You have raised this issue quite correctly. I must say that we are aware of this problem’s urgency and we will intensify this work as of 2012. The necessary resources will be allocated.

Alexander Knyazev: For several years, we have engaged in agricultural insurance. We have received major subsidies. The state invariably paid 50%. But no insurance occurrence happened until 2010 when there was a drought. Last year, we lost more than 50% of our crops and we complied with every point of the agreement. This is no easy thing to do because we have six agronomists and two lawyers, but we have complied with every provision of the insurance company. We won a court case, but we still have zero. They haven’t even paid back the insurance premiums that we paid them.

Vladimir Putin: In other words, they are not fulfilling the court order?

Response: Yes, we have all the documents. We can provide them to you.

Vladimir Putin: Do please. I think they will obey the court order.

Remark: Thank you.

Vladimir Putin: From time to time, the enforcement system and the court bailiff service come under criticism. I think that this is a situation where they should exercise their powers. Give us the materials, make sure they are not lost.

Lyudmila Simonova: I am the head of the Peasant Association, Bryansk Region. We all understand the demographic problem. There are still a few families in rural areas with three children and more. I have what I think is a good suggestion. Let us write it down in the Popular Front Program. Some young
people buy housing in rural areas on mortgage. It is very expensive. The interest rate is high and they find it difficult to pay the mortgage. Let us have it this way. If a new family has a first child, let’s say it is a warm-up, if they have a second child, let them have 50% off the mortgage cost, and if they have a third child, let them be relieved of the entire payment. Believe me, the nation will not be poorer, but richer for that. Thank you.

Vladimir Putin: A very good and sound proposal. You know that we have introduced a program to stimulate the birth of a second child. Today, there are suggestions that land plots be given to families who have a third child. Of course, the first part has already proved effective. As for the acquisition of housing, that is a very important, perhaps the key question in family planning. I must tell you that many Russian regions are already practicing what you have just proposed. If a second child is born, the region underwrites 50% of the mortgage, and if a third child is born the cost is written off. I think that they do it in Chuvashia. I know for sure that they have it in some regions. We will try to spread that approach to solve the housing problem throughout the country. It is not possible everywhere for financial reasons, but we will look for financial resources at the federal level. A very sound proposal. I must admit that the problem lies in the financial budget resources, but the idea is basically correct.

Sergei Serov: Altai Territory, Sergei Serov. Chairman of the Agricultural and Industrial Union. Our delegation from the Altai Territory consists of the heads of the foremost agricultural enterprises and organizations in the Altai Territory. We are in a very upbeat mood. First, we are pleased with your speech. You have answered many of our questions. Second, we are having rains, good rains, so we will have crops. And, of course, I think Russia will be provided with buckwheat. We have increased the areas sown with buckwheat. We will be able to provide 80% of Russia’s needs.

I have a question, Mr. Putin. Of course, agricultural enterprises, including processing ones, find it very hard to get into the retail network, as you yourself have noted. As you have noted, the retail networks, especially when it comes to dairy products, are filled with surrogate products based on palm oil and so on. With the onset of the spring and summer, when milk yields increase sharply, in the regions we face problems with marketing our goods – cheese and butter. In the Altai Territory, as I wrote in a memorandum to Viktor Zubkov, we have 6,500 tons of high quality hard cheese and 1,100 tons of excellent butter in storage. If they do not sell, procurement prices fall… We would like to see these surrogate products go the same way as cucumbers. Thank you.

Vladimir Putin: Pardon me, what is your name?

Sergei Serov: Sergei Nikolayevich.

Vladimir Putin: You see, we need a pretext. If we had a pretext, I would gladly do it tomorrow. Mr. Onishchenko (Russia’s chief sanitary doctor) is rubbing his hands in anticipation, waiting for a command. You know that we have passed a law on trade. I hope that it somehow… I know that some producers think it is not working well enough, but it does make a difference in terms of what is happening in the retail sphere. Apparently… I must tell you that the law had to be pushed through manually, to use a popular phrase. There were so many petitioners who scurried about at the State Duma and tried to prevent the adoption of the law. I didn’t expect it would be that difficult. I had to place several calls there and to call meetings. It was just impossible to get it through the Duma. But I understand that even these mechanisms are not yet sufficient. We will see how to improve the methods
of bringing produce to shops, the produce that you provide. And we will lend you a hand at every opportunity. This is one of the main principles in agricultural development – bringing Russian produce to the consumer. We will do it by all means.

*Question:* I represent the consumer cooperatives that we used to have. A colleague here reminded us that consumer cooperatives once existed. Well, they still exist.

*Vladimir Putin:* You are right. They should be promoted. They have wilted somehow.

*Remark:* No. My point is that they exist.

*Vladimir Putin:* They exist, only the speaker does not see them for some reason.

*Remark:* That is not my point. I want to speak about the social tax that is going to be imposed on trade enterprises, including consumer cooperative enterprises. The result will be to destroy the cooperatives, and the enterprises will go bust. That is all… And yet the well-being of rural people is at stake. I represent consumer cooperatives in the Volgograd Region. We cater to 300,000 rural residents. I have a very good idea of what has been said here today. I see it with my own eyes.

*Vladimir Putin:* We have a special procedure for agricultural producers. Is it the case that it does not apply to consumer cooperatives?

*Response:* Nothing applies to consumer cooperatives. They have no preferences, no credits, nothing. We pay our own way. But I think we are doing very important work. It may sound paradoxical, but we maintain shops that make losses. We know they make losses, but we maintain them because we understand that nobody but us would bring products to the local people. This costs us 25 million per year. Not that we are all that rich and we cannot count our money. This is just the culture of consumer cooperatives, as consumer cooperatives have always worked side by side with the authorities and performed the functions of the authorities and the authorities here have always shown concern for the common people. I have to ask you for a big favor, because you, Mr. Putin, are our hope and we look to you, believe me. We hope that you will make the right decision.

*Vladimir Putin:* You have said that the authorities have always cared for the people. Let us say that this is the case. In order to take care of the people, we had to raise pensions last year. We launched a program to modernize healthcare and school education, including in rural areas. That called for a lot of additional resources, especially considering the crisis. We had planned to increase social benefits and to adopt insurance principles for forming these funds as of January 1, 2010. Considering the crisis situation and the challenges facing the domestic economy and the enterprises in various sectors, the budget underwrote these costs and we did not raise social deductions as of January 1, 2010. We financed them out of the reserve funds accumulated during previous years. But this situation cannot last indefinitely. Otherwise, we will exhaust these reserve funds and ruin the budget. So it was decided to increase social payments, 34% as you know. But considering the positive economic trends this year we have revised the decision. It was announced at the St Petersburg Economic Forum – 30% and 20%. I understand that even 30% is too much for you. I must say that after the decision was made to reduce social payments, the federal budget shortfall has amounted to hundreds of billions of rubles. Hundreds of billions of
rubles. And let me be honest with you. I still don’t know where to get that money in order to solve, among other things, the issue of subsidizing rates for agriculture and to solve other issues that have been mentioned here – the development of healthcare, housing subsidies for young families, etc. And we have a budget deficit. Even so, I would like to repeat that considering the positive trends in the economy, we shall see what can be done for such enterprises as yours. Perhaps we could make it 20% instead of 30%. We will surely do some more bean counting.

_Question:_ Antonina Klyuyeva, chief of the administration of the Borovensk village, Mosalsky district, Kaluga Region.

Rosselkhozbank keeps urging us, and also private farmers, to obtain credit. I think that I will be speaking for all farmers if I say that, for example, last year, a new private farm was formed in our region. We don’t have many. They have their cattle, 300 hectares of land and premises to offer as collateral. But to get credit, one has to submit a lot of papers. When we put them together and went to obtain credit, it turned out that the documents that we had obtained were already outdated because they are only effective for 30 days. So we had to start everything all over again. I think that 30% of the collateral is not enough. I would like to ask you if you can do something to have the system of obtaining credits simplified. Thank you.

_Vladimir Putin:_ In my speech, I said exactly that – it is necessary to simplify procedures and to reduce the collateral. I have already said this. I agree with you and I am waiting for proposals from Rosselkhozbank.