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Sugar

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Report Highlights:

During the 2000/2001 marketing year, Russia imposed a sugar import tariff-rate quota regime in an effort to protect domestic producers and to raise revenues. However, as a result of the high tariff-rate quota auction prices and low world sugar prices, imports outside of the tariff-rate quota regime remain competitive, and Russia continues to import large volumes of raw cane sugar. Huge sugar stocks and low seasonal demand are beginning to negatively influence prices.

Includes PSD changes: Yes
 Includes Trade Matrix: Yes
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Executive Summary

Total production of sugar beets in Russia declined despite efforts to protect the domestic industry. Both total area planted and total area harvested declined during the 2000/2001 marketing year. Russia continued to import large volumes of raw sugar cane beyond the 3.65 million MT limit imposed by the tariff rate quota regime. White sugar imports also increased significantly. In response to anticipated shortages of raw sugar for processing and the high price of purchasing sugar import lots, sugar prices rose significantly during CY 2000. However, large stocks of sugar remain in Russia, as prices are declining in response to low seasonal demand.

Production

During the 2000/2001 marketing year, both the Government of Russia (GOR) and the sugar beet producers' lobby continued to develop policies to protect the domestic industry. Federal and regional governments provided support to purchase inputs for planting, fertilizers, and harvesting materials. However, while the areas planted and harvested were expected to increase for the second consecutive year, Russian sugar beet acreage was only 810,000 hectares in 2000/2001 or 10 percent less than in 1999/2000. Weather during the sugar beet harvesting season beginning in autumn 2000 was unfavorable and losses were high. During 2000/2001, 14.8 million MT of sugar beets were harvested, in comparison to 15.2 million tons during the previous season.

Almost all sugar beet output was from large farms (95 percent).

Despite the reduced 2000/2001 sugar beet harvest of only 14.8 million MT, production of sugar reached 1.55 million MT. This exceeded the prior year's sugar production by three percent, as efficiency in extracting sugar increased.

Table 1: Russian Sugar Beet Production 1999 - 2000

Commodity	1998	1999	2000	1996 - 2000 Average
Sugar beet hectares planted	820,000	900,000	811,000	903,000
Sugar beet harvest, million MT	11	15	14	14
Sugar beet yield, MT/hectare	13	19	19	18

Source: Russian State Statistic Committee

PSD Table						
Country:						
Commodity:	Sugar Beets					
		2000		2001		2002
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Area Planted	900	900	1000	900	0	1000
Area Harvested	850	850	930	810	0	950
Production	15600	15600	15500	14800	0	16000
TOTAL SUPPLY	15600	15600	15500	14800	0	16000
Utilization for Sugar	15600	15600	15500	14800	0	16000
Utilization for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	15600	15600	15500	14800	0	16000

PSD Table						
Country:	Russian Federation					
Commodity:	Sugar					
		2000		2001		2002
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Beginning Stocks	2650	2650	3000	3000	0	2500
Beet Sugar Production	1500	1500	1520	1550	0	1600
Cane Sugar Production	0	0	0	0	0	0
TOTAL Sugar Production	1500	1500	1520	1550	0	1600
Raw Imports	5000	5000	3650	3650	0	3800
Refined Imp.(Raw Val)	170	170	170	200	0	0
TOTAL Imports	5170	5170	3820	3850	0	3800
TOTAL SUPPLY	9320	9320	8340	8400	0	7900
Raw Exports	10	10	10	10	0	10
Refined Exp.(Raw Val)	180	180	220	220	0	220
TOTAL EXPORTS	190	190	230	230	0	230
Human Dom. Consumption	6130	6130	5610	5670	0	5800
Feed Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	6130	6130	5610	5670	0	5800
Ending Stocks	3000	3000	2500	2500	0	1870
TOTAL DISTRIBUTION	9320	9320	8340	8400	0	7900

Table 2: Types of Sugar Beet Farms in Russia

	1998	1999	2000
Sugar beets, 1,000 Hectares	820	900	810
Percent of Total Number of Farms			
Total	N.A.	100	100
Large Farms (commercial)	N.A.	94	95
Small Farms (commercial)	N.A.	5	4
Private Plots (individual farms)	N.A.	1	1

Source: Russian State Statistic Committee

Consumption

Since marketing year 1999/2000, as sugar production increased in Russia, so has total domestic consumption. According to a survey conducted by the Russian firm Economist Intelligence Unit (EIU), international companies believe that agricultural production is among the profitable businesses in Russia - with average profits between 25 to 50 percent. According to data from the Russian Sugar Union, the minimum production cost of sugar from sugar beets equals about \$330 per ton, while the average wholesale price for processed sugar is about \$440 per MT. Currently, there is a significant increase in the number of foreign companies investing in Russia's food industries.

Table 3: Russian Food Production, 1997 - 2000 CY

Commodity	1997	1998	1999	2000
Sugar 1,000 MT	3.8	4.1	6.5	6.1
including from sugar beets	1.3	1.3	1.5	1.5
Candy, 1,000 MT	1.3	1.3	1.5	1.6
including containing sugar	730	679	700	N.D.
Canned fruits and vegetables millions of cans	N.D.	849	965	1,540
Soft drinks, million deciliters	N.D.	215	189	222

Source: Russian State Statistic Committee

Trade

The Impact of the Quota System

Large volumes of white sugar cane were imported during the period of low seasonal tariffs from December 16th to December 31st, 2000. In addition, significant amounts of outside-quota imports during marketing year 2000/2001 invalidated the anticipated reduction that seasonal duties and a tariff rate quota system were expected to have on imports (See Gain Report RS0060). High auction prices for the right to import raw cane sugar within the 3.65 million MT import quota resulted in a difficult situation for sugar quota recipients, as seasonal tariffs did not cut-off raw sugar imports. Massive import volumes precipitated a fall in sugar prices from about \$447 per MT in March to about \$399 MT in April 2001, according to the Russian magazine "Marketing" (April 2001). Major importers continued to import raw sugar outside the quota, as low world prices and a slumping Euro (which is the currency unit for accessing tariffs in Russia) made it profitable to do so.

According to Minister of Agriculture Gordeev, the tariff rate quota is an appropriate instrument to "balance" the Russian sugar market, but the mechanism needs to be improved. The quota failed to accomplish its goal of bringing "balance" in the market between domestic sugar beets and imported raw sugar cane for several reasons: 1) the high prices of in-quota import lots sold at public auction; 2) the low exchange rate of the Euro; and 3) a fall in world sugar prices. These factors combined and precipitated a sharp reduction in advantages that quota buyers expected to exercise over non-quota buyers. As a result, large amounts of raw sugar continue to be imported despite the quota. According to Yurii Mikhailov, Head of the Sugar Producers Union, "the main task today is to stabilize sugar prices." Currently, the "Union" is seeking to increase the specific component of the customs tariff for out-of-quota raw sugar cane. In addition, they believe that seasonal tariffs will limit imports of sugar and protect local sugar beet producers. The GOR has not yet determined specifically which measures will be applied during the 2001/2002 marketing year.

As a result of the raw cane sugar import quota, there is also a disproportionate distribution of sugar among domestic sugar refineries. Quota owners are attempting to control the market by delivering imported raw sugar only to their own processing factories. In this way, they are attempting to influence domestic prices by dictating the supply of sugar within the market. Consequently, there is a lot of idle sugar processing capacity in Russia.

Imports

Table 4: Russian Raw Sugar Trade, by Quarters, 1998-2000

HSC 170111		1998		1999		2000	
		MT	\$1,000	MT	\$1,000	MT	\$1,000
Total	QIV	336231	112062	25788	5959	648432	109248
	QI	1112850	357735	1248598	295562	1584380	246138
	QII	1832204	528568	2690711	514417	2235950	335470
	QIII	700501	189867	1174830	210356	9996	2319
	Total	3981786	1188232	5139927	1026294	4478758	693175
Including:							
Cuba	QIV	132	49	N.D.	N.D.	N.D.	N.D.
	QI	250260	76630	358222	85805	412148	61611
	QII	1135690	320964	1312269	250701	1615727	238848
	QIII	118873	30242	152507	26827	N.D.	N.D.
	Total	1504955	427885	1822998	363333	2027875	300459
Brasil	QIV	285426	94545	25189	5798	631432	105790
	QI	733333	238653	829773	194151	1010744	159717
	QII	236120	70202	795023	156859	208787	31580
	QIII	398600	106952	705425	125630	9,996	2,319
	Total	1653479	510352	2355410	482438	1860959	299406

Source: Russian State Custom Committee

Table 5. Russian Trade by White Sugar, by Quarters, 1998, 1999, and 2000, Marketing Year

1701.99.100		1998		1999		2000	
White sugar		MT	\$1,000	MT	\$1,000	MT	\$1,000
	QIV	104339	35057	41674	12822	11008	2901
1997	QI	156371	52348	83294	23932	15713	3857
	QII	115922	37788	18159	5237	48198	19296
	QIII	67924	21642	12922	3605	12830	4443
	Total	444556	146835	156049	45596	87749	30497
Including							
Poland	QIV	15238	5092	8008	1967	10065	2496
	QI	40722	13187	15843	4065	9734	2230
	QII	17070	5595	10644	2444	14045	3990
	QIII	9723	3139	7957	2102	9918	3287
	Total	82753	27013	42452	10578	43762	12003
France	QIV	5697	1858	19	13	60	39
	QI	26101	8730	84	29	0	0
	QII	24692	7905	100	37	0	0
	QIII	11622	3599	N.D.	N.D.	60	39
	Total	68112	22092	203	79	120	78
Ukraine	QIV	19199	6174	22924	7690	ND	N.D.
	QI	16499	6435	58697	17228	N.D.	N.D.
	QII	5184	2224	3482	1036	N.D.	N.D.
	QIII	725	360	145	56	N.D.	N.D.
	Total	41607	15193	85248	26010	0	0

Source: Russian State Custom Committee

White sugar imports jumped significantly during the December 16th to 31st window when seasonal tariffs were lowered from 45 to 25 percent. According to the Russian State Statistics Committee, total white sugar imports in December 2000 were 136,000 MT, while in November 2000 they totaled only 15,300 MT. Most imports of white sugar came from non-CIS countries.

Table 6: Russian White Sugar Imports, Marketing Years 1999, 2000, and 2001

17.01.99	1999			2000			2001		
	MT	\$1,000	Price	MT	\$1,000	Price	MT	\$1,000	Price
October	3,259	999	307	4,073	1,032	253	5,418	2,039	376
November	13,088	4,134	316	4,634	1,171	253	15,259	4,798	314
December	34,000	10,000	294	3,061	835	273	139,115	36,878	265
Jan.99	31,730	8,951	282	2,555	639	250	6,719	1,922	286
Feb	23,751	6,976	294	3,967	883	223	N.D.	N.D.	N.D.
March99	30,494	8,897	292	10,662	2,624	246	N.D.	N.D.	N.D.
April	7,390	2,341	317	22,677	6,008	265	N.D.	N.D.	N.D.
May	6,404	1,672	261	15,349	4,003	261	N.D.	N.D.	N.D.
June	8,389	2,130	254	8,865	2,451	276	N.D.	N.D.	N.D.
July	6,930	1,986	287	6,721	2,277	339	N.D.	N.D.	N.D.
August	3212	828	258	3,408	1,192	350	N.D.	N.D.	N.D.
September	3498	1,018	291	4,799	1,579	329	N.D.	N.D.	N.D.
Total	172,145	49,932	290	90,771	23,115	255	N.D.	N.D.	N.D.

Source: Russian State Custom Committee

Stocks

Despite the GOR's attempt to regulate the sugar market through an import quota regime and high seasonal tariffs, stocks of raw sugar remain high due to low seasonal demand and a large volume of imports outside of the regime. The GOR is currently considering measures (like further increasing sugar tariffs) which may effectively lower imports and negatively influence stocks during the 2001/2002 marketing year.

Policy

Import Quota

Gain Voluntary Report RS0041 describes Russia's implementation of an import tariff-rate quota regime for sugar. According to a governmental decree, 3.65 million tons of sugar imported from developing countries under the Russian system of preferences will be subject to a 5 percent tariff, while imports above the quota will be assessed a 30 percent duty. In November 2000, import rights were sold through an auction. Lots were sold on a quarterly basis and distributed in 146 allotments of 25,000 MT. (See Gain RS0060).

Table 7: Russia's Tariff Rate Quota Sugar Regime

Date	Quota in Million MT	Applied Tariff
December 16,2000- December 31,2001	3.65 Total	5 percent
Quarterly Allotments		
December 16, 200- March 31,2001	1.15	5 percent
April - June, 2000	1.5	5 percent
July - September, 2001	0.6	5 percent
October - December 2001	0.4	5 percent

Increase in White Sugar Tariff

According to a representative of Russia's Ministry of Economics, Russia will increase import tariffs on white sugar from 30 percent to 45 percent to protect domestic producers during sugar beet sowing season. A resolution regarding this measure is expected to be signed by the Prime Minister, and will be implemented one month after it is published in the official state newspaper.

Marketing

Prices

High seasonal import tariffs and the high prices for purchasing sugar quota import lots dramatically increased wholesale and retail prices for sugar during the 2000/2001 marketing year. In December 2000, the sugar producer's price was estimated at 10,500 rubles per MT. In comparison, in December 1999, the producer price was only 6,000 rubles per MT. During 2000, the average retail price of sugar rose from about 9 rubles per kilo in January to about 16 rubles per kilo in December (see table 8 below). However, prices are currently falling as a result of large stocks and low seasonal demand for sugar.

Table 8: Average Retail Prices for Food Products in Russia (rubles/kilo) during 2000

	January	June	September	December
White Sugar	9.30	12.36	14.63	15.62
Beef, 1 st grade	42.16	44.97	49.20	57.72
Chicken	39.21	42.83	46.87	48.80
Milk, fluid, pasturized, liter	8.02	7.77	7.93	9.70
Butter	66.73	61.57	63.10	69.12
Eggs, dozen	13.86	12.37	13.23	16.57

Source: Ekonomika I Zhizn, No. 9, March 2001