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Agricultural Situation

Ministry of Agriculture Board Discusses the Past, Present, and Future

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Report Highlights:

The Russian Ministry of Agriculture Board held a meeting on March 25, 2008. The topics of discussion included 2007 production levels and measures taken to implement the National Priority Project and Program of Agricultural Development and Market Regulation for 2008-2012. Imports were criticized, as well as the Russian Ministry of Economic Development and Trade's handling of meat import quotas. The Agriculture Minister informed those present that, in relation to the new structure of the government, the Ministry of Agriculture will expand its authority in relation to Customs and tariff policy, quality control over foodstuffs, as well as land regulation.

Includes PSD Changes: No
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Executive Summary

A meeting of the Russian Ministry of Agriculture Board took place on March 25, 2008. Discussion centered around 2007 production levels, as well as measures taken to implement the National Priority Project and Program of Agricultural Development and Market Regulation for 2008–2012. In 2007, crop yields were recorded at 2.0 metric tons per hectare, which is a 20-percent increase over the average crop yield during the last five years of the Soviet period. However, livestock breeding is still languishing. The Head of the Agricultural-Industrial Commission of the Russian Union of Industrialists and Entrepreneurs drew special attention to existing challenges, such as imports, that he claims threaten the efficient development of the agriculture sector. The Minister of Agriculture informed the audience that, in relation to the new government structure, the Ministry of Agriculture will be making every effort to expand its authority in a number of spheres including land regulation, customs tariff policy, and quality control of foodstuffs.

The original Russian language text was published on the Ministry of Agriculture's website. A link to the information can be found at:

http://www.mcx.ru/index.html?he_id=664&news_id=4189&n_page=1

The press-release [Unofficial Embassy Translation]

Begin text:

On March 25, 2008, Aleksey Gordeyev, the Russian Federation's Minister of Agriculture, chaired a meeting of the Russian Ministry of Agriculture Board "On the state of the agro-industrial complex in 2007; measures taken to implement the National Priority Project and Program of Agricultural Development and Market Regulation for 2008–2012; as well as measures taken to meet 2008 target indices"

The following representatives took part in the meeting: Aleksey Kudrin, Deputy Prime Minister of the Russian Federation, Minister of Finance; Dmitriy Kozak, Minister of Regional Development; Kirsan Ilyumzhinov, President of the Kalmyk Republic; the Governors of the Saratov oblast, Nizhniy Novgorod oblast and Stavropolskiy Kray; Valentin Denisov, Chairman of the State Duma Agricultural Committee; Gennadiy Gorbunov, Head of the Federation Council's Agrarian-Industrial Policy Committee; representatives of agricultural business; and agricultural scientists.

In his opening remarks, the Russian Minister of Agriculture noted that, "after a sharp decline during the 90s, the Russian agriculture sector has exhibited positive development dynamics for the last nine years." Furthermore, during this period agricultural gross output has increased nearly 40 percent. Since 2004, grain production has annually exceeded 1990 benchmarks; however, livestock production was characterized by the Minister as "seriously lagging behind."

During this period, the food production and processing industry has increased 80 percent. Commenting upon last year's production level, Aleksey Gordeyev informed the audience that "the volume of manufactured agricultural products increased by 3.3 percent and, for the first time, the livestock production sector grew faster than planned, by 4.8 percent." The production index for the food industry is 106.1 percent.

The Russian Minister of Agriculture also noted that the volume of grain crops harvested last year was the largest in five years, approximately 82 million tons, which is 3 million tons more than in 2006. Crop yields were recorded at 2.0 metric tons per hectare, which represents a 20-percent increase over the average crop yields during the last five years of the Soviet period.

During the two years since the implementation of the Program of Agricultural Development and Market Regulation, the number of loans available to agricultural producers and processors has witnessed a three-fold increase to 615 billion rubles (US\$25 billion). The number of investment loans has increased ten-fold to 250 billion rubles (US\$10.2 billion).

The Minister reminded the audience that, within the framework of the National Priority Project, the "construction and modernization of more than two thousand animal breeding facilities has begun."

For the first time in recent history, State support has been aimed at small agricultural enterprises. The first steps have been taken to encourage young specialists to remain in the agriculture sector by providing them with personal residences.

Aleksey Gordeyev also stated that, after the National Agriculture Priority Project for 2008–2012 was adopted, the responsibilities of the Ministry of Agriculture were reorganized on a program-target basis. "This new management approach requires changes in the style of work and the reconsideration of manager responsibilities at all levels, beginning with the village municipal bodies."

Through the National Project's implementation, the Russian Government "has detected an acute need to amend the current list of indices used to evaluate the effectiveness of actions taken by executive authority bodies in relation to Russia's citizens."

Transitioning to this year's tasks, the Minister reminded the audience that 2008 was declared by the Ministry of Agriculture to be a year dedicated to the adoption of resource saving technologies. "This [the adoption of resource saving technologies] is the most efficient way to decrease the cost of production, increase labor productivity, decrease dependence on favorable weather conditions, and achieve higher and more stable yields. This year's goal is that resource saving technologies be used for 40 percent of crop production."

Referencing a speech made by Aleksey Yermolov, the Minister of Farming and State Property during Russia's tsarist era, Aleksey Gordeyev stated: "We have but one way to make agriculture better – the way of knowledge and common sense."

Andrey Slepnev, the Deputy Minister of Agriculture, gave the keynote address of the meeting. He paid particular attention to the stipulations in the National Priority Project that provide homes to citizens living in rural areas. This will eventually result in 1,439,000 square meters of new home space, with 43 percent intended for young specialists.

In 2008, 45.9 percent of rural households will be provided with running water and 43.6 percent will be serviced by natural gas pipeline supplies. The Federal target program, "Social development of rural areas through 2010," shall provide subsidies to Russian citizens, totaling over seven billion rubles, in an effort to reach these goals.

According to Andrei Slepnev, strategic efforts will be made in 2008 to insure that 700,000 hectares of agricultural land will not be removed from rotation. "Protection should be provided for the 19,500 hectares prone to flooding and the 45,000 hectares susceptible to wind erosion and desertification."

Another goal for the agriculture sector in 2008 is to use two million tons of mineral fertilizer, which is 11 percent more than 2007. The Federal target program "Preservation and restoration of soil fertility in 2006–2012" outlines the actions that need to be taken to reach this level and appropriates 8.2 billion rubles to meet this goal.

The Deputy Head of the Russian Ministry of Agriculture also informed those present that the total growth of agricultural products is predicted to constitute not less than 3.8 percent, with animal products growing at an annual rate of 4.8 percent. It is predicted that cattle and poultry production will increase by 330,000 tons (live weight) to 9 million tons; milk will increase to 33 million tons, which is 840,000 tons more than 2007.

Slepnev also mentioned that the National Priority Project plans to increase the number of young animals sold by 15.2 percent when compared to 2007. Furthermore, pedigree cattle shall represent 8.3 percent of the total. Fifty thousand head of pedigree cattle will be leased, and 65,000 cattle producers will lease equipment.

The production of plant products is expected to increase by no less than 102.9 percent. "In an effort to increase feed production in the Far North regions and other minimally productive agricultural lands, 400 million rubles will be allocated as subsidies", Slepnev noted. He also informed the audience that, within the framework of the National Priority Program, 655 million rubles will be allocated from the 2008 Federal budget to further develop flax production in Russia.

"At present there is an opportunity to use resources from the Invest-fund to begin major infrastructure projects, such as the institution of soy and flax clusters, and develop a network of selection-hybrid centers for animal breeding," said the Deputy Head of the Ministry of Agriculture. According to Slepnev, these projects "can be carried out by several independent private investors united by a common goal."

In 2008, subsidized loans for the agricultural sector will constitute approximately 280 billion rubles, with short-term loans accounting for 120 billion rubles, long-term investments 129 billion rubles, and loans for small enterprises 30 billion rubles. The National Priority Project calls for a substantial increase in the number of subsidized investment loans available to agricultural enterprises. By way of clarification, Slepnev noted that 20 billion rubles is to be allocated from the 2008 Federal budget, which will bring the total amount of investment loans to 129 billion rubles.

The Deputy Minister also added that, "thanks to the work of the Ministry of Finance, the Central Bank of Russia, and several other agencies, we have managed to attract the necessary resources to provide approximately 20 billion rubles in short-term loans for spring agricultural activities. The problem of inadequate amounts of long-term loans available, which are essential to fund investment projects, is still unresolved."

In 2008, the Ministry plans to procure 23,000 tractors, 7,900 grain harvesters, and 3,000 forage plant harvesters, introducing modern technologies and fostering the re-equipping of agriculture production enterprises, which will result in increased production. "The following figures speak for themselves when we discuss the need to introduce such technologies," Slepnev stated, "In the past eight years the price for diesel fuel has increased six times while the price for grain, only three." We can see a similar picture for other resources. "It is obvious that conserving resources is vitally important for this industry."

The key element for increasing production efficiency and market growth in the agriculture sector is improving the genetic potential of agricultural animals and plants. "In addition to facilitating the traditional forms of pedigree support in animal breeding, the Ministry of Agriculture, in conjunction with regional agricultural producers' unions, shall implement a number of pilot projects designed to create state of the art selection-hybrid centers for hog and poultry production."

Furthermore, in 2008 the Ministry's programs concerning meat cattle breeding and elite seed production should be developed.

Personnel training and the extensive introduction of modern technologies remain top priorities. The Ministry plans to develop programs to enhance agrarian training and education. In an effort to provide consultancy support for producers, the Agricultural Consultancy Service will be established.

"It is important that, from the very start, the Consultancy Service actively promotes the implementation of new technologies. Their goal is to spread and introduce the modern achievements of agrarian science and technology", Slepnev stressed.

Also speaking to the meeting participants, Ivan Obolentsev, Head of the Agricultural-Industrial Commission of the Russian Union of Industrialists and Entrepreneurs, drew special attention to existing threats for the efficient development of agriculture, including the problem of imports.

He reported that, since the beginning of 2008, foreign supplies of pork to the Russian market have increased by more than 30 percent and poultry meat by 20 percent. Dependence on imported foodstuffs has increased by 73 percent in Moscow. "Countries exporting products of animal origin, for which Russia constitutes one of the most capacious markets in the world, are constantly upgrading their support mechanisms for their producers", Obolentsev remarked. These supports, in turn, make it possible to preserve lower acceptable prices for the exported products, which push out products from domestic producers. Russia remains the world's leading importer of poultry meat, cheese, and butter; it is the second leading importer of pork and beef.

Agricultural businesses are dissatisfied with the leniency of the Ministry of Economic Development and Trade in relation to Customs tariffs and the regulation of imported agricultural products. "Russia, although it is not yet a member of the World Trade Organization, is suffering losses due to the 2005 agreement adopted with the United States, which stipulates an annual growth in tariff quotas, for the fourth year straight," the Head of the Agricultural-Industrial Commission articulated.

Lately, substantial efforts have also been made to increase the availability of processed agricultural products exported to the Russian market. "Brazilian pork and poultry have become the principal competitor for domestic products in the Russian market", Obolentsev informed the audience. "In the past 14 years, Brazil has transformed itself into an industrial and agrarian giant. And, nevertheless, our country continues to preserve substantial tariff preferences for Brazilian exporters."

The Head of the Commission believes that one of the first priorities should be the "revision of the existing quota regime, making it more reasonable and flexible, which should be in compliance with the changing demands of the Russian market for imported meat." In his opinion, the principle work dedicated to developing solutions for the agricultural industry should be carried out by the Ministry of Agriculture in coordination with the other ministries and agencies, professional unions, and associations."

Through the course of the meeting, policy proposals were suggested that would have the government provide food assistance for low-income consumers, similar to the U.S. Food Stamp program. It was the opinion of a number of speakers that such a measure would be more efficient than "freezing" the prices for certain staple foodstuffs.

Aleksey Kudrin, the Russian Vice-Premier and Minister of Finance, reiterated the opinion that the Russian government should not establish a final price for producers due to high inflation. In saying so he also noted that, "this year, we shall decrease the rate of price growth, which we have experienced, and within one to two years, we shall see a gradual decrease in the rate of price growth."

In addition, Kudrin promised that the government will be increasing support for the agriculture sector. He also mentioned that, in the near future, the Ministry of Finance and the Ministry of Agriculture will finalize the crop insurance scheme.

In summation, the Minister of Agriculture informed the audience that, in accordance with the new structure of the government, the Ministry of Agriculture will be making every effort to expand its authority in a number of spheres, including land regulation, customs tariff policy, and quality control for foodstuffs.

The Minister also articulated an initiative that calls for the allocation of revenues resulting from the duty of exported grain, approximately 3.5 billion rubles, to support the poultry sector. "We plan to apply to the Russian government for the funds in the near future," he noted. Gordeyev clarified that "the collected duties shall provide partial compensation for feed expenditures in the poultry sector." According to Gordeyev, the final decision on this issue shall be left to the Prime Minister Victor Zubkov, and shall be considered at an April meeting in Belgorod oblast.

Source: Press service

End Translation