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Agricultural Budget 2013 Increased by 41 Billion Rubles

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Report Highlights:

The Federal Law No. 133-FZ of June 7, 2013 titled “On Amendments to the Federal Law On the Federal Budget for 2013 and the Planned Periods 2014 and 2015” amended federal budget allocations for different ministries, agencies and programs. For the Ministry of Agriculture, Federal Law FZ-133 added 40.68 billion rubles (\$1.23 billion) to the Agricultural Budget in 2013, as was promised at the meetings of the Russian Government in February and April. With this addition, the total budget outlays through the Ministry of Agriculture for the state support of domestic agriculture (in the form of subsidies) increased from 121.0 billion rubles (almost \$3.7 billion) to 162.6 billion rubles (\$4.9 billion). According to the Ministry of Agriculture’s plans, the major portion of additional funds should go to livestock and poultry producers. However, the Government has not yet adopted the necessary resolutions for distributing these funds.

General Information:

The Federal Law No 133-FZ of June 7, 2013 “On Amendments to the Federal Law On the Federal Budget for 2013 and the Planned Periods 2014 and 2015” (<http://www.rg.ru/2013/06/19/budget-dok.html>) amended federal budget allocations for different ministries, agencies and programs. For the Ministry of Agriculture, the Federal Law FZ-133 added 40.68 billion rubles (\$1.23 billion¹) to the 2013 budget of the Ministry of Agriculture (Attachment 1). Due to cuts in the Ministry of Agriculture’s funds for some Federal target programs and other agencies within the Ministry, the Ministry of Agriculture’s funds for the state support of agriculture will actually increase by 41.6 billion rubles (from 121.0 billion) to 162.57 billion rubles. These additions to the state support of agriculture were promised at the meeting of the Russian Government on February 5, 2013 at a time when the government was anxious about spring sowing and high feed prices. These additions were reconfirmed later at a meeting on April 16, where the government focused special attention to the feeds and livestock situation. For more information see FAS/Moscow GAIN Reports [RS1309 - February 13, 2013 - Russian Government Discusses Grain Situation](#), and [RS1323 - May 31, 2013 - Russian Government Discusses Additional Support for Meat and Dairy](#).

On its web-site, The Ministry of Agriculture has specified the areas where the additional support should be used and gave an update on the status of adoption of necessary government documents that will allow distributing these subsidies among provinces/regions.
<http://mcx.ru/documents/document/show/24328.htm>.

Budget funds were added in the following areas of state support of agriculture:

- ***Milk Subsidies***: 3.2 billion rubles (\$97 million) will be added to subsidies for 1 liter of marketed milk. Thus, the total federal funds for milk subsidies will reach 12.8 billion rubles (\$387 million) in 2013. The distribution of these subsidies by province has been approved by two government documents: the Government Resolution No 1370 of December 22, 2012, and the Government Order No. 1344-p of June 30, 2013. Farmers in 79 Russian provinces (of of the 83 provinces of the Russian Federation) will receive milk subsidies. However, almost 40 percent of these subsidies will be directed to 7 provinces (Krasnodar kray, Tatarstan Republic, Moscow oblast, Kirov oblast, Altay kray, Udmurtiya Republic, and Vladimir oblast);
- ***Interest Rate Subsidies***: 12 billion rubles (\$364 million) will be directed to interest rate subsidies on short-term loans for development of crop production, processing and marketing of plant products. The total amount of such subsidies in 2013 will reach 19.2 billion rubles (\$582 million). The distribution of these subsidies by province has been approved by Government Resolution No. 1460 of December 28, 2012. The Ministry of Agriculture prepared the draft Order of the Government on distribution of additional 12 billion rubles, but this Order has not been approved by the government yet. Some industry posit suspect that a significant portion of these subsidies might be used by farmers for borrowing money for repayment of previous debts;
- ***Per Acre Support Subsidies***: 10 billion (\$303 million) of subsidies will be added for decoupled support to crop producers (per hectare subsidies). The total amount of such subsidies in 2013 will reach 25.2 billion rubles (\$764 million). The distribution of these subsidies by provinces was approved by the Government Resolution No.1431 of December 27, 2012 and the Order of the Government No. 1345-p of June 30, 2013. A total of 7 provinces (out of 83 Russian provinces) will receive 37 percent of the per-acre support subsidies, or more than 1 billion rubles (\$30

¹ Russian Central Bank’s exchange rate for August 16, 2013 is 33.00 Rubles per \$1.

million) each. These provinces are Krasnodar kray, Altay kray, Rostov oblast, Stavropol kray, Tatarstan Republic, Orenburg and Saratov oblasts;

- ***Feed Expenses Compensations***: 11.8 billion rubles (\$357 million) are envisaged in the amended budget for compensation of pork, poultry and egg producers' expenses coming from increased feed prices and feeding expenses in the latter half of 2012 and beginning of 2013. This is a new line in the budget of the Ministry of Agriculture. The Ministry of Agriculture prepared draft government documents for distribution of these subsidies among producers through the provincial budgets. The Ministry suggested that compensation will be in the form of a direct subsidy per kilogram: 9 rubles (27 cents) per kg of pork, and 3.5 rubles (11 cents) per kg of poultry meat, and those calculations will be based on farms' actual production volumes in the fourth quarter of 2012. However, the government documents concerning this distribution (two draft resolutions and one draft order of the Government) are still under discussion;
- ***Compensations for Technical Modernization***: 5 billion rubles (\$152 million) is allotted for compensation of agricultural producers' expenses for technical and technological modernization of agricultural production. The Ministry of Agriculture has prepared the draft government resolution on distribution of these subsidies. However, this draft is still under approval in the federal bodies of executive power.

Thus, the distribution of only 13.2 billion rubles of additional funds (from 42 billion rubles) has already been approved through government resolutions and orders so far. These funds are aimed at support of milk and crop producers. The distribution of other 28.8 billion rubles of additional funds (pork, poultry and egg producers' support, support of technical modernization and additional interest rate subsidies) still remains an issue for negotiations between different ministries, such as the Ministry of Agriculture, Ministry of Economic Development, Ministry of Finance, provincial authorities and industry groups.

Along with inflating the state support of agriculture, the Federal Law FZ-133 of June 7, 2013 did reduce slightly Ministry of Agriculture's funds for some Federal target programs, for crop and animal protection, and for "other activities", and slightly decreased financing for the Federal Service for Veterinary and Phytosanitary Surveillance (VPSS), and the Federal Fishery Agencies (Table 1).

Table 1. Major Amendments to the 2013 Budget of the Russian Ministry of Agriculture, and Other Agriculture-Related Agencies, Million Rubles, and Million of US Dollars

	Original budget, 2013	Amended Budget 2013	Original budget, 2013	Amended Budget 2013
	Million Rubles		Million US Dollars	
Ministry of Agriculture	172,973	213,658	5,242	6,474
including:				
- State Support of Agriculture and Domestic Food Industry	120,974	162,574	3,666	4,926
- Federal Target Programs	10,585	9,896	321	300
- Crop and animal protection services	10,748	10,596	326	321
-Other activities	30,665	30,592	929	927
Federal Service for Veterinary and Phytosanitary Surveillance (VPSS)	10,177	10,083	308	306

Federal Fishery Agency	13,904	13,852	421	420
Federal Forestry Agency	29,682	29,675	899	899

Additional Reports of Interest:

[RS1335 - June 17, 2013 - Russian Government Continues to Support Cattle Sector](#)

[RS1314 - March 13, 2013 - Federal Agricultural Budget in 2013](#)

[RS1303 - January 28, 2013 - GOR Resolutions on Distribution of Agricultural Subsidies](#)

[RS1243 - June 25, 2012 - Agricultural Domestic Support Programs](#)

Attachment 1. Ministry of Agriculture Amended Budget for 2013

	Budget code	Original Budget 2013 in Rubles	Amendments for 2013 in Rubles	Amended Budget 2013 in 1,000 Rubles	Original Budget 2013 in US Dollars	Amendments for 2013 in USD	Amended budget in USD
MINISTRY OF AGRICULTURE	082	172,972,719	40,684,917	213,657,636	5,241,598	1,232,876	6,474,474
Including:							
- National level issues, including international cooperation	082 01	14,463		14,463	438		438
- - International relations and cooperation	082 01 08	14,463		14,463	438		438
- National economy	082 04	143,582,665	40,785,293	184,367,959	4,350,990	1,235,918	5,586,908
- - Agriculture and fisheries	082 04 05	142,387,863	40,751,179	183,139,042	4,314,784	1,234,884	5,549,668
- - - Federal Target Programs	082 04 05 100000	10,585,026	689,279	9,895,747	320,758	20,887	299,871
- - - - Development of irrigation in 2012-2020	082 04 05 100120	1,000,000	86,000	914,000	30,303	2,606	27,697
- - - - Development of Kaliningrad oblast until 2015	082 04 05 100450	37,026	3,184	33,842	1,122	-96	1,026
- - - - South of Russia (2008-2013)	082 04 05 100480						
- - - - - Preservation and reclamation of soil fertility in 2006-2012 and in 2013	082 04 05 100600	7,116,610	525,749	6,591,861	215,655	15,932	199,723

----- Development of Chechen Republic 2008-2012	082 04 05 100720 0					0	
----- National System of chemical and biological security of Russia 2009-2014	082 04 05 100750 0	756,570	- 65,06 5	691, 505	22, 926	- 1,972	20, 955
----- Development of Ingushetiya Republic 2010-16	082 04 05 100850 0	566,900		566, 900	17, 179		17, 179
----- Overcoming the effects of radiation incidents until 2015	082 04 05 100860 0	107,920	- 9,281	98,6 39	3,2 70	-281	2,9 89
----- Other budget investments	082 04 05 102000 0	75,092	- 6,458	68,6 34	2,2 76	-196	2,0 80
--- State Support of Agriculture	082 04 05 260000 0	120,974,334	41,59 9,263	162, 573, 597	3,6 65, 889	1,260 ,584	4,9 26, 473
----- Partial compensation for purchase of elite seeds	082 04 05 260010 0	513,200		513, 200	15, 552		15, 552
----- Partial compensation of maintenance of vineyards	082 04 05 260020 0	300,000		300, 000	9,0 91		9,0 91
----- Partial compensation for maintenance of orchards	082 04 05 260030 0	105,000		105, 000	3,1 82		3,1 82
----- Measures in agricultural production	082 04 05 260040 0	101,888		101, 888	3,0 88		3,0 88
----- Partial compensation of planting orchards	082 04 05 260050 0	500,000		500, 000	15, 152		15, 152
----- Support of economically important provincial programs in crop production	082 04 05 260060 0	3,000,000		3,00 0,00 0	90, 909		90, 909
----- Subsidies for seeds purchase and delivery to the Northern territories	082 04 05 260070 0	200,000		200, 000	6,0 61		6,0 61
----- Crop production in low fertile soils of the Far North and similar territories	082 04 05 260080 0	342,510		342, 510	10, 379		10, 379
----- Partial compensation of interest rate (short term loans) in crop production, processing and marketing	082 04 05 260090 0	7,199,542	12,00 0,000	19,1 99,5 42	218 ,16 8	363,6 36	581 ,80 4
----- Partial compensation of interest rate (investment loans) in crop production, processing and marketing)	082 04 05 260100 0	8,785,026		8,78 5,02 6	266 ,21 3		266 ,21 3
----- Partial compensation of insurance premium in crop production	082 04 05 260110 0	5,000,000		5,00 0,00 0	151 ,51 5		151 ,51 5

----- Decoupled support of crop producers (per 1 hectare of sown area)	082 04 05 260120 0	15,200,000	10,00 0,000	25,2 00,0 00	460 ,60 6	303,0 30	763 ,63 6
----- Support of pedigree livestock	082 04 05 260130 0	3,500,000		3,50 0,00 0	106 ,06 1		106 ,06 1
----- Subsidies to milk producers per 1 liter of marketed milk	082 04 05 260140 0	9,558,754	3,200 ,000	12,7 58,7 54	289 ,65 9	96,97 0	386 ,62 9
----- Partial compensation for growing sheep and goats breeding stock	082 04 05 260160 0	653,000		653, 000	19, 788		19, 788
----- Partial compensation for northern deer and meat horses	082 04 05 260170 0	180,000		180, 000	5,4 55		5,4 55
----- Support of economically important provincial programs in livestock production	082 04 05 260180 0	8,000,000		8,00 0,00 0	242 ,42 4		242 ,42 4
----- Partial compensation of interest rate (short term loans) in animal production, processing and marketing	082 04 05 260200 0	4,094,570		4,09 4,57 0	124 ,07 8		124 ,07 8
----- Partial compensation of interest rate (investment loans) in animal production, processing and marketing	082 04 05 260210 0	28,740,619		28,7 40,6 19	870 ,92 8		870 ,92 8
----- Partial compensation of insurance premium in animal production	082 04 05 260220 0	1,000,000		1,00 0,00 0	30, 303		30, 303
----- Support of pedigree meat cattle	082 04 05 260250 0	400,000		400, 000	12, 121		12, 121
----- Support of economically important regional programs in beef cattle industry	082 04 05 260260 0	2,000,000		2,00 0,00 0	60, 606		60, 606
----- Partial compensation of interest rate (investment loans in meat cattle feedlots)	082 04 05 260270 0	4,423,963		4,42 3,96 3	134 ,05 9		134 ,05 9
----- Support of beginning farmers	082 04 05 260280 0	2,000,000		2,00 0,00 0	60, 606		60, 606
----- Development of family farms	082 04 05 260290 0	1,500,000		1,50 0,00 0	45, 455		45, 455
----- Interest rate subsidies on loans (short, middle, long-term) for small farm business	082 04 05 260300 0	5,000,000		5,00 0,00 0	151 ,51 5		151 ,51 5
----- Partial compensation of small farmers/peasants expenses on paper-work for privatization of land plots/shares	082 04 05 260310 0	120,000		120, 000	3,6 36		3,6 36
----- Subsidies for agricultural machines producers	082 04 05 260340 0	2,300,000		2,30 0,00 0	69, 697		69, 697

----- Sales (commodity) and Procurement Interventions on agricultural products	082 04 05 260350 0	4,659,730	- 400,7 37	4,25 8,99 3	141 ,20 4	- 12,14 4	129 ,06 0
----- Monitoring of information on grain quality	082 04 05 260360 0	63,270		63,2 70	1,9 17		1,9 17
----- Counter-epizootic measures	082 04 05 260370 0	1,353,000		1,35 3,00 0	41, 000		41, 000
----- State Information in the sphere of food security and management of agro-industrial complex	082 04 05 260380 0	180,263		180, 263	5,4 63		5,4 63
----- Subsidies for compensation of pork, poultry and egg producers' expenses on going up feed prices	082 04 05 260400 0		11,80 0,000	11,8 00,0 00		357,5 76	357 ,57 6
----- Subsidies for compensation of farmers' expenses on technical and technological modernization of agricultural production	082 04 05 260410 0		5,000 ,000	5,00 0,00 0		151,5 15	151 ,51 5
--- Institutions that provide services in the sphere of agriculture and animal protection	082 04 05 261000 0	10,748,492	- 152,3 47	10,5 96,1 45	325 ,71 2	- 4,617	321 ,09 5
--- Social assistance	082 04 05 505000 0	4,919		4,91 9	149		149
--- Applied research and development	082 04 11	396,716	- 3,208	393, 508	12, 022		11, 924
--- Other issues concerning national economy	082 04 12	798,086	37,32 3	835, 409	24, 184		25, 315
- Housing and rural development	082 05	2,880,000		2,88 0,00 0	87, 273		87, 273
----- Federal Target Programs "Social development of rural area until 2013"	082 05 02 100110 0	2,480,000		2,48 0,00 0	75, 152		75, 152
- Education	082 07	21,465,875	- 100,3 76	21,3 65,5 00	650 ,48 1		647 ,43 9
-- Pre-school education	082 07 01	3,138		3,13 8	95		95
-- School education	082 07 02	791,300		791, 300	23, 979		23, 979
-- Professional training and upgrading	082 07 05	297,385		297, 385	9,0 12		9,0 12
-- Higher professional education and training	082 07 06	20,362,219	- 100,3 76	20,2 61,8 43	617 ,03 7		613 ,99 5
-- Applied research in the sphere of education	082 07 08				0		0
-- Other issues in the sphere of education	082 07 09	11,835		11,8 35	359		359
- Health issues	082 09	427,962		427, 962	12, 969		12, 969
- Social Policy	082 10	4,581,753		4,58 1,75 3	138 ,84 1		138 ,84 1
- Sports	082 11	20,000		20,0 00	606		606

Source: FL 216, of December 3, 2012 "On the Federal Budget 2012 and the Planned Period 2014 and 2015"; Federal Law 133 of June 7, 2013 "On Amendments to the Federal Law "On the Federal Budget for 2013 and the Planned Periods 2014 and 2015"