

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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POLICY

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Russian Federation

Post: Moscow

Government Approved Fuel Prices Discount for Farmers for 2011

Report Categories:

Policy and Program Announcements

Agricultural Situation

Approved By:

Mary Ellen Smith

Prepared By:

Yelena Vassilieva

Report Highlights:

The Russian Government will again offer discounted fuel prices to farmers in 2011. The discount will be up to 10 percent from the level of fuel prices in the beginning of November 2010. Given the continuing increase in fuel prices, the discount from the current prices might reach 30 percent.

General Information:

In efforts to support spring sowing and recover from last year's poor harvest, the Russian government extended discount fuel prices for farmers for the 2011 year. The Government Resolution No. 66 of February 11, 2011, on reducing fuel and lubricants prices for agricultural producers amended the fuel price Resolution No 129 of March 5, 2010^[i] by extending it one more year. The Government empowers Russian provincial and municipal authorities to enter into agreements with oil companies to supply petroleum products to farmers at a discount of up to 10 percent of the regional wholesale price. The new element of the Resolution No 66 is that the discount will be made from November 1 prices. In 2010 motor fuel prices increased by 10.7 percent and the diesel fuel price increased by 35.5 percent, with the majority of the increases occurring in November and December 2010. In January 2011 fuel price inflation continued accelerating. In some provinces price of motor fuel increased to 26,000 rubles (\$867) per metric ton (MT). The Russian Ministry of Agriculture estimated the "need" in diesel fuel for spring sowing at 1,595,000 MT, and the "need" in motor fuel - at 358,000 MT. In the meantime, due to budget constraints, drought-induced crop losses and high indebtedness, most Russian farmers were not able to accumulate fuel stocks in 2010 for the spring 2011. As of December 31, 2010, stocks of diesel fuel at agricultural enterprises were 400,000 MT and stocks of motor fuel were 74,800 MT.

Given that the Resolution No. 66 allows discounts from the November 1, 2010 price, experts consider that the 10 percent discount will result in the actual 30 percent discount from the current fuel prices. Provincial and municipal authorities started using agreements with oil companies to provide farmers with discounted oil in 2009. However, these agreements violated the Russian anti-monopoly legislature. The conflict was resolved in 2010, when the Government issued a special Resolution (No 129) that allowed provincial and municipal authorities to reach such agreements on discount prices for farmers with oil companies. The list of selected agricultural producers eligible for the discounted fuel shall be approved by the Ministry of Agriculture. While the discounted fuel will help producers, farmers' access to credit and other sources of financing will remain the most critical factor in the spring grain sowing.

The text of the Resolution is on the site: <http://government.ru/gov/results/14151/>

Begin unofficial translation:

Resolution No. 66 of February 11, 2011
On Amendments to the Resolution of the Government of the Russian Federation No. 129
of March 5, 2010

In order to support agricultural producers, and taking into account proposals of producers of fuel and lubricants about their ability to reduce prices of fuel and lubricants for agricultural producers to 90 percent of the price that was on November 1, 2010, the Government of the Russian Federation decrees the following:

To amend the Resolution of the Government of the Russian Federation No. 129 of March 5, 2010 "On Agreements Between the State Bodies of Executive Power, Municipal Authorities and Business Entities on Reduction of Prices of Fuel and Lubricants Sold to Agricultural Producers" as follows:

- a) in the introduction the words “in 2010” change for “in 2011”;
- b) in item 3 the words “until December 31, 2010” change for “until December 31, 2011”;
- c) in item 7 the words “until January 1, 2011” change for “until January 1, 2012”.

Chairman of the Government
of the Russian Federation

V.V. Putin

End unofficial translation

^[i] For more information on the Government Resolution No. 129 of March 5, 2010 “On Agreements Between the State Bodies of Executive Power, Municipal Authorities and Business Entities on Reduction of Prices of Fuel and Lubricants Sold to Agricultural Producers” see GAIN report Government Allowed Fuel Price Discount for Farmers _ Moscow _ Russian Federation _ 3/17/2010.