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Revisions to the 2009 Federal Agricultural Budget

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Agriculture in the Economy

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Report Highlights:

Due to the economic crisis, the Russian Government has made revisions to the 2009 federal budget. The budget for the Ministry of Agriculture decreased by 14 percent from 148.23 billion rubles to 127.36 billion rubles, a decrease of \$695 million (from \$4.940 billion to \$4.245 billion), the budget for Veterinary and Phytosanitary Service decreased by 9% from 13.090 billion rubles to 11.881 billion rubles, a reduction of \$40 million (from \$436 million to \$396 million), and the budget for fisheries has remained the same.

General Information:

Revisions to the 2009 Federal Budget

Due to the economic crisis, the Russian Government has made revisions to the 2009 federal

budget. The budget for the Ministry of Agriculture decreased by 14 percent from 148.23 billion rubles to 127.36 billion rubles, a decrease of \$695 million (from \$4.940 billion to \$4.245 billion), the budget for Veterinary and Phytosanitary service decreased by 9% from 13.090 billion rubles to 11.881 billion rubles, a reduction of \$40 million (from \$436 million to \$396 million), and the budget for fisheries has remained the same. The total budget for agriculture and other related agencies, which includes finances for the Ministry of Agriculture, Veterinary and Phytosanitary Services, Fisheries, and 45 billion rubles (\$1.5 billion) to Roselhosbank amounts to 193 billion rubles (\$6.433 billion).

In May 2009 the federal budget outlays for 2009 were amended in response to the crisis. It was necessary to allocate more funds for support of the crisis-affected industries and to maintain social stability. Thus the total budget outlays for 2009 were increased by 766.77 billion rubles to 8,709.78 billion rubles (+ 9.65 percent). Outlays for the Ministry of Finance for different special anti-crisis programs and measures were increased by 1,309.21 billion rubles to 4,124.25 billion rubles. Anti-crisis outlays for Ministry of Transportation, for the Federal Agency of Railway transportation, and for the Federal Agency for Press and Mass Communication were also increased by 5.27 billion rubles, 45.89 billion rubles and 11.53 billion rubles respectively. These increases were made at the expense of emergency allocations from the state reserves and funds, and at the expense of reduction of outlays of most of other agencies and ministries. The 14 percent (20.86 billion rubles) reduction of outlays for the Ministry of Agriculture was not the most severe reduction, and was more than compensated by the additional funds for the state owned Roselkhozbank and for the state owned company Rosagroleasing.

More information on the budget revision can be found here: <http://rg.ru/gazeta/rg/2009/05/06.html>.

Table 1. Russian Budget Outlays Revision for Ministry of Agriculture, VPSS, and the Federal Fisheries Agency, 1,000 Rubles

Agency	Budget Code	Outlays	Revised Outlays	%Change
Ministry of Agriculture	82	148,228,001	127,363,835	-14%
Including:				
- National level issues, including international cooperation	082 01	11,157	15,728.30	41%
- - International relations and cooperation	082 01 08	11,157	15,728.30	41%
- National economy	082 04	28,822,968	25,838,106.40	-10%
- - Agriculture and fisheries	082 04 05	26,896,777	23,672,295.40	-12%
- - - Federal Target Programs		8,274,270	6,968,026.50	-16%
- - - State Support of Agriculture		4,361,245	3,207,058.20	-26%
- - - Applied research and development	082 04 11	1,017,514	896,024.30	-12%
- - Other issues concerning national economy	082 04 12	908,677	1,269,786.70	40%
- Education	082 07	17,891,505	16,910,456.50	-5%
- - Pre-school education	082 07 01	3,041	2,846.90	-6%
- - Professional training and upgrading	082 07 05	358,546	343,907.90	-4%

- - Higher professional education and training	082 07 06	17,447,298	16,481,220.10	-6%
- - Applied research in the sphere of education	082 07 08	78,559	78,559.30	0%
- - Other issues in the sphere of education	082 07 09	4,060	3,922.30	-3%
- Health issues and sport activities	082 09	29,927	27,651.30	-8%
- Social Policy	082 10	79,118	79,117.80	0%
- Transfers to provincial and other budgets	082 11	101,393,326	84,499,266.50	-17%
- - Subsidies to provincial and municipal budgets	082 11 02	101,362,670	84,468,611.00	-17%
- - - Federal target programs		30,284,260	19,294,395.00	-36%
- - - State support of agriculture		69,650,450	64,060,450.00	-8%
- - - - Interest rates compensation subsidies to agricultural enterprises for 2-10 years' loans		29,057,460	29,057,460.00	0%
- - - - Interest rates compensation subsidies to individual producers and farmers for loans up to 8 years		6,027,200	6,027,200.00	0%
- - - - Sheep breeding subsidies		624,000	624,000.00	0%
- - - - Seed breeding subsidies		582,090	582,090.00	0%
- - - - Subsidies for delivery of seeds to the Northern and other remote territories		1,000,000	400,000.00	-60%
- - - - Flax and hemp production support subsidies		258,000	258,000.00	0%
- - Subventions to provinces and municipal authorities	082 11 03	30,656	30,655.50	0%
Veterinary and Phytosanitary Surveillance	081	13,090,009	11,881,697.50	-9%
including:				
- National economy	081 04	12,454,669	11,246,357.00	-10%
- - Agriculture and fishery	081 04 05	2,606,994	1,988,381.60	-24%
- - - Federal target programs		397,950	183,290.50	-54%
- - Applied research and development	081 04 11	91,270	12,198.40	-87%
- - Other national economy issues	081 04 12	9,756,405	9,245,777.00	-5%
- Social policy	081 10	46,000	46,000.00	0%
- Transfers to provincial and municipal budgets	081 11	589,341	589,340.50	0%
State Committee on Fishery (Federal Fishery Agency)	080	8,320,671	8,320,671.30	0%
including:				
- National level issues	080 01	27,113	27,113.20	0%
- National economy	080 04	5,205,338	5,205,337.80	0%
- Education	080 07	2,452,134	2,452,134.10	0%
- Social policy	080 10	24,000	24,000.00	0%
- Transfers to provincial and municipal budgets	080 11	612,086	612,086.20	0%

Table 1 allocations for the Russian Ministry of Agriculture and the Federal Service for Veterinary and Phytosanitary Surveillance include outlays under 5 and 7 digit's budget codes, and only most important outlays within the 7 digit's budget codes with 14 digit's codes. Allocations for the Federal Fishery Agency include outlays under 5 digits' codes.

Agricultural and Investments in 2009

In light of a decreasing budget due to the global financial downturn, Yelena Skrynik, Russia's

Minister of Agriculture, discussed development and investment issues in an article entitled “Investment Goals in the Agro-Industrial Industry for 2009” in the journal *Mir Agro Business* of Jan 2009.

Some initiatives and goals that the government seeks to attain during this time of economic crisis includes: creating jobs, maintaining and increasing industrial and technological growth, increasing internal audits on government investments and expenditures, supporting investments in human capital, decreasing administrative pressure on business and increase support for small businesses, and increasing the stability of the national financial banking system. Areas in the agricultural industry where these initiatives are most visible include allocating funds for business growth, protecting internal markets, and stimulating manufacturing and exports of agriculture goods.

A Russian government program that counters the financial crisis includes additional guarantees including increasing financial capital for agricultural investments by 87 billion rubles including:

- Increasing investments to Roselhosbank by 45 billion RR
- Increasing investments to Rosagrolising by 25 billion RR
- Subsidizing loan rates by 80%

The funding of 45 billion rubles (\$ 1.5 billion) to Roselhosbank includes financing for grain interventions. The 25 billion rubles (\$833 million) to Rosagrolising is an increase of capital for purchasing domestic agriculture machinery. The government expects that these programs will help increase credit from various sources by 17 billion rubles (\$566 million). Also, Yelena Skrynik points out some new changes that have taken place in the federal leasing program. Currently, advanced payments take place after a year of receiving the lease; previously this was done in 18 months.

The Ministry of Agriculture, along with the government of the Russian Federation has been undertaking the following necessary measures to protect the domestic market during these times of financial hardship.

- Reduced the poultry import quota by 300,000 MT
- Increased the lower limits of import custom duties for raw sugar from \$140 to \$165 dollars per ton
- Increased import duty customs for olive oil and raw milk

Another major initiative the Russian Government is implementing in agriculture is in education.

The following investment programs in education have been planned:

- Additional funds have been set aside for investments in higher education in agriculture.
- Roselhosbank will participate in issuing credit for 10 years to students at a maximum rate of 11% a year.
- Government funds for agriculture education are expected to attract 12,000 students to participate in these education programs.

Yelena Skrynik also discusses Russia's success with grain and other issues related to grain crops. Since July 21, 2008 Russia exported 23.2 MMT of grain (see Gain Report RS9049). On grain interventions the Central, Southern, Northwestern, and Privolzhsky regions have been given the following minimum grain prices for the next marketing year beginning July 1st, 2009: third class wheat for 5,500 rubles (\$180) a ton, fourth class wheat for 4,900 rubles (\$160) a ton, and rye for 3,900 rubles (\$130) a ton. The regions of Siberia, Urals, the Far East, and Orenbyrgsky oblast are granted the following grain prices: third class wheat for 6,000 rubles (\$200) a ton, fourth class wheat for 4,800 rubles (\$160) a ton, and rye for 3,900 rubles (\$130) a ton.

Federal Budget for 2010 - 2012

In respect to future budgets, Alexei Kudrin, Russia's Minister of Finance, stated that the main components of the federal budget for years 2010-2012 have been approved. Due to the world economic downturn, industrial production and tax revenues have fallen. The deficit is expected to amount to 7.5% of GDP in 2010, 4.3% in 2011, and 3% in 2012. Despite the 2010 deficit to amount 3.187 trillion rubles, or \$101.5 billion dollars, Russia does not plan to cut defense, preparations for APEC summit in 2012, or the 2014 Winter Olympic Games in Sochi. Areas of the budget that will have decreased funds include investments in federal target programs, and budget financed organizations and subsidies.

The total budget for 2010 will be about 9.82 trillion rubles, or \$312.8 billion, this is in line with this year's budget at 9.77 trillion rubles, or \$311 billion. There are several sources of funds that will help patch the holes in the budget for 2010. Half of the budget deficit 1.675 trillion rubles or, \$53.3 billion, for 2010 is expected to be covered by the Reserve Fund, while the rest is to be covered by the National Welfare Fund (830 billion rubles or \$26.4 billion) and other sources. More information can be found at the following site. (<http://en.rian.ru/russia/20090730/155677051.html>).