

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Voluntary Public

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Russian Federation

Post: Moscow

Russian Farmers Allowed to Buy Their Grain Back From Intervention Fund

Report Categories:

Grain and Feed

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Report Highlights:

Russian Prime Minister Dmitry Medvedev signed Order No. 2290-p of December 6, 2013, that allows farmers who sold grain from their 2013 crop into the State Intervention Fund in the Fall of 2013, to purchase their grain back again. They would be able to purchase it at the price they sold it minus the cost of storage, insurance and taxes. The farmers would be able to buy their own grain directly from the Intervention Fund without participation in the special government intervention sales through the commodity exchange.

General Information:

Russian Prime Minister Dmitry Medvedev signed Order No. 2290-p of December 6, 2013, that allows farmers who sold grain from their 2013 crop into the State Intervention Fund in the Fall of 2013, to purchase their grain back again. They would be able to purchase it at the price they sold it minus the cost of storage, insurance and taxes. The farmers would be able to buy their own grain directly from the Intervention Fund without participation in the special government intervention sales through the commodity exchange. The basic legislation on government grain intervention allows sales/purchases of grain from/to the Intervention Fund only through auctions at the authorized commodity exchanges. The text of the Order is on the government site:

<http://government.ru/media/files/41d4a97c39c398e5103c.pdf>. The unofficial translation of the Order is in the Annex to this report.

According to the Russian Ministry of Agriculture, one of the benefits of allowing this buy-back, is if grain market prices continue to climb, then these farmers can buy out this grain in the spring of 2014, sell it for higher prices, and receive some additional operating capital for spring sowing and field work.

As of December 11, 2013 Russian farmers had sold into the Intervention Fund 485,460 metric tons (MT) of 2013 crop grain, including 276,885 MT of milling wheat Class 3; 99,360 MT of milling wheat Class 4; 37,395 MT of fodder wheat Class 5; and 71,820 MT of fodder barley. The total value of purchased grain was 2,886 million Rubles (\$87.5 million). The intervention purchases (of 2013 crop supplies) began on October 15, 2013 for Siberian producers, when the market price of grain in Siberia was well below the market price of grain in other parts of the country, and below the state purchase prices. However, since October 2013 the market prices of grain in Siberia have been increasing:

--The market price of Class 3 wheat increased from 5,983 rubles (\$181¹) per MT on October 18, 2013, to 6,150 rubles (\$186) per MT in mid-December

--Class 4 wheat increased from 5,500 rubles (\$167) per MT to 5,783 rubles (\$175) per MT

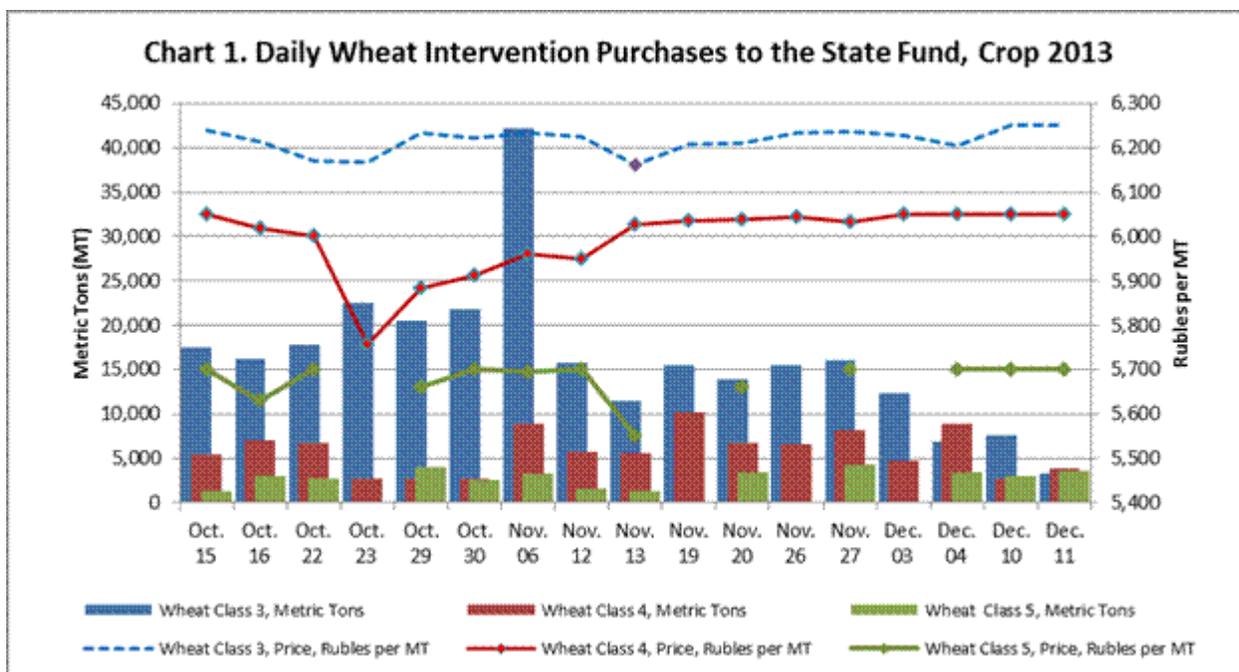
--Class 5 increased from 4,950 rubles (\$150) per MT to 5,350 rubles (\$162) per MT

--Fodder barley increased from 5,144 rubles (\$156) per MT to 5,488 rubles (\$166) per MT².

As of December 10, 2013, the average intervention purchase prices that included VAT and overhead expenses were 6,250 rubles (\$189) for Class 3 wheat, 6,050 rubles (\$183) for Class 4 wheat, 5,700 rubles (\$173) for Class 5 wheat, and 5,005 rubles (\$152) per 1 MT of fodder barley. The increase in grain market prices in Siberia have led to decreasing sales into the Intervention Fund (see Chart 1).

¹ For calculations the exchange rate is 33 rubles per \$1, although the exchange rate was changing in this period from less than 32 rubles per \$1 to over 33 rubles per \$1.

² Source: ProZerno



Source: FAS/Moscow based on Russian Commodity Exchange data: www.namex.org.

Annex 1. Order No. 2290-p of December 6, 2013

BEGIN UNOFFICIAL TRANSLATION³

GOVERNMENT OF THE RUSSIAN FEDERATION
ORDER
Of December 6, 2013, No. 2290-p
Moscow

1. To agree with the proposal of the Ministry of Agriculture of the Russian Federation that during intervention sales of 2013 crop from the Intervention Fund in the first half of 2014, these sales will not be auctioned through the commodity exchange;
2. The Ministry of Agriculture to guarantee:
 - Sales of grain (of 2013 crop supply) to farmers from whom the grain was purchased by the Intervention Fund, in accordance with item 1 of the present Order, in volumes not exceeding this farmer's sales, and at these farmer's sale prices minus cost of storage and insurance, and expenses on taxes (in accord with the Russian legislation);
 - Payments of commission to the State Agent selected for monitoring the intervention sales and purchases in amounts set in accordance with the Rules of State Interventions approved by the Resolution of the Government No. 580 of August 3, 2001 "On Approval of the Rules of the State

³ For simplification, some titles of referred documents are shortened, i.e. the Federal Intervention Fund of Agricultural Products, Agricultural Raw Materials and Food Products is translated as the Intervention Fund; the term "agricultural producers" is replaced by the term "farmers"; the title of Government Resolution No. 580 of August 3, 2001, is shortened to "On Approval of the Rules of the State Interventions" compared to "On Approval of the Rules of the State Procurement and Commodity Interventions for Regulation of Market of Agricultural Products, Agricultural Raw Materials and Food"

Interventions”;

3. The expenses of the Russian Federation connected with the implementation of this Order to finance from the federal budget funds allocated, in the prescribed order, to the Ministry of Agriculture of the Russian Federation for the fiscal year and the planned period for intervention sales and purchases.

Chairman of the Government
of the Russian Federation

D. Medvedev

END UNOFFICIAL TRANSLATION