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**Date:** 10/01/2009

**GAIN Report Number:** RS9060

## **Russian Federation**

### **SUGAR SEMI-ANNUAL**

#### **Beet Sugar Production Down in MY 2009/10**

**Approved By:**

Morgan Haas

**Prepared By:**

Mikhail Maksimenko

**Report Highlights:**

Planted sugar beet area in MY 2009/10 increased 2 percent, but bad weather caused area harvested to decrease almost 10 percent. Sugar beet production in MY 2009/10 will decrease 10 percent to 26 MMT and white sugar production will fall 10 percent to 3.2 MMT. Russian beet sugar accounts for 50 percent of total sugar supply. Imports of both raw and refined sugar filled the supply deficit. Brazil provides the bulk of Russia's raw sugar imports, while Moldova, Poland and Brazil were the largest suppliers of refined sugar. Vice Prime-Minister said, that Russia may raise the lower boundary of the raw sugar import duty to \$180/MT from \$165/MT. The GOR Commission approved a draft development program for the sugar beet processing industry for 2010-2012.

## **Executive Summary:**

Planted area in 2009 increased 2 percent, but bad weather caused area harvested to decrease almost 10 percent. Sugar beet production in 2009 will decrease 10 percent to 26 MMT and white sugar production will fall 10 percent to 3.2 MMT. The Russian Sugar Union reported as of September 21, 2009, Russia harvested 4.98 MMT of sugar beets (6.2 MMT in 2008/09) and produced 503,000 MT of white sugar (630,700 MT in 2008/09). The yield, up to that point, reached 3.2 MT/HA – down 12 percent compared to the 2008 average. Average sugar content in beets is 16.41 percent (16.50 percent in 2008/09 at the same time).

Post estimates Russia's sugar supply at approximately 6.3 MMT/year. Russian beet sugar accounts for 50 percent of the total sugar supply. Imports of both raw and refined sugar filled the supply deficit.

From October 2008 to June 2009, Russia imported 1.46 MMT of raw sugar, compared to 1.94 MMT during the same period last year. Imports of white sugar increased to 70,631 MT from 51,102 MT. Brazil provides the bulk of Russia's raw sugar imports, while Moldova, Poland, and Brazil were the largest suppliers of refined sugar.

High beet sugar production and imports increased ending stocks 27 percent to 700,000 MT in MY 2008/09. Smaller domestic production and high prices for raw cane sugar on the world market will decrease stocks 35 percent to 450,000 MT in MY 2009/10.

According to the Ministry of Agriculture, average prices for sugar significantly increased from January 2009 to August 2009. At that time, processors increased prices from RUR15.82/kg to RUR22.70/kg. At the same time, average retail prices for sugar increased from RUR23.28/kg to RUR29.67/kg. Prices started to fall in September 2009 after sugar from the new harvesting season appeared on the market. Participants of the sugar market believe prices will continue to decrease until January 2010.

Russia could raise the lower boundary of the raw sugar import duty to \$180/MT from \$165/MT, First Deputy Prime Minister Viktor Zubkov said at the end of August 2009. In order to intensify protection from supplies of raw sugar, Russia is also employing higher seasonal duties. The most recent seasonal duty came to \$220-\$270/MT. No decision has been taken on introduction of seasonal duties for MY 2009/10 yet.

The Russian Government (GOR) Commission on Agricultural Issues approved a draft development program for the sugar beet processing industry for 2010-2012. The program is aimed at increasing sugar beet production from 3.5 MMT in MY 2008/09 to 4.32 MMT in MY 2012/13. According to the program, RUR55 billion (about \$1.7 billion) will be invested into the program from the state budget.

The Russian and Belarusian Ministries of Agriculture agreed in September 2009 that Belarus will export Russia 150,000 MT of white sugar in MY 2009/10, the same level as in MY 2008/09.

**Production:**

Sugar beet production increased 4 percent in MY 2008/09 compared to the previous year, while planted area decreased 10 percent as farmers switch to planting more profitable grains. Planted area in MY 2009/10 increased 2 percent, but bad weather caused area harvested to decrease almost 10 percent. Over the past two years, Russia harvested record quantities of sugar beets: 28 MMT and 29 MMT in MY 2007/08 and MY 2008/09, respectively, which produced 3.20 MMT and 3.55 MMT of white sugar. Sugar beet production in MY 2009/10 will decrease 10 percent to 26 MMT and white sugar production will fall 10 percent to 3.2 MMT.

Late frost in June and heavy drought in July – August in the south of Russia led to the sharp drop in production. As a result, refineries are short of supplies for processing now. The Russian Sugar Union reported as of September 21, 2009, Russia harvested 4.98 MMT of sugar beets (6.2 MMT in 2008/09) and produced 503,000 MT of white sugar (630,700 MT in 2008/09). The yield, up to that point, reached 3.2 MT/HA – down 12 percent compared to the MY 2008/09 average. Average sugar content in beets is 16.41 percent (16.50 percent in 2008/09). Market analysts said Russia should focus more on increasing yields than on increasing sugar beet area. The highest average yield over the last decade was 36.2 MT/HA in MY 2008/09. With better technology and adoption of modern management systems, sugar beet yields could reach as high as 45 MT/HA. Along with this, Russia needs to build more processing facilities to handle a growth in sugar beet production. The GOR Commission on Agricultural Issues approved a draft development program for the sugar beet processing industry for 2010-2012.

The MY 2009/10 sugar beet farmgate price ranged from RUR1,800/MT to RUR2,000/MT (1,000 RUR/MT to 1,250 RUR/MT in MY 2008/09), depending on beet sugar content and region. According to the draft program, the fair price for sugar beet in MY 2009/10 should come to 2,200 RUR/MT (excluding 10 percent VAT).

**Table 1: Russia – Sugar Beets, Area, Production, and Utilization, 2008, 2009, and 2010**

Sugar Beets Russia	2008			2009			2010		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Oct 2007			Market Year Begin: Oct 2008			Market Year Begin: Oct 2009		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
	Data			Data			Data		
Area Planted	1 150	1 150	1 150	1 070	1 070	1 030		1 100	1 050
Area Harvested	1 100	1 100	1 100	1 070	1 070	1 000		1 100	900
Production	24 000	28 000	28 000	23 500	29 000	29 000		29 000	26 000
Total Supply	24 000	28 000	28 000	23 500	29 000	29 000		29 000	26 000
Utilization for Sugar	24 000	28 000	28 000	23 500	29 000	29 000		29 000	26 000
Utilization for Alcohol	0	0	0	0	0	0		0	0
Total Distribution	24 000	28 000	28 000	23 500	29 000	29 000		29 000	26 000

**Table 2: Russia – Sugar, Centrifugal, Production, Supply, and Demand, 2008, 2009, and 2010**

Sugar Beets Russia	2008			2009			2010		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Oct 2007			Market Year Begin: Oct 2008			Market Year Begin: Oct 2009		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
	Data			Data			Data		
Beginning Stocks	440	440	440	550	550	550	750	750	700
Beet Sugar Production	3 200	3 200	3 200	3 480	3 480	3 550	3 350	3 350	3 200
Cane Sugar Production	0	0	0	0	0	0	0	0	0
Total Sugar Production	3 200	3 200	3 200	3 480	3 480	3 550	3 350	3 350	3 200
Raw Imports	2 800	2 800	2 800	2 500	2 500	2 500	2 200	2 200	2 500
Refined Imp. (Raw Val)	300	300	300	300	300	300	200	200	300
Total Imports	3 100	3 100	3 100	2 800	2 800	2 800	2 400	2 400	2 800
Total Supply	6 740	6 740	6 740	6 830	6 830	6 900	6 500	6 500	6 700
Raw Exports	0	0	0	0	0	0	0	0	0
Refined Exp. (Raw Val)	200	200	200	200	200	200	200	200	200
Total Exports	200	200	200	200	200	200	200	200	200
Human Dom. Consumption	5 990	5 990	5 990	5 880	5 880	6 000	5 850	5 850	6 050
Other Disappearance	0	0	0	0	0	0	0	0	0
Total Use	5 990	5 990	5 990	5 880	5 880	6 000	5 850	5 850	6 050
Ending Stocks	550	550	550	750	750	700	450	450	450
Total Distribution	6 740	6 740	6 740	6 830	6 830	6 900	6 500	6 500	6 700

**Table 3: Russia – Area and Production of Sugar Beets, Calendar Year**

	2006	2007	2008	2009
Planted sugar beet area (1,000 HA)	996	1,060	819	823
Sugar beet production (1,000 MT)	30,861	28,236	29,000	n.d [1]
Yield (MT/HA)	30.8	26.5	36.2	n.d

Source: Rosstat (Russian State Statistic Service)

[1] n.d – data are not available

**Consumption:**

MY 2008/09 sugar consumption was 41.4 kg/capita, almost flat from MY 2007/08. Production growth in food processing industry will lead to growth of consumption to 41.7 kg/capita in MY 2009/10.

**Trade:**

Russia's sugar supply is estimated at approximately 6.3 MMT/year. Russian beet sugar accounts for 50 percent of the total sugar supply. Imports of both raw and refined sugar fill the supply deficit. From October 2008 to June 2009, Russia imported 1.46 MMT of raw sugar compared to 1.94 MMT during the same period a year earlier.

Imports of white sugar increased to 70,631 MT from October 2008 to June 2009 from 51,102 MT in October 2007- June 2008. Brazil provides the bulk of Russia's raw sugar imports, while Moldova, Poland, and Brazil were the largest suppliers of refined sugar. Import totals do not include Belarus.

The Russian and Belarusian Ministries of Agriculture agreed in September 2009 that Belarus will export Russia 150,000 MT of white sugar in MY 2009/10, the same level as in MY 2008/09.

**Table 4: Russia – Imports Cane, Raw, Solid Form, (170111) Quantity, MT**

Country	Oct 06-Jun 07	Oct 07-Jun 08	Oct 08-Jun 09
The World	2,519,959	1,943,436	1,461,281
Brazil	2,071,179	1,737,798	1,246,535
Cuba	174,821	125,288	122,159
El Salvador	102,460	0	43,904
Thailand	43,592	24,050	41,295

Source: World Trade Atlas

**Table 5: Russia – Imports of White Sugar, (170199), Quantity, MT**

Country	Oct 06-Jun 07	Oct 07-Jun 08	Oct 08-Jun 09
The World	89,474	51,102	70,631
Moldova	28,859	0	24,805
Poland	26,869	40,845	16,450
Brazil	14,610	6,010	12,451
Colombia	5,382	4	2,958
Ukraine	0	3	2,833

Source: World Trade Atlas

## Prices:

According to the Ministry of Agriculture, beginning January 2009, average prices for sugar increased significantly in Russia. From January 1 to August 1, processors increased price for sugar from RUR15.82/kg (\$1=23.5) to RUR22.70/kg (\$1=RUR32). At the same time, average white sugar retail prices in Russia increased from RUR23.28/kg to RUR29.67/kg. Prices started to fall in September 2009 after sugar from the new harvesting season appeared on the market. Participants of the sugar market believe prices will continue to decrease through the rest of the year. However, sugar market analysts admit that if world sugar prices continue to grow, prices in Russia could later rebound and grow up to 25 percent by June 2010. A decision was made at a meeting in August 2009 that the Agriculture Ministry and businesses will sign an agreement that would keep sugar prices from growing. Processors' price for refined sugar in sugar processing regions was RUR24/kg in September 2009. This contrasts with the sharp growth of sugar prices on the world market because of drought in Brazil and India.

**Table 6: Average Processor's and Retail Prices for Sugar, RUR/kg**

	October 1, 2008	January 1, 2009	August 1, 2009
Processor's price	17.78	15.82	22.70
Retail price	24.31	23.28	29.67

Source: The Russian Ministry of Agriculture

Prices for syrup from the sugar beet processing of the new harvest varied between RUR1,500/MT to 1,700/MT. Prices for beet pulp varied between RUR1,500/MT to RUR2,600/MT.

## Import Duties

The Federal Customs Service left the duty on raw sugar imported into Russia remained unchanged for the fifth month at \$165/MT in September. It was set based on the average price for raw sugar on the New York Mercantile Exchange on current contracts for the preceding three months. At present, the import duty on raw sugar is between \$165/MT and \$270/MT.

First Deputy Prime-Minister Viktor Zubkov said on August 28, Russia may raise the lower boundary of the raw sugar import duty to \$180/MT from \$165/MT if necessary. This followed a government meeting on agricultural issues, considering the draft program for the development of sugar beet production in 2010-2012.

In order to intensify protection of raw sugar supplies, Russia is also employing seasonal duties. No decision has been take on introduction of seasonal duties for MY 2009/10 yet. Last year, seasonal import duties on raw sugar were in effect from December 1 to May 31, 2009, and they varied from \$220/MT to \$270/MT, based on average monthly prices at the New York Board of Trade. In April 2009, GOR approved a Resolution that shortened the length of seasonal import duties from May 31, 2009, to April 30, 2009 (GAIN RS9033).

**Stocks:**

High beet sugar production and imports increased ending stocks 27 percent to 700,000 MT in MY 2008/09, in comparison with MY 2007/08. Smaller domestic production and high prices for raw cane sugar on the world market will decrease stocks 35 percent to 450,000 MT in MY 2009/10.

**Policy:**

The GOR Commission on Agricultural Issues approved a draft development program for the sugar beet processing industry for 2010-2012. The program is aimed at increasing sugar beet production from 3.5 MMT in 2008/09 to 4.32 MMT in 2012/13 and stabilizing sugar prices in the future. According to the program, RUR55 billion will be invested in the industry, including RUR7.7 billion from the federal budget. The rest will be sourced from the refineries and bank loans. The draft program envisions the share of white sugar produced from domestic sugar beets rising to 73 percent of total sugar production in 2012 from almost 60 percent in 2008. First Deputy Prime-Minister Zubkov said this proportion will eventually increase to 80 percent. The federal money will be spent to subsidize interest on loans taken for renovation of refineries (RUR4.5 billion), compensating a portion of fertilizers costs (RUR2.8 billion), and for research (RUR305 million). Special attention should be paid to domestic sugar beet seed supply, chemicals for plant protection, development of infrastructure of the industry, and adjusting custom and tariff regulations. Zubkov underlined that in order to apply support measures efficiently, collection of data should be improved in order to improve the use of state budget resources. The Russian Sugar Union believes that if approved by the GOR, the program will make the sugar industry more attractive for investments and will protect the Russian market from fluctuation of prices on the world market.

**Other Relevant Reports:**

RS9033 Sugar Duties Increased

[http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Import%20Duties%20Increased\\_Moscow\\_Russian%20Federation\\_08.05.2009.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Import%20Duties%20Increased_Moscow_Russian%20Federation_08.05.2009.pdf)

RS9026 Sugar Annual Report

[http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Commodity%20Report\\_SUGAR%20ANNUAL\\_Moscow\\_Russian%20Federation\\_08.04.2009.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Commodity%20Report_SUGAR%20ANNUAL_Moscow_Russian%20Federation_08.04.2009.pdf)

RS8073 Seasonal Sugar Import Tariffs Published

<http://www.fas.usda.gov/gainfiles/2008/0909/146295888.pdf>

RS8032 Sugar Annual Report

<http://www.fas.usda.gov/gainfiles/2008/0904/146294414.doc>

RS8016 Sugar Union Demands More Government Support

<http://www.fas.usda.gov/gainfiles/2008/0903/146293871.doc>

RS7051 Government Program for Agriculture and for Market Regulation 2008/09-2012

<http://www.fas.usda.gov/gainfiles/200707/146291764.pdf>