

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Voluntary Public

Date: 6/6/2012

GAIN Report Number: RSATO 1205

Russian Federation

Post: Vladivostok

Strategy of the Russian Food Industry Development until 2020

Report Categories:

Agricultural Situation

Agriculture in the Economy

National Plan

Policy and Program Announcements

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Report Highlights:

The Russian Government issued Resolution #559R on April 17, 2012 which approved the Strategy for Development of the Russian Food Industry until 2020. The document contains production targets for 2020, confirms the need to modernize the industry, and estimates necessary investments in the amount of 777.8 billion Rubles (USD 26 billion) in order to reach the targets.

General Information:

The Russian Government issued resolution #559R on April 17, 2012 which approved the Strategy for Development of the Russian Food Industry until 2020. The strategy is aimed at modernizing food processing production facilities and increasing their capacity through innovation and technologies. As a result, the industry would be able to manufacture more competitive products, decrease power consumption and be more environmentally friendly. The strategy is aimed at increasing production of flour, grains, bakery products, sugar, dairy products, butter, cheese and cheese products, fruit and vegetable preserves, oil, confectionary products, fish and fish preserves. In addition, the strategy aims to develop infrastructure and logistics for the food products distribution system.

The Current Status of the Food Processing Industry

The Russian food processing industry is a relatively strong sector in Russia, representing 11.5% of Russian industrial production, and is considered to be among the leaders in industrial production along with iron and steel production and the fossil fuel industry. The index (percentage change) of food production in 2000-2007 averaged 106.107% and totaled 105.4% in 2010 and 101% in 2011. Production volume totaled 3,555 billion Rubles (USD 121 bln) in 2011 showing 12.3% growth compared to the previous year.

The industry includes more than 30 sectors, bringing together 43,000 active organizations which employ about 1.3 million people. The following product sectors are considered “socially important”: meat, dairy, sugar, baking, oil, milling and salt. The share of these food products in retail turnover is 48.9% or 8 billion Rubles.

Despite the increase in the production of processed food in recent years, Russia remains highly import dependent on certain types of agricultural products and foodstuffs. The value of imported agricultural products and foodstuffs was \$42.5 billion in 2011.

Major Issues As Defined by the Strategy

Factors constraining development:

- weak physical infrastructure of many food processing industry organizations which reduces the safety and quality and leads to additional losses in transportation, storage, processing and higher prices;
- low-level technology decreases profitability and competitiveness;
- the physical deterioration and obsolescence of fixed assets which are the main causes of the unacceptably high levels of waste production, discharge of untreated industrial effluents into surface waters and emissions of industrial pollutants in the atmosphere.

Major systemic problems in the food processing industry:

- lack of locally sourced raw materials with specific quality characteristics for industrial processing;
- technological and physical deterioration of equipment, lack of capacity for certain types of agricultural raw materials;

- low level of competitiveness of Russian food product producers in domestic and international food markets;
- insufficient infrastructure for storage, transportation and logistics;
- lack of compliance with environmental requirements in the industrial areas of food industry organizations.

Main Targets of the Strategy

The GOR Strategy is an attempt to address these constraints and shortcomings. In addition, there is a social welfare interest insofar as the GOR Strategy is expected to enhance the economic well being of the industry and therefore also improve the quality of life of different social groups.

Main targets of the Strategy:

1. Increase food production
2. Modernize facilities and expand their capacity
3. Increasing competitiveness, create conditions for import replacement and potentially fuel exports
4. Develop infrastructure and logistics for food products
5. Address ecological problems in industrial zones

Major measures of the Strategy:

- Develop vertical integration, infrastructure and logistics of agro-food market;
- Improve quality and safety of raw materials and food products;
- Replace Imported food and stimulate exports to existing and new markets;
- Defend geographical names of food products;
- Modernize and foster technological innovation
- Train qualified manufacturing personnel in modern technologies.

Production Targets for the Food Processing Industry 2013-2020:

	Unit	2013	2014	2015	2016	2017	2018	2019	2020
Flour production	Thousand tons	10,020	10,060	10,080	10,100	10,150	10,200	10,250	10,300
Cereals production	Thousand tons	1,295	1,340	1,350	1,360	1,370	1,380	1,390	1,400
Bakery products enriched with dietary and micronutrient production	Thousand tons	105	110	120	130	150	200	250	300
Sugar production	Million tons	4.4	4.5	4.6	4.7	4.8	5.2	5.3	5.4
Cheese and cheese products production	Thousand tons	522	522	527	529	531	536	541	546
Butter production	Thousand tons	264	264	265	267	270	273	276	280
Slaughter and primary meat processing capacity increase	Thousand tons	266	301	364	259	259	259	249	210

Canned fruits and vegetables production	Million cans (standard can=335 grams)	9,485	9,773	10,064	10,372	10,659	10,963	11,276	11,597
Sunflower oil production	Thousand tons	3,000	3,040	3,080	3,120	3,170	3,200	3,260	3,300
Confectionery production	Thousand tons	2,995	2,965	2,974	3,005	3,040	3,065	3,100	3,175
Fish and fish products, processed and canned production	Thousand tons	3,886	4,032	4,200	4,345	4,450	4,590	4,826	5,255
Production of prepared meals and semi-finished products for organized groups	%	100	175	250	300	350	400	450	500
Food production Index	Percentage change from previous year	103	103.1	103.5	104.1	104	104.1	104.3	104.3

The financial part of the Strategy is very short and only mentions that currently state support for the food processing industry is carried out in accordance with the State Program for 2008-2012, through subsidies from the federal budget to agricultural organizations via reimbursement on loan interest for certain activities including the purchase of raw materials and some kinds of equipment. Also, the Strategy states that financial resources for the implementation of the Strategy will consist of private investments and bank loans. That means that the document doesn't stipulate any government investments into the Strategy, and that financing will depend only on private companies' resources.

Targeted Investments in the Food Processing Sector 2013-2020, in mil Rubles

	2013	2014	2015	2016	2017	2018	2019	2020	Total 2013-2020
Total investments in socially important sectors	86,847	90,884	92,037	92,000	92,836	93,332	96,189	96,847	740,970
including investments in Sectors:									
Flour and cereals	1,628	1,978	2,399	2,448	2,779	2,186	2,489	2,455	18,360
Baking industry	10,608	10,800	11,016	11,304	12,672	13,128	14,328	14,376	98,232
Sugar industry	17,600	18,600	20,300	18,800	13,100	15,800	15,900	16,600	136,700
Dairy industry	12,078	12,141	11,688	11,585	12,672	12,788	13,172	13,576	99,700
Meat industry	14,300	14,200	14,900	11,000	11,350	11,100	11,500	10,800	99,150
Fruit and vegetable canning industry	3,200	3,260	3,300	3,500	3,250	3,430	3,530	3,640	27,110
Fat industry	13,060	13,660	8,860	12,000	14,800	12,000	12,020	11,600	98,000
Confectionary	8,500	8,900	9,200	9,700	10,400	10,900	11,000	11,300	79,900
Production of prepared meals and semi-	1,873	2,745	5,374	6,363	6,363	6,400	6,400	6,400	41,918

finished products for organized groups									
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The text of the original document: <http://government.ru/gov/results/18785/>

Attachment: Google translation of the Strategy for Development of the Russian Food Industry until 2020