

GAIDAR INSTITUTE FOR ECONOMIC POLICY

**RUSSIAN ECONOMY IN 2011
TRENDS AND OUTLOOKS
(ISSUE 33)**

**Gaidar Institute
Publishers
Moscow
2012**

UDC 330(470+571)
BBC 65.9(2Poc)-04

Agency CIP RSL

Editorial Board: *S. Sinelnikov-Murylev (editor-in-chief),
A. Radygin,
N. Glavatskaya*

R95 **Russian Economy in 2011. Trends and Outlooks.**
(Issue 33) – Moscow: Gaidar Institute Publishers, 2012. 560 pp.

ISBN 978-5-93255-342-8

The review provides a detailed analysis of main trends in Russia's economy in 2011. The paper contains 6 big sections that highlight single aspects of Russia's economic development: the socio-political context; the monetary and credit spheres; financial sphere; the real sector; social sphere; institutional challenges. The paper employs a huge mass of statistical data that forms the basis of original computation and numerous charts.

UDC 330(470+571)
BBC 65.9(2Poc)-04

ISBN 978-5-93255-342-8

© Gaidar Institute, 2012

Russian Agrifood Sector: Performance and Trends

General outline of agricultural performance

20 years have passed since the start of reforms in Russian agriculture. It's a term allowing to draw some conclusions. Despite all the inconsistency, contradictoriness and non-integrity of government efforts, remarkable changes have taken place in the sector. This review is not supposed to provide a comprehensive analysis of these transformations but the partial analysis of agricultural performance in 2011 is made on the background of these 20 years.

At the moment the implementation of the first State program for agricultural development and regulation of agricultural and food markets in 2008-2012 is proceeding to completion in Russia. It was enacted in compliance with Article 8 of Federal Law No. 264-FZ of December 29, 2006 "On development of agriculture" that envisages adoption of five-year state programs. Although there are serious drawbacks in the effective Program and the mechanisms of its implementation, it has two strong points. First, it lays the foundation for relative sustainability of state policies within the program term – 5 years. Second, it determines the set of support measures to be applied and the sources of their financing from budgets of different levels, and first of all from the federal budget. One can state that the Program facilitates access to credit resources and contributes to modernization of agriculture and rural infrastructure. Still, it has smaller effect on the desired outcome – the growth of agricultural output – than such factors as bioclimatic potential and rural population size in a certain region. The latter assertion is supported by a set of studies¹.

In Russia climatic conditions are one of the main factors of increased riskiness of farming in the country. The previous 2010 was extremely unfavorable, with drought afflicting 43 regions-constituents of the Federation and resulting in a sharp drop of yields and outputs of basic farm crops. One could expect that dramatic decrease of grain output and poor supply of feeds would affect the performance of livestock sector².

However, the implemented measures of government regulation, and first of all the ban on export of grain³, allocation of additional Rb 5bn for the preservation of breeding stock and Rb

¹ E. Gataulina. Estimated effect of state regulation on development of agricultural production. // Mathematical methods, models and information technologies in the agrifood sector (Nemchinov's readings): Proceedings of Russian Independent Agricultural Economics Association. Issue 15. Publishing house of Russian State Agrarian University – MTAA named after K.A. Timiryazev, 2011. Pp. 84-89.

² By the beginning of January 2011 the available supply of feeds in corporate farms was 25.2% below the indicator of early 2010. Taking into account that the share of feed grain (except corn) in the structure of grain output reduced, the situation with feed supply caused concern.

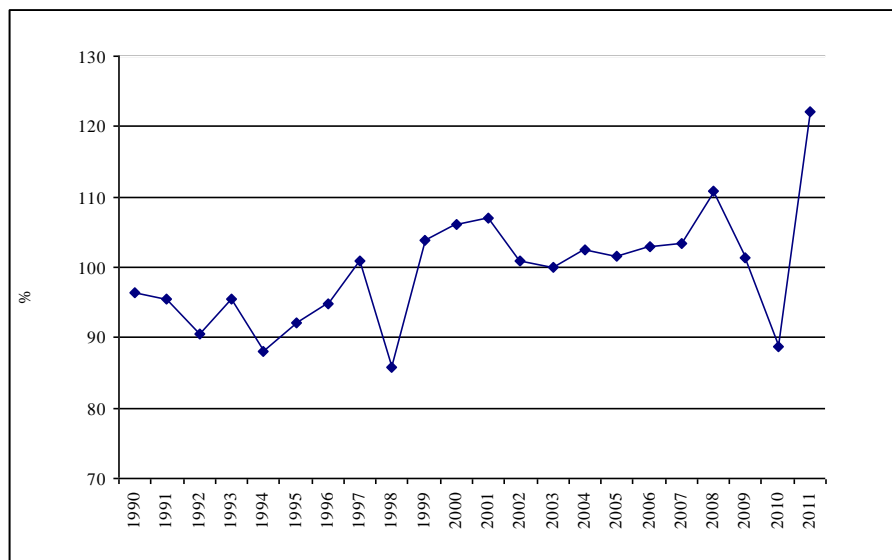
³ In general the effect of grain export ban is estimated as negative: it impaired the image of Russia as a reliable partner, weakened the hard-won positions of exporters on the world grain market, reduced profitability of agricultural producers in the year of low grain yields, entailed non-transparent procedure of distributing grain to large livestock producers, etc. However, the ban also had positive effect on the livestock sector. Certainly, its primary beneficiaries were poultry and pig plants.

9bn for the partial compensation of feed costs¹ to pig and poultry farms as well as payment of subsidies for the maintaining of cow inventories have helped to prevent production decline in dairy farming and sustain upward trends in livestock population and output of pig and poultry meat.

The past 2011 was favorable for Russian agriculture. The index of agricultural production² amounted to 121.8%³ (in 2010 – 88.7%). This is the best indicator since 1990 evidencing rapid recovery of agriculture after the hard 2010 (*Fig. 52*).

The gross output of grains and grain legumes amounted to 97.5m tons in bunker weight. It exceeded the past year crop by almost 50%. In the last 20 years *gross* outputs were higher only in 2008, 1992 and 1993. The gross output of sugar beets – about 45m tons – is more than twice above the previous year indicator; moreover, it's the highest yield of this crop ever harvested in Russia. The yield of sunflower seeds – 9.4m tons – is also the highest ever in the Russian history. Yields of other oilseeds, i.e. soybeans and rapeseeds, are record as well. The outputs of potatoes and vegetables exceed last year indicators. The expansion of areas under 2012 winter grains lays the basis for further growth of gross grain output in 2012 provided that climatic conditions are favorable. Gross outputs of grains and grain legumes approach those of the Soviet period while the ones of sunflower seeds, sugar beets and vegetables have already surpassed the pre-reform indicators. Taking into account the reduction of rural population and employment in agriculture one can state the improving self-sufficiency in these products and higher productivity of labor as compared with the pre-reform level (*Table 40*).

Fig. 52. Index of agricultural production



Source: Rosstat.

¹ Report of the RF Minister of Agriculture E.B. Skrynnik at the All-Russian conference “On the implementation of measures envisaged in the State program for agricultural development and regulation of agricultural and food markets in 2008-2012” on November 25, 2011, Moscow. <http://mcx.ru/news/news/show/5107.195.htm>

² It is calculated as the percent ratio of agricultural output of the current year to that of the previous year. Comparable prices are used – the ones of the previous year.

³ Data as of November 1, 2012.

Table 40

Gross output of basic farm crops, million tons

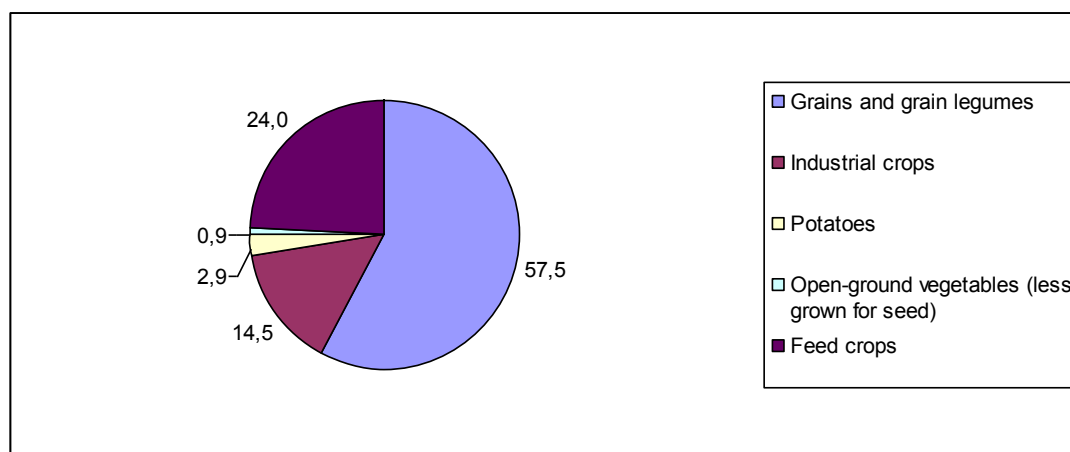
	Annual average			2005	2008	2011
	1986-1990	1991-1995	1996-2000			
Grain (after primary processing))	104.3	87.9	65.2	74.3*	102.8	92.6
Potatoes	35.9	36.8	34.5	37.3	28.9	32.1
Vegetables	11.2	10.2	11.4	15.2	13.0	13.5
Sunflower seeds	3.1	3.1	3.3	6.4	7.3	9.4
Sugar beets	33.2	21.7	14	21.4	29.0	43.0

* from 2005 to 2011 adjusted for weight after processing with coefficient 0.95.

Source: Rosstat.

The structure of areas under crops is changing. By the end of 2011 the share of grains and grain legumes in the total acreage of basic crops grew by 4% as compared with 1990 and reached 57.5%; the share of industrial crops almost tripled (up 9.6%) and amounted to 14.5%. This increase is due to a notable reduction of the share of feed crops – from over 38% to 24% (Fig. 53).

Fig. 53. Structure of acreage planted in basic farm crops in 2011, %



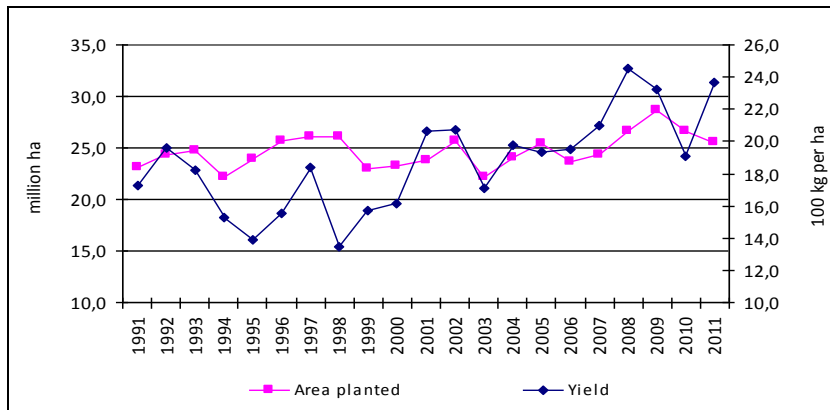
While the total acreage planted in grains reduced by 36% as compared with 1990, acreage under wheat increased by 10%, acreage under corn – by 63%. Meantime, areas under rye and barley experienced the sharpest decrease – by 78% and 68%, accordingly. Areas under feed crops fell by 59%, of them areas under root crops – by 93%, under perennial grasses – by 63%, under fodder corn – by 85%. So, the shrinking of acreage and consequently gross output was primarily observed in production of crops that were used for feeding cattle. The exception was rye. The reduction of fodder crop areas was due to the drop of cattle inventories that decreased 2.85 fold between 1990 and 2011 and started to grow slightly only in 2011.

Wheat holds the first place in the structure of areas planted (35.4%)¹. Perennial grasses continue to rank second (15.2%). The shares of barley and sunflower seeds are approximately the same – 9.6% and 9.5%, accordingly. The areas under potatoes (as one of the basic food items) and sugar beets (as input for production of sugar) are rather small – respectively 1.5% and 2.9% of the total areas planted. Acreage under food crops produced primarily in corporate

¹ Hereinafter the data relates to 2011 if no other year is indicated.

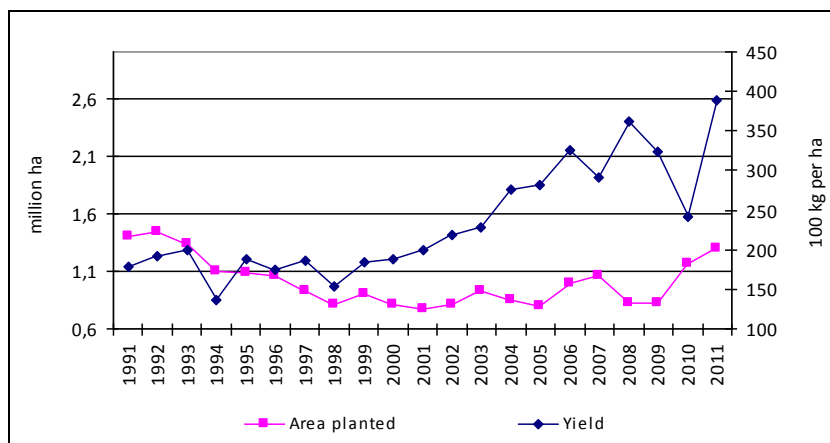
farms didn't demonstrate any notable reduction and acreage under sunflower seeds grew sustainably (Fig. 54–56). Yields of these crops increased in all regions.

Fig. 54. Wheat: areas planted and yields



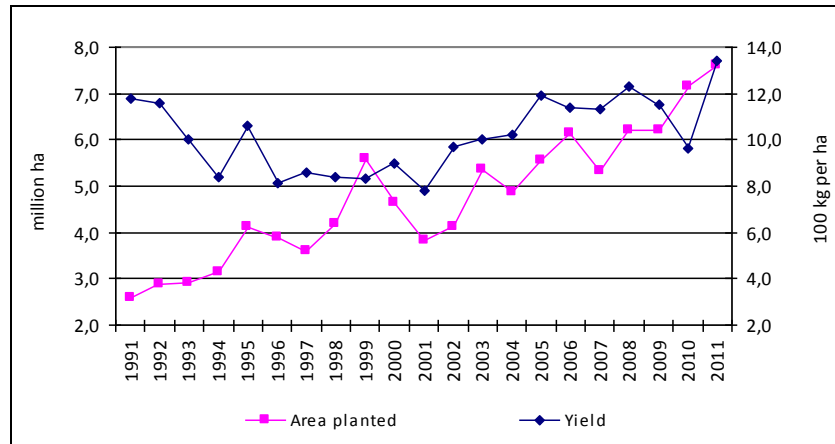
Source: Rosstat.

Fig. 55. Sugar beets: areas planted and yields



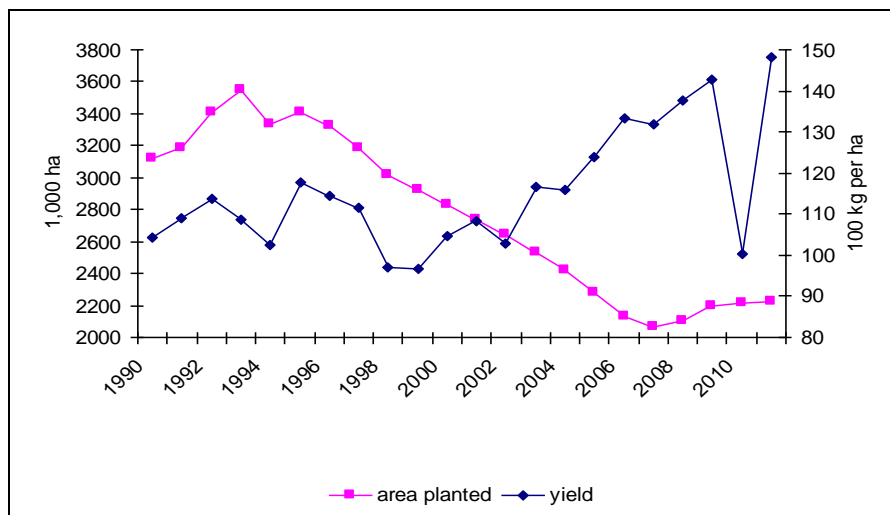
Source: Rosstat.

Fig. 56. Sunflower seeds: areas planted and yields



Source: Rosstat.

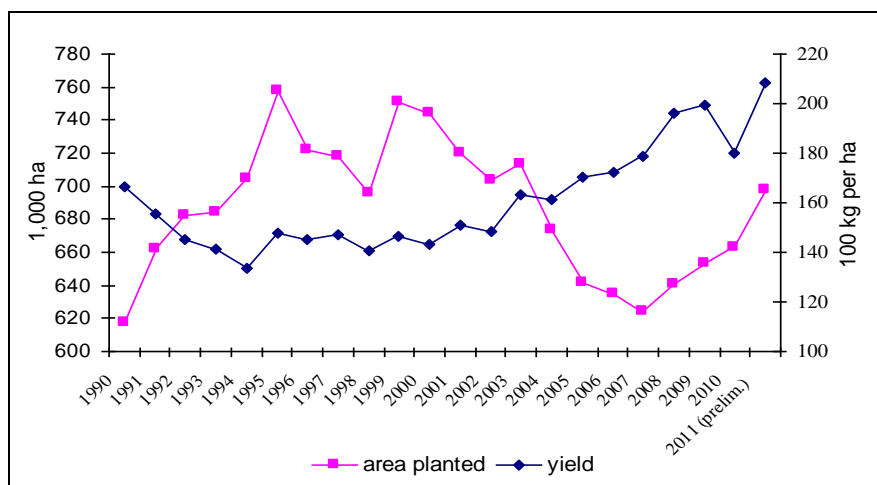
Acreage under potatoes dropped notably but this reduction (2011 indicator being only 66% of the 1991 level) is largely compensated by higher yields (with the index of yields amounting to 1.42). 2011 output equals 94% of the 1991 indicator (*Fig. 57*).



Source: Rosstat.

Fig. 57. Potatoes: areas planted and yields

Production of vegetables is still primarily concentrated in smallholder farms. The total acreage under them demonstrates a steady downward trend since 1999 (index of its change equaling 0.98). However, vegetable yields are also growing (in 2011 the respective index amounted to 1.44 relative to 1991) which ensures the general growth of output that in 2011 was 1.41 fold larger than in 1991 (*Fig. 58*).



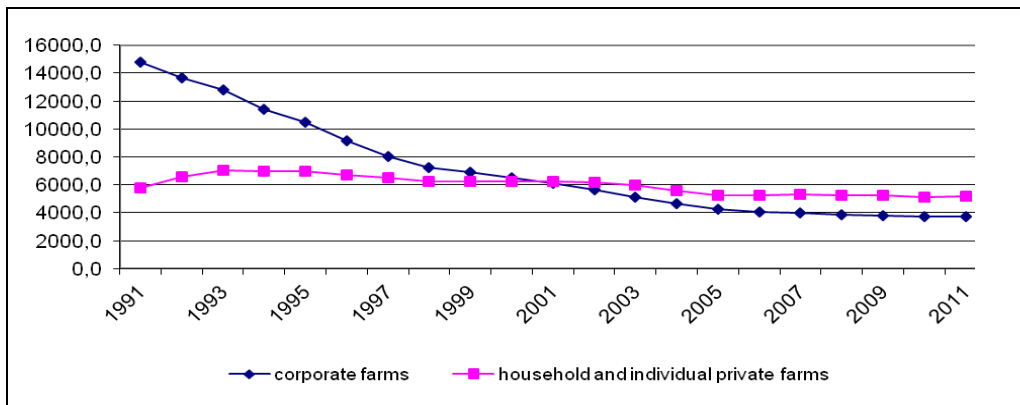
Source: Rosstat.

Fig. 58. Open-ground vegetables: areas planted and yields

Developments in livestock production continued the trends of recent years: slow decline of cattle inventories (the reflection of this trend is the restructuring in crop production – areas under crops used for feeding cattle are shrinking) and growth of pig and poultry population.

The trend of cow population is shown at Fig. 59. By the end of 2011 its overall decline in all categories of farms reached 57% as compared with 1991. In corporate farms this indicator was as high as 75%, in smallholder farms – about 10%. In corporate farms the biggest losses in cow population were observed between 1992 and 1998 (annual losses ranging from -7% to -13%) and from 2002 to 2005 (within the interval from -7% to -9% a year). The number of cows kept in smallholder farms notably increased in the first years of reform but then it declined. However, this decline was not as dramatic as the one in corporate farms. The biggest losses took place in 2006-2008 (the annual reduction reaching -4%) and in 2003-2005 (within the interval from -4% to -6%). 58% of all cows are still kept in household farms and few individual private farms engaged in dairy production. The sharp decrease of cow population was partially compensated by higher animal productivity – in 2011 it was 55% higher than in 1991, the average milk yield per cow in 10 months 2011 approaching 4 tons. The result of these opposite trends was the decrease of total milk production down to 67.5% in 2011 as compared with 1991.

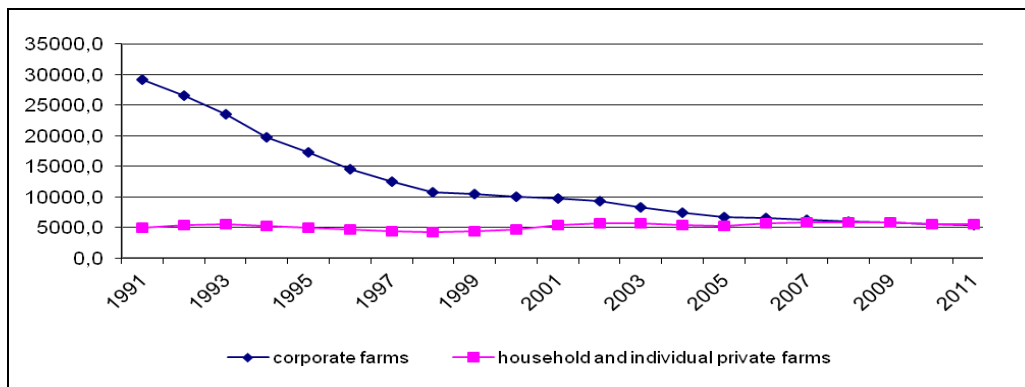
Fig. 59. Cow population, 1,000 head



Source: Rosstat.

The trend of feeder cattle population largely repeats the one of cow population (Fig. 60). By the end of 2011 the number of animals was slightly over 32% of the 1991 level.

Fig. 60. Feeder cattle population, 1,000 head



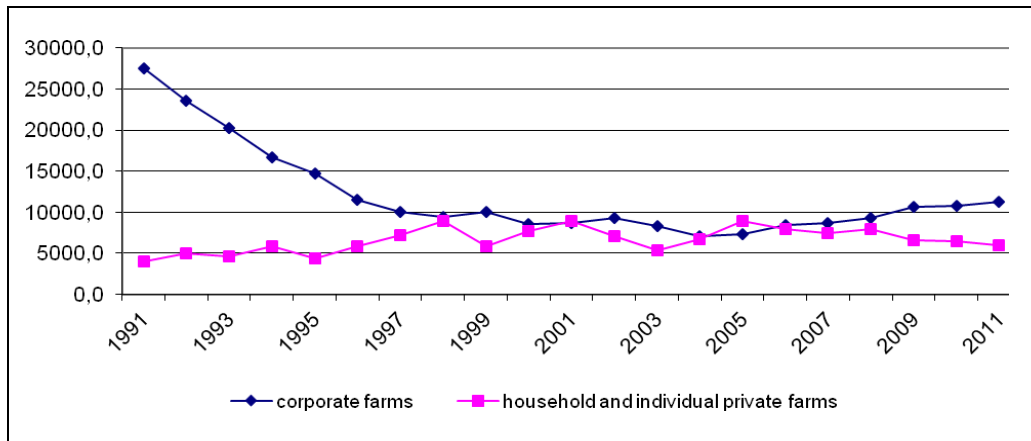
Source: Rosstat.

Corporate farms lost 81% of their feeder cattle inventories by the end of 2011. From 1992 to 1998 annual losses ranged from -9% to -16% of the previous year level. The second period of maximum losses was 2003-2005 when they ranged from -9% to -11% annually.

On the contrary, in household and individual private farms the population of feeder cattle within these two decades increased: by the end of 2011 there were 11.5% more animals than in 1991. For this type of producers difficult years were 1994-1998 (annual losses ranging from -5% to -7%) and 2004-2005 (annual losses being about -3%). Despite the government measures to support beef cattle breeding, no increase of animal population is observed in the sector beginning from 2008 and in 2010 it even fell by 5%.

Pig population also decreased – in 2011 it was down 45% as compared with 1991. By 2005 corporate farms lost 73% of their inventories. Beginning from 2005 a stable growth trend formed in the sector: by the end of 2011 the increase of pig population reached 60% (being encouraged by government support and rates of customs duties); in some years (2006, 2009) annual increases amounted to 15% but in the last two years (2010 and 2011) they equaled 2% and 4%, respectively. Pig raising has firmly shifted to the sector of corporate farms that now keep 65% of animals (Fig. 61).

Fig. 61. Pig population, 1,000 head

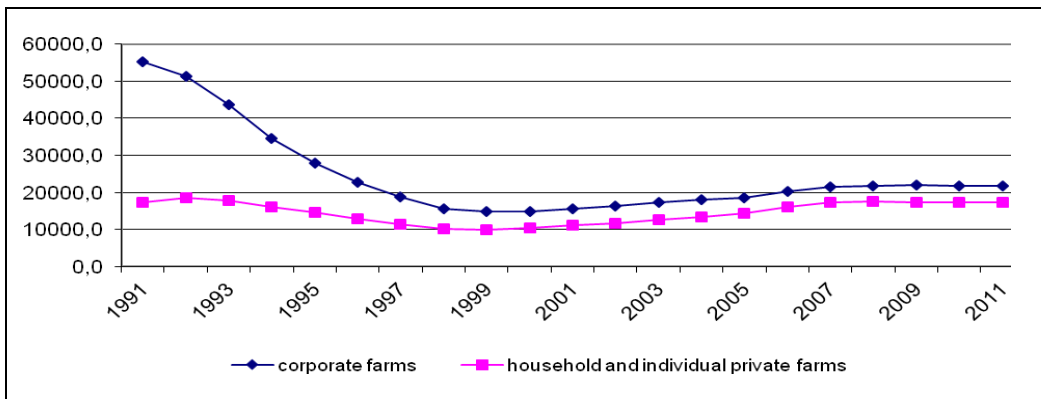


Source: Rosstat.

The number of pigs in household and individual private farms was growing: it more than doubled by 2005 when corporate farms lost about 2/3 of their pig population. As pig raising in corporate farms developed, the number of animals in smallholder farms reduced but even now they keep 1.5 fold more pigs than in 1991.

The population of sheep and goats by 2011 dropped down to about 40% of the 1991 indicator (Fig. 62). In corporate farms it stopped falling and stabilized at the level of 21.9m head, or 56% of the total population in all types of farms¹. Population of animals in household and individual private farms has restored up to the pre-crisis level.

Fig. 62. Population of sheep and goats, 1,000 head



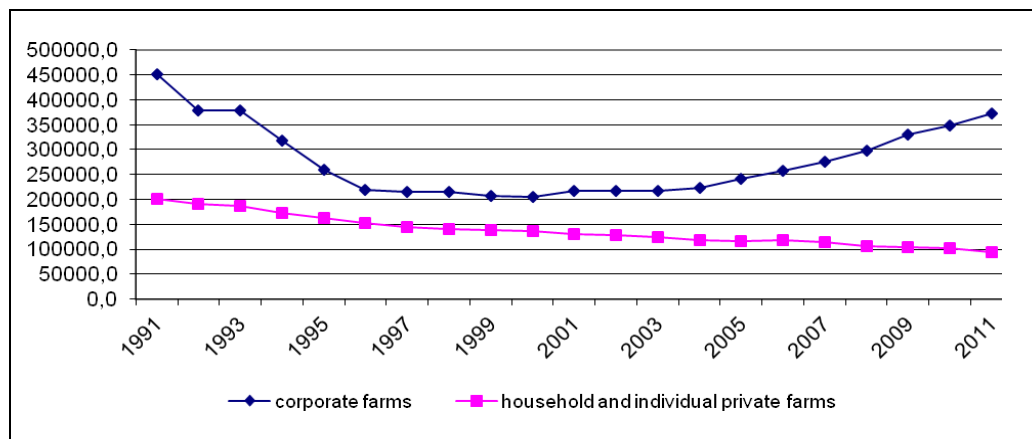
Source: Rosstat.

The population of poultry is steadily growing after the fall by 55% between 1991 and 2000. At present it amounts to 71% of the 1991 level with 80% thereof concentrated in corporate farms. This is a rare sector of farming being evidently abandoned by smallholder farms (Fig. 63). The quality, availability and prices for poultry products in retail stores must have become acceptable for households. In the period between 2001 and 2011 the annual increases of poul-

¹ In most corporate farms animals are only listed but are actually passed over to families of employees on contract terms.

try population in corporate farms were below 5% only 4 times; in all the other years they ranged from 7% to 11%.

Fig. 63. Poultry population, 1,000 head



Source: Rosstat.

The analysis of trends in different types of farms shows that livestock population is restoring except for feeder young stock. The population of cows has stopped falling. Household and individual private farms are important producers of beef, milk and sheep products¹. Corporate farms became principal producers of pork and poultry products. Household and individual private farms either preserved livestock population at the pre-reform level of 1991 or have already restored it after the fall. The only exception is poultry breeding that smallholder farms abandon despite its seeming simplicity and switch to buying respective products. At present there are some constraints to the development of livestock production in household farms. First of all, the size of household plots has natural limits in build-up areas; consumer cooperation that could help to form wholesale lots for trade networks and independent stores is not developed; there are no stable links with buyers of raw agricultural products; population that was traditionally engaged in livestock farming is getting older. Until recently rural residents could use plots outside settlements for haying and pasturing as well as for growing feed crops for their farms. The possibility to get such plots appeared at the very start of land reform. But in the middle of 2011 the law was adopted² that undermines the basis for performance of large household farms: at the federal level the total area of such a plot is limited to 0.5 hectares; regions-constituents of the Russian Federation are granted (but may not use) the right to enlarge it up to 2.5 hectares. These constraints directly affect more than two million rural families (with over six million members) that cultivate about 70% of all lands entitled to household farms³. Institutional restrictions of this kind force agricultural business out to individual private and corporate farms. Despite the attractive goal of the law – to draw agricultural production out to the entrepreneurial field – it brings about more negative than positive effects. Not less

¹ Including production of contract sheep breeders.

² Federal Law No. 147-FZ “On introducing amendments to Article 217 of Part Two of the RF Tax Code and to Article 4 of the Federal Law “On household farm”” of June 21, 2011.

³ V.Ya.Uzun. <http://www.agronews.ru/news/detail/116750/>

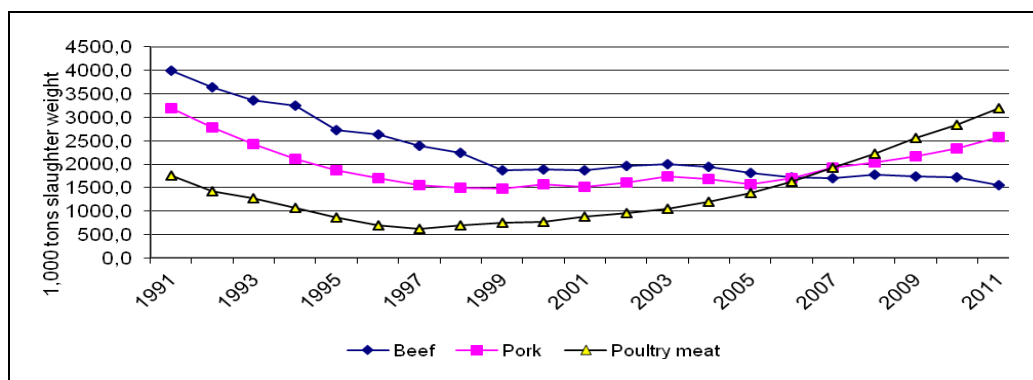
than 2 hectares of land are required for keeping one cow and rural families will either use them illegally or will stop keeping cows; the formal abandoning of additional plots will decrease incomes of municipal budgets from land tax, etc.

The aim of this detailed analysis of trends in livestock population was to provide a better understanding of developments in production of basic livestock products. *Figure 64* shows dynamics of meat production. It can be seen that after the decline between 1991 and 1998-1999 production of different kinds of meat (except beef) displays an upward trend and the output of poultry meat in 2011 even exceeds the 1991 level 1.8 fold. Production of beef stabilized at the 2007 level.

Figure 65 shows trends in production of milk and eggs. Beginning from 2004 production of milk stabilized at the level of 31-32m tons and in 2011 equaled only 61% of the 1991 indicator.

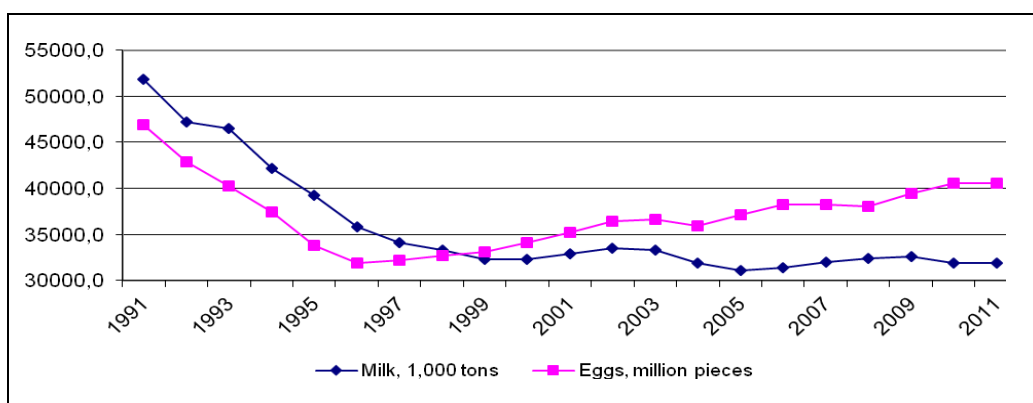
In 2011 the trend towards restoring production of eggs (that began since 1996) continued. At present their output reaches 87% of the 1991 level. *Table 41* contains data on production of basic livestock products.

Fig. 64. Production of meat



Source: Rosstat.

Fig. 65. Production of milk and eggs



Source: Rosstat.

Table 41

Production of basic livestock products in farms of all types

	1986-1990	1991-1995	1996-2000	2005	2008	2011*	2011/1991%
Livestock and poultry, million tons slaughter weight	9.7	7.5	4.7	4.9	6.3	7.2	74
Milk, million tons	54.2	45.4	33.6	32.3	32.4	31.8	59
Eggs, million pieces	47.9	40.3	32.8	37.1	38.1	40.6	85

*estimate.

Source: Rosstat.

The increase of meat output after its sharp drop since the start of reform is due to the growing production of, firstly, poultry meat and, secondarily, – of pork. These shifts notably change the structure of meat production and consequently consumption. In 1991 the share of beef in the total for the three major types of meat was about 44.7%, the share of pork – 35.7%, of poultry meat – 22.5%. In 2011 the share of beef dropped down to 21.2% while the share of poultry meat more than doubled – up to 43.7% and the share of pork reduced slightly. The pre-reform level of egg production hasn't been restored as yet but will be attained in the medium term. The output of milk is still far below the pre-reform indicators. However, there form conditions for positive developments in dairy and beef cattle breeding – the structure of animal population is improving, although the rate of change is very slow and the extent is limited. In the last two years the share of pedigree beef cattle stock grew up to 60% of the total beef cattle herd (1.488m head). In the dairy herd the share of pedigree stock increased up to 12.3% which is almost twice above the 2005 indicator¹. However, production costs haven't been reduced yet and this is a hindrance to larger production of these products, and first of all beef².

The change of product structure of output is due to the shifts in division of labour in agriculture. The end of centralized planning in economy entailed the change of production location principles. In the Soviet period production was located with regard to the location of population. It can be seen from the simplest correlation analysis: in the early 1990s there was a close linear correlation between the size of population in a certain region-constituent of the Russian Federation and production of milk and eggs therein, and a mid-level correlation between regional population and production of beef, pork and poultry meat. There was also a weak correlation between population and production of grain in a region. At present these relationships are not so strong: the proximity to market is no longer regarded as the decisive factor for locating production. It's being shifted to regions with the lowest unit production costs³. Areas under farm crops and livestock population are concentrating therein.

The trends in output of farm products evidence that agriculture is restoring after the production declines that accompanied restructuring in the sector. The government declared that in

¹ Report of RF Minister of agriculture E.Skrynnik at the meeting with top officials of regional bodies administering agrifood sector and rectors of higher education institutions on January 12, 2012, Moscow. <http://mcx.ru/news/news/show/5198.195.htm>

² Production of beef is falling everywhere except three territories: Dagestan, Kalmykiya and Republic Altai. In these regions production is growing since there are local breeds of beef cattle and traditional technologies of its pasture raising with maximum utilization of forage lands which allows to reduce production costs. However, the scale of production here is very small.

³ The process is facilitated by the development of technologies that allow to transport fresh products to longer distances and by the lowering of administrative barriers.

2011 outputs of grain, sugar, potatoes, vegetables and poultry meat achieved the target indicators set in the Doctrine of food security. The trend in pig raising allows to expect that within the coming 2-3 years the output of domestic producers will fully satisfy the demand for pork¹; besides, in 2012 Russia will become a net exporter of vegetable oil. It's evident that the future structure and volumes of agricultural production will be primarily determined by the ability of Russian farm producers to produce competitive output and not by the pre-reform performance patterns.

Situation on selected agricultural and food markets

Grain market

In 2011 the share of milling wheat in the total wheat crop amounted to 73%, the share of wheat #3 – to 30%, of wheat #4 – to 43%². Feed wheat is in the greatest demand on the domestic market and its deficit is increasingly compensated by the use of milling wheat for feeding purposes.

Last year 16.9m tons of barley were harvested. It's above the previous year level but below the 2008-2009 indicators. This decline of barley output is due to the reduction of areas planted to 7.2m ha down from 9-10m ha sown in the period after 2000. The shrinking of acreage was most remarkable in the southern regions where barley is ousted by higher-yielding winter wheat. The decline of barley production in Russia entails the rise of prices for pork and its derivatives.

From the start of 2000s exports of grain from Russia grow at higher rate than its production. From August 2010 till July 2011 the ban on export of grain was in effect in Russia. After the lifting of embargo the ratio of exports to output in 2011/2012 MY can set a record: 25% for grain in general and 35% for wheat³. Along with Ukraine, Kazakhstan and the United States Russia is one of leading world exporters of grain. In 2011/2012 MY it can take the second place in the world wheat exports after the US. In the recent decade the share of young countries-suppliers (Russia, Ukraine, Kazakhstan) in the world wheat exports grew from 13% to 27% while the share of traditional exporters fell from 11% to 9%.

So, Russia's integration into the world grain market is increasing. In this respect the question arises as to whether Russia will manage to become the largest exporter of grain.

The growth of exports resulted in shifts in the regional structure of grain production in Russia. For the southern regions of the country export became more attractive than supply to the domestic market. Their export orientation encouraged development of respective infrastructure. Meantime, the infrastructural isolation of Siberia and the Urals aggravated. As a result the share of export-oriented South of Russia in the total grain production increased from 26% in 2000 to 35% in 2011.

Export demand furthered growing production of wheat and the enlargement of its share in the total grain output up to 64%. So, grain production becomes less diversified and grain ex-

¹ Report of RF Minister of agriculture E.Skrynnik at the meeting with top officials of regional bodies administering agrifood sector and rectors of higher education institutions on January 12, 2012, Moscow. <http://mcx.ru/news/news/show/5198.195.htm>

² Estimate of Sovecon.

³ Estimate of Sovecon.

port – increasingly mono-crop. Exports primarily consist of wheat (mostly wheat #4) while barley is losing its importance as an export item.

The increasing domination of a single crop and a single region in the total grain output entails the risk of sharp production drops and consequently export swings in case of unfavourable climatic conditions and outbreaks of crop diseases.

In the longer term growth of exports is constrained by several factors.

First, there are strong limitations to increasing output by means of expanding areas planted. The potential for enlarging grain acreage in the South is actually exhausted. In Russia the reclamation of abandoned lands that are mostly situated in areas with low bioclimatic potential is likely to be more costly and less efficient than in the EU, the US and other countries.

Besides, the expansion of acreage under grains is hindered by their perpetual competition for land with oilseed crops.

Second, the increase of production by means of extensive factors requires notable growth of investments in agriculture. At present the average yield of wheat in Russia is slightly over 2 tons per hectare while the world average is 3 tons. The sector gets increasingly dependent on import supply of grain and oil crop seeds.

Third, domestic demand for grain in Russia is expected to rise due to the development of livestock breeding. It was the deepest drop in livestock sector in the 1990s that conditioned Russia's entry to the world grain market as a large exporter.

By the beginning of November 2011 high volumes of wheat exports resulted in substantial reduction of producer stocks. For instance, in Krasnodar kray the stocks of wheat were 1/3 below the ones of the previous year. The possibilities for replenishing export resources from the wheat stocks remaining at farms in the southern and central regions were limited.

The replenishment of resources for both export supplies and domestic processing through deliveries from the eastern regions met with a whole range of logistical difficulties. The decisive factor of supply from these regions was not the purchase price for grain but the possibility to deliver it.

The remarkable reduction of wheat stocks conditioned the strengthening of prices for this crop, first of all in the central and southern regions of Russia. From the point of view of regaining impact of Russia's grain export on the world market, the principal consequence of embargo was the discount with which Russian wheat was marketed after its lifting. Time was needed to restore the country's positions on the world grain market. The main partners expected Russia to dump like it was the case in 2002 when the country was entering export markets. So, till the end of October 2011 the FOB price for wheat shipped from the Black Sea ports was the lowest. By November the price advantages of Russian wheat faded away. On the one hand, domestic prices were rising due to the growing exports and lowering grain stocks. On the other hand, prices for Australian and Argentinean wheat fell – by \$20-30 per ton as compared with the end of October, down to \$222 per ton (ASW, shipment from the eastern states) and \$230 per ton, respectively. At the same time, at the Egyptian GASC tender Russian grain was offered for \$247.7-249 per ton¹. So, Australia and Argentina are becoming the principal competitors of Russia on the world grain market.

According to estimates of USDA, the world production of wheat in 2011 reached 691.5m tons (*Table 42*). In 2011/2012 MY record exports of Australian wheat are expected that can

¹ Data of Sovecon.

put competitive pressure on the Black Sea grain in countries of South-East Asia, Persian Gulf and East Africa.

Table 42

**World balance of wheat in 2009/2010-2011/2012 MY*,
million tons**

MY	Production	Supply	Trade	Consumption	Ending stocks
2009/10	685.4	852.5	135.8	650.3	202.1
2010/11	651.7	853.8	131.8	653.9	199.9
2011/12 (forecast)	691.5	891.5	139.4	681.4	210.0

* MY for wheat - July-June.

Source: USDA.

Market of sunflower seeds and sunflower oil

In 2011 a record crop of sunflower seeds was harvested – 9.35m tons. Production of sunflower oil in Russia grew by 1.28m tons – up to the record 3.47m tons. Export is supposed to become the major channel for marketing this surplus output – it's volume is projected to grow by 1.05m tons up to 1.23m tons.

Table 43

**Russia: supply and utilization balance
of sunflower seeds in 2007/2008-2010/2011 MY
and forecast for 2011/2012 MY*, 1,000 tons**

	2007/08	2008/09	2009/10	2010/11	2011/12, forecast	Difference
Beginning stocks	51	80	171	106	88	-18
Gross output in standard weight	5670	7300	6300	5690	9350	+3660
Imports	11	16	15	40	25	-15
Total supply	5732	7396	6486	5836	9463	+3627
Processed into oil	5335	6760	6040	5380	8300	+2920
Other consumption	250	275	290	330	390	+60
Used for seeds	30	30	30	30	30	-
Exports	37	160	20	8	520	+512
Ending stocks	80	171	106	88	223	+135

* MY for sunflower seeds – October-September.

Source: Sovecon.

Table 44

**Russia: supply and utilization balance of sunflower oil in 2007/2008-2010/2011 MY
and forecast for 2011/2012 MY, 1,000 tons**

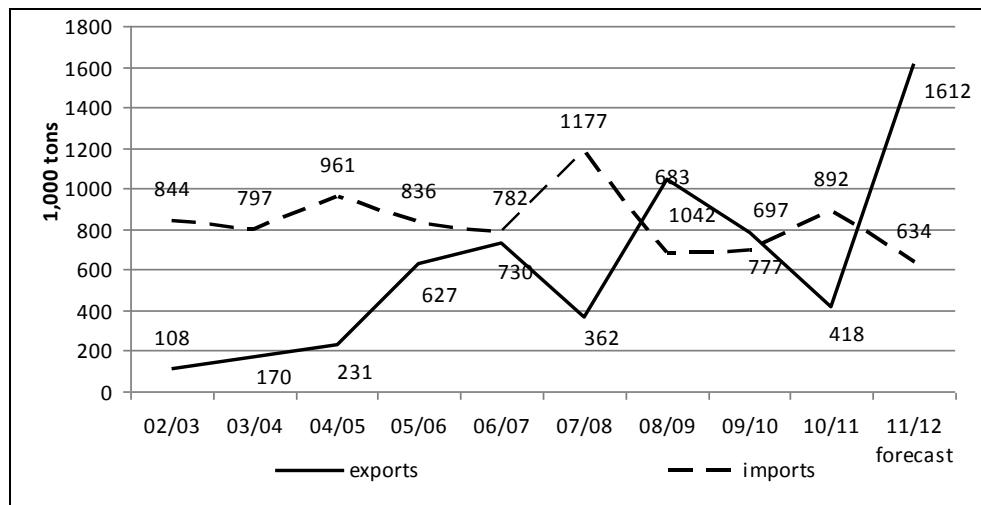
	2007/08	2008/09	2009/10	2010/11	2011/12, forecast	Difference
Beginning stocks	86	149	134	100	187	+87
Production	2190	2815	2598	2190	3470	+1280
Imports, total	146	35	52	148	10	-138
including bottled oil	62	5	7	9	5	-4
Total supply	2422	2999	2784	2438	3667	+1229
Consumption	1950	2025	2179	2070	2300	+230
Exports, total	323	840	505	181	1230	+1049
including bulk oil	226	663	358	68	1000	+932
bottled oil	97	177	147	113	230	+117
Ending stocks	149	134	100	187	137	-50
<i>Structure of aggregate consumption</i>						
- bottled oil (market capacity)	1170	985	1020	890	930	+40
- bulk oil (household consumption)	70	80	95	105	95	-10
- mayonnaise	320	400	430	400	430	+30

- margarine	92	250	245	225	345	+120
- paint and varnish products	82	73	90	123	135	+12
- formula feed	123	122	171	195	210	+15
- soap	5	16	17	7	15	+8
- other (production of canned food, bakery products, etc.)	88	99	111	125	140	+15

Source: Sovecon.

After a deep drop in 2010/2011 MY record exports of all main kinds of vegetable oil are expected. Russia will again become its net exporter. Exports will grow almost 4 fold up to 1.6 million tons while imports will reduce from 892 to 634 thousand tons (Fig. 66). The biggest reductions are expected in imports of bulk sunflower and palm oil.

Fig. 66. Russia: trends in export and import of vegetable oils in 2002–2011



Source: Sovecon.

Domestic consumption of sunflower oil in Russia is about 2.1-2.2m tons (Table 45). Production of margarine and mayonnaise accounts for its bigger share. In the new 2011/2012 MY the expected replacement of palm oil by sunflower oil (prices for which fell due to the abundant crop) on the domestic market will result in the growth of sunflower oil utilization for margarine production up to 345 thousand tons.

For several years in turn the principal company-exporter of sunflower oil from Russia has been “Yug Rusi” (“South of Russia”) whose share reached 47% in 2010/2011 MY. Other suppliers of Russian sunflower oil are “Aston”, “SolPro”, “Bunge”, “Glencore”, “Efko”.

Table 45

Russia: structure of bulk sunflower oil exports by companies-exporters

	2008/2009	2009/2010	2010/2011
«Yug Rusi»	34	32	47
«Aston»	10	22	16
«SolPro»	8	5	9
«Bunge»	8	8	4
«Glencore»	9	4	1
«Efko»	1	2	4
Other	30	27	19

Source: Open JSC “Sunny products”.

In November 2011 the Russian market of sunflower seeds reached its seasonal minimum while the market of sunflower oil – its seasonal maximum. Domestic prices for sunflower oil amounted to Rb 33,200-34,000 per ton (EXW). The level of domestic prices for sunflower seeds in the South of Russia was about Rb 11,500 per ton, in the Volga region – Rb 8,500 per ton, in Voronezh – Rb 9,300 per ton¹. As output of oil grows, prices for it will fall since one will have to market record export volumes in the situation of gradual strengthening of prices for oilseed inputs. Prices for sunflower oil are expected to rise at the end of the season owing to the reduction of its manufacture and stocks.

Market of vegetables

The climate of Russia allows to grow a wide range of vegetables and fruits. Still, Russia is among the five leading importers of these items in the world. The share of imports on the vegetable market amounts to 25%, on the fruit market – to 80%². The basic problems of the sector stem from its low productivity, insufficient financing of the production process, complicated logistics, the risk of unfavorable weather conditions in the production regions, the lack of long-term planning.

In 2010 due to the dry spring and hot summer vegetable and fruit producers sustained great losses that resulted in the surge of prices for respective products. The output of potatoes fell noticeably – by 30% as compared with the previous year while selling prices more than doubled – from Rb 8.5 per kg on the average in 2009 up to Rb 23 per kg in 2010.

In 2011 the situation changed cardinally as the gross output of vegetables notably increased. The output of potatoes was record for the last 10 years – over 32.1m tons and areas planted in commercial farms (not including smallholder farms) grew by 10-15%. The output of onions set an absolute record – 1.7m tons. Production of cabbage, beets and carrots also grew as compared with 2010.

The positive dynamics of output will result in lower imports and smaller areas planted in vegetables (onions, cabbage) and potatoes in the 2012 season.

Despite the over-production of vegetables in Russia in 2011, retail networks continue to give preference to imported products. This is due to the fact that the quality of domestic fruits and vegetables does not satisfy retailers and even given lower prices domestic products cannot compete with the imported ones. Retail networks are more willing to work with importers since in the season of relatively low prices the marketable condition of commodities plays an important role in their sales.

A serious problem of fruit and vegetable market is the under-development of capacities for storing produce and its further marketing “out of season”. Therefore those producers that are short of adequate storage facilities have to sell large volumes of output before the end of the year.

So, by the end of 2011 low demand for domestic root crops coupled with their abundant supply exerted strong pressure on prices. Comparing wholesale prices for vegetables in Moscow region in the middle of December 2011 with the respective prices of 2010, one can see that for potatoes they were Rb 6 and Rb 23 per kg, for carrots – Rb 7.5 and Rb 18 per kg, for onions – Rb 7 and Rb 21 per kg, for beets – Rb 5 and Rb 15 per kg, accordingly³.

¹ Data of Sovecon.

² Data of “APK-Inform: vegetables and fruits”.

³ Data of “APK-Inform: vegetables and fruits”.

The 2011/2012 MY revealed serious problems of the fruit and vegetable sector. In the last two marketing years, when prices were high, producers concentrated on enlarging areas planted and construction of vegetable storage facilities. At the same time, small attention was paid to the development of marketing and improvement of product quality that play the decisive role in the situation of high supply and low prices.

Producers of vegetables and fruits will hardly make profit in the 2011/2012 MY. Those of them who invested in after-treatment and quality of products as well as development of marketing and establishment of ties with retail networks will find themselves in a better situation.

Russia's accession to the WTO

On December 16, 2011 at the Ministerial Conference of the World Trade Organization (WTO) held in Geneva Russia was officially accepted in this organization. Negotiations on the country's accession to the WTO went on for 18 years (!). Russia will become the full-fledged member of this organization beginning from September 2012.

Accession to the WTO imposes certain commitments regarding both the level of customs tariffs applied to imported agricultural and food commodities and the level of state support to agriculture.

The final bound import tariffs¹ on agricultural and food products will be 10.8%, lower than the current average of 13.2%. In particular, by the end of implementation period import tariffs for dairy products should be reduced from 19.8% to 14.9%, for cereals – from 15.1% to 10.0%, for oilseeds, fats and vegetable oils – from 9.0% to 7.1%.

The final bound rate will be implemented on the date of accession for more than one third of national tariff lines with another 30% of the tariff cuts to be put in place three years later. The longest implementation period is established for pork.

Tariff quotas are preserved for import of meat – see *Table 46*.

One of the basic challenges for the domestic pig raising will be the cut of import duty for live pigs down to 5%, which will notably reduce the level of domestic prices for pork in live weight and increase imports of animals. According to data of the Institute for Agricultural Market Studies (IKAR) imports of live pigs in 2013 may exceed 1m head and amount to nearly 2m head by 2015 entailing the lowering of price by about Rb 10 per kg.

The accession to the WTO will also have a negative effect on the cattle raising and first of all the segment of “high-quality” beef. At present an actually prohibitive duty of €8 per kg is applied here. In summer 2012 it will fall down to 15% and this may entail the growing supply of “non-high-quality” beef since this item is not subject to import quotas. Thus domestic producers that are not numerous as it is may face unfair competition.

Table 46

Measures of customs and tariff regulation of meat import to Russia in compliance with the WTO rules

Items and their customs codes	Currently applied quota	Currently applied tariff rates		Quota upon WTO accession	Beginning bound tariff rates		Final bound tariff rates	Analysis of risks and problems
		Within the	Outside the		Within the	Outside		

¹ The final bound import tariff is the maximum level of tariff allowed by the end of implementation period that cannot be raised without notification of the WTO members or compensation (e.g. lower tariff for another imported item). Implementation period is the period within which a country – member of the WTO should meet its commitments.

		quota	quota		quota	the quota		
Beef and veal (fresh, chilled, frozen) 0201	560,000 tons	15% but not less than €0.2 per kg	50% but not less than €1 per kg	570,000 tons	15%	55%	27.5% in case no tariff quotas are applied	Former regulation practices are preserved
Beef by-products	no	25% but not less than €0.35 per kg		no	15%		15%	Growing imports of cheap by-products
High-quality beef 0201 30 00 5, 0202 30 100 5, 0202 30 500 5 and 0202 30 900 5	no	15% but not less than €8 per kg		no	15% but the price criterion does not apply to the USA, Canada and Argentina		15%	Worse investment prospects for the sector
Pork 0203	320,000 tons	15% but not less than €0.25 per kg	75% but not less than €1.5 per kg	400,000 tons	0%	65%	25% from 01.01.2020	The basic challenge for domestic pig raising is the lowering of domestic price by 6-8% (Rb 10 per kg of live weight). The loss of domestic pig producers may total from Rb 18bn to Rb 24bn depending on the level of state support
Pork trimmings 0203 29	30,000 tons	15% but not less than €0.25 per kg	75% but not less than €1.5 per kg	30,000 tons	0%	65%	25% from 01.01.2020	
Pork by-products and fat	no	25% but not less than €0.35 per kg		no	15%		15%	
Live pigs 0103	no	40% but not less than €0.5 per kg		no	5% but not less than €0.1 per kg		5% but not less than €0.1 per kg	

Source: http://www.wto.org/english/news_e/news11_e/acc_rus_10nov11_e.htm; the Institute for Agricultural Market Studies (IKAR).

The total trade distorting state support to agriculture should not exceed \$9bn in 2012 and by 2018 should be reduced to \$4.4bn. Still, there remains an opportunity for unlimited increase of “green box” support measures (research, training, extension, infrastructural services, food aid, decoupled income support, payment insurance, etc.) that can be used for indirect support of farm producers.

Modification of agricultural policies in 2011

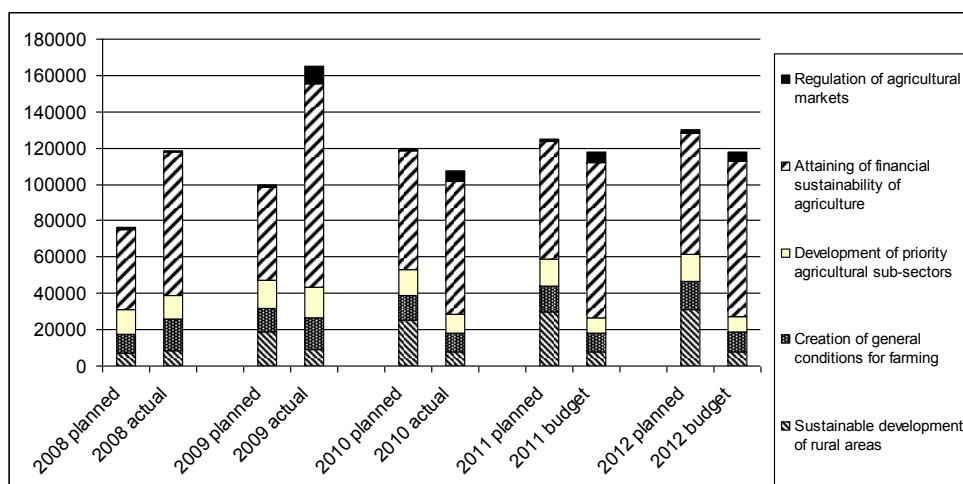
As different from 2010 with its abnormal drought and other natural calamities, the past year was relatively favorable for farming and large allocations from the agricultural budget were not hastily switched from one destination to another. But it has not saved the State program for agricultural development and regulation of agricultural and food markets in 2008-2012 (hereinafter referred to as the State Program)¹ from further amending.

Although the State Program sets five guidelines for allocating funds (I – Sustainable development of rural areas; II – Creation of general conditions for farming; III – Development of priority agricultural sub-sectors; IV – Attaining of financial sustainability of agriculture; V

¹ Approved by the RF Government Resolution No. 446 of June 14, 2007 “On the State program for agricultural development and regulation of agricultural and food markets in 2008-2012”.

– Regulation of agricultural and food markets) and declares sustainable development of rural areas as its main objective, the bulk of budget funds are spent on increasing subsidizing of farm producers' expenditures on interest rate (see Fig. 67), and this share is growing year after year.

Fig. 67. The structure of planned and actual budget expenditures by guidelines set in the State program for agricultural development in 2008–2012



Source: data of the RF Ministry of Agriculture.

This is primarily due to the fact that the restructuring of debts under agricultural credits not only increased their amounts but also induced “a spiral” of subsidies for reimbursing interest rate on credits. The growing share of respective subsidies in the State Program budget (under the guideline “Attaining of financial sustainability”, see Fig. 67) resulted in smaller allocations to soil improvement, sustainable rural development, rural infrastructure, consulting and other services to farm producers¹. But one will hardly manage to halt this trend within the framework of ending State Program for 2008–2012 due to both the increased budget commitments on subsidies and the fact that the budget for the 3 coming years has already been adopted.

Similar to the previous year, the financing of section “Sustainable development of rural areas” was cut most severely. According to the initial version of the State Program it was to get 20% out of Rb 552bn projected for 2008–2012. In 2011 Rb 7.7bn were allocated for the improvement of social and engineering infrastructure in rural areas – instead of the initially adopted Rb 28.4bn (Table 47).

The amount of subsidies for reimbursing interest rate was almost twice above the initially projected. 71% of such subsidies from budgets of all levels are allocated to the support of investment projects.

At the same time, the financing of efforts to develop priority agricultural sub-sectors was reduced: in livestock production – by Rb 2bn, in crop production – by 25% (from Rb 4.5bn to Rb 3.4bn). Funds aimed to support farm producers in the Extreme North regions and to estab-

¹ In 2010-2011 the growth of carry-over budget commitments on subsidizing of interest rate on credits extended to agriculture entailed more than 3-fold reduction of expenditures on measures under special federal program “Social development of rural areas till 2012”.

lish perennial plantations were again negligibly small, measures to encourage flax and rape production were actually discontinued. An actual withdrawal of support to rape producers is a sign of growing disillusionment and no wish to finance development of alternative bio-energy sources.

Table 47

Basic indicators of the State Program implementation in 2011

Components	2011 indicators		Financing from the federal budget, million rubles	
	planned*	as of the reporting date	planned*	actual
1	2	3	4	5
1. Efficiency indicators				
1.1. Index of agricultural production in farms of all types as % of the previous year (in comparable prices)	104.1	122.1	X	X
1.2. Share of domestic output in available supply of				
1.2.1. meat and meat products, %	68.1	54.6	X	X
1.2.2. milk and dairy products, %	80.4	63.3	X	X
2. Sustainable development of rural areas				
2.1. Financing of measures to improve social and engineering infrastructure in rural settlements, total	X	X	28 362	7 720
3. Creation of general conditions for farming				
3.1. Total financing under the section	X	X	14 659.5	11 512
3.2. including subsidies to farm producers for the purchase of domestically produced mineral fertilizers and pesticides	X	X	4 950	5 500
3.3. including creation of the system of state informational support to agriculture	X	X	1 050	467
3.4. including development of consultative assistance to farm producers	X	X	1 113.5	0
4. Development of priority agricultural sub-sectors				
4.1. Development of livestock production				
4.1.1. Subsidies to support pedigree livestock breeding	X	X	4 807	3 500
4.1.2. Supply of pedigree livestock to Rosagroleasing, head	30 000	8 597	X	X
4.1.3. Supply of equipment for livestock production to Rosagroleasing, number of stalls	65 000	11 350	X	X

cont'd

1	2	3	4	5
4.2. Development of crop production				
4.2.1. Subsidizing of measures to support elite seed breeding	X	X	513.2	1 716
4.2.2. including financing of measures to support farm producers in the Extreme North regions	X	X	1 000	405.6
4.2.3. including financing of measures to support flax production	X	X	542	246.6
4.2.4. including financing of measures to support rape production	X	X	1 025	252.7
4.2.5. including financing of measures to establish perennial plantations	X	X	725	522.5
5. Attaining of financial sustainability of agriculture				
5.1. Total amount of subsidized credits (loans), billion rubles	208	200.8	X	X
5.1.1. including short-term credits	168	152.3	X	X
5.1.2. including investment credits	140	48.5	X	X
5.2.1. Subsidizing under short-term credits	X	X	10 500	18 713
5.2.2. Subsidizing under investment credits	X	X	29 738	38 591
5.3. Amount of subsidized credits received by smallholder farms	35	31.6	X	X
5.4. Subsidizing of interest rates on credits (loans) received by smallholder farms	X	X	7 400	5 897
5.5. Purchase of tractors by all types of farms, units	41 000	9 799**	X	X
5.6. Purchase of grain harvesters, units	12 500	2 144**	X	X
5.7. Purchase of fodder harvesters, units	3 500	745**	X	X
6. Carrying out of grain purchase and commodity interventions, support of export	X	X	1 430	7 938
TOTAL	X	X	125 000	125 000

* Resolution No. 446 as in force on July 14, 2007.

** RF Ministry of Agriculture, preliminary data.

In the section “Creation of general conditions for farming” only one indicator – subsidies to farm producers for the purchase of domestically produced fertilizers and pesticides – displays stable growth. The primary beneficiaries of this form of state support are producers of mineral fertilizers and petrochemical enterprises. Capital investments in building, reconstruction and restoration of meliorative systems are falling. Allocations to create the system of state informational support to agriculture dropped 2.5 fold. Financing of consultative assistance to farm producers and re-training of agricultural specialists ceased completely despite the most acute deficit of skilled labor. Meantime, allocations to grain purchase and commodity interventions grew 5.6 fold.

So, the range of economic policy tools applied in agriculture gets narrower year after year. They are basically limited to subsidizing of large corporate farms and mega-large agricultural holdings regardless of their technical and financial efficiency¹. Development of land and rural infrastructure is not paid due attention to. The set of applied measures is the same for all regions of the country. Meantime, the All-Russian Agricultural Census of 2006 revealed that their farm structure is absolutely different: large-scale corporate agriculture, corporate agriculture, family commodity and non-commodity production. Besides, even within a prosperous region-constituent of the Federation some areas can be classified as zones of agricultural devastation². It's obvious that for territories with a certain farm structure one should apply specific policy measures with due regard to the actual situation. However, this aspect is not taken into account when developing agricultural policies. The data of Agricultural Census does not even serve as one of the basic sources of information that should be considered in this process. The evidence of its extremely limited use is the fact that there are just a few scientific publications based on the analysis of census results and the latter are very rarely referred to in reports of officials determining state policies in the sector³.

At the end of 2011 a draft of the new 8-year State Program for 2013-2020 was submitted to the government.

The new State Program sets the following tasks and objectives:

- sustainable development of rural areas, creation of favorable and attractive social environment for rural residents including housing conditions, health care, education, road, transport and other kinds of infrastructure;
- ensuring commodity farm producers the rate of return sufficient for expanded reproduction of agricultural products and maintenance of their financial sustainability and competitiveness on domestic and foreign markets;
- modernization and switching to the innovational pattern of agrifood sector development, accelerated adoption of advanced research and technology enabling to improve productivity of labor and reduce per-unit input requirements;
- recultivation and more efficient use of land and other natural resources;

¹ H. Hockmann (IAMO), E. Gataulina. The significance of market transaction costs and technical efficiency for economic performance (cost rentability) in Russian agriculture. – http://conf.hse.ru/2011/prog_sections (R-05). – 2011.

² Uzun V.Ya., Saraykin V.A., Gataulina E.A. Classification of farm producers based on data of the All-Russian Agricultural Census of 2006. Moscow, the All-Russian Institute of Agrarian Problems and Informatics named after A.A.Nikonov (VIAP), ERD, 2010. www.viapi.ru

³ One of the reasons is that the primary impersonal results of the census are actually unavailable for researchers and the opportunity to analyze aggregated data published by Rosstat is very limited.

- development of smallholder farming and cooperation as an important factor of income growth for farm producers and facilitation of their access to agricultural and food markets;
- informational support to agrifood sector operators and providing them with state services in electronic form;
- increase of export resources of grain and other agricultural products with the view to expand Russia's share on the world food market.

However, the draft Program fails to cope with some risks that became evident in previous years. In particular, the need to pay subsidies under the already issued long-term credits will notably reduce the amount of subsidies for new credits. The Program does not set limits for subsidizing interest rate to specific participants of food chains. This can lead to the rechanneling of subsidies in favor of processing and logistical companies. Their great lobbying capacities can result in the worsening of farm producers' access to credits, especially the short-term ones. Experts¹ recommend to establish limits on compensating expenditures on credits to processors and logisticians, for instance not more than 30% (at present their actual share is already about 45%).

Regrettably, at the last stage of adoption the principal measures for developing agricultural cooperation were withdrawn from the sub-program "Support of small-scale farming", i.e.:

- granting of subsidies to agricultural credit cooperatives for replenishment of the fund for mutual financial assistance;
- reimbursement of 50% of documented expenditures of agricultural consumer cooperatives – non-credit cooperatives – on establishment of their material basis (construction, purchase of machinery and technological equipment, etc.).

These support measure were proposed after the monitoring of implementation of the effective State Program (carried out by the RF Ministry of Agriculture²) revealed that the principal hindrances to development in the opinion of small farm producers were the undercapitalization of material and technical basis in input supply and marketing cooperation and the shortage of current capital in credit cooperation. The pre-revolution Russia's experience proved the efficiency of such measures for supporting cooperation: the state granted respective loans and they were repaid prior to maturity. Notwithstanding all the above, these measures have not been included in the draft of the new State Program. Now the prospects for development of agricultural cooperation are rather vague and progress will be made only in the regions that have their own programs of support to cooperation.

Measures concerning development of market transfer of farmlands and its monitoring are not well thought over. For instance, it's planned to monitor up to 90% of lands of agricultural designation. Meantime, over half of them are not farmlands and are covered with forest, shrubs, swamps, etc. Their area is constantly reducing as non-agricultural lands are transferred to other categories of lands. Besides, one discusses the possibility to eliminate the notion of "lands of agricultural designation" as a category of lands. It would be more rational to monitor farmlands suitable for agricultural production rather than lands of agricultural designation.

The distribution of funds in the draft State Program is not duly substantiated. For instance, it envisages providing subsidies to individual private farms for registration of ownership titles

¹ See, for instance, V.Ya.Uzun, E.A.Gataulina et al. Agrarian protectionism: scientific fundamentals and implementation mechanisms in the market environment. – Moscow, the All-Russian Institute of Agrarian Problems and Informatics named after A.A.Nikonov (VIAPI), 2010, p. 278.

² Monitoring of State Program implementation (2008–2009). Moscow, Kolos, 2010.

to 9m hectares of land. The question arises: why farm producers of only this organizational type are eligible for subsidies and how was this acreage determined given that individual private farms use more than 20m hectares without legal registration? Besides, the total amount of compensation per farm or per hectare is not limited. This provides ample opportunities for abuse – compensation of highly overstated prices for works of cadastral engineers facing no competition and the use of limited resources to the benefit of selected farmers having access to authorities that chose recipients of such compensations. There are a lot of such inconsistencies and discrepancies in the draft of the new State Program.

According to the State Program's draft version of November 11, 2011¹ allocations to soil improvement and rural development are to increase 7.5 fold while allocations to subsidizing of interest rate on credits – less than 2 fold as compared with the previous State Program. About 41% of the planned Rb 2,113bn of state support will be used for compensating input costs and supporting market prices. A great share of state support is tied to selected products and inputs and thus can be referred to as “amber box” measures. It should be noted that despite many years of negotiations with the WTO, traditional measures of state support are not adjusted to the requirements of this organization.

Recommendations

1. The analysis of farm performance shows that the sector has restructured after the protracted crisis that accompanied the structural reform in agriculture in the post-Soviet period. Production of basic crop products as well as poultry and pig meat, eggs, and to a smaller extent products of sheep raising, is growing. Corporate farms concentrate not only on cultivation of grain and industrial crops but also on breeding of poultry and pigs; the share of cattle kept by them is growing as well. It's obvious that smallholder farms have been the buffer that throughout the twenty years provided for the maintaining of livestock population at an actually constant level while the drop of the latter in corporate farms was disastrous. The role of smallholder farms is especially important in raising of cattle, the population of which fell most dramatically. It's clear that until production of beef and milk becomes profitable for corporate farms, the maintaining of the country's food security necessitates stronger support to smallholder farms in proportion to their contribution to the production of these products. But in fact the government supports corporate farms instead of smallholder farms. The evidence of that is the level of state support to smallholder farms², the limitations imposed on the acreage of household plots that were introduced in 2011³ and other similar constraints.

2. The duty to monitor implementation of the State Program for supporting agriculture is assigned to the department that bears the principal responsibility for it – the RF Ministry of Agriculture. At present the Ministry gathers the bigger share of information from farm producers including that on the implementation of the State Program. The access to this information is

¹ <http://www.mcx.ru/documents/document/show/16834.342.htm>

² For instance, in Pskov oblast corporate farms receive 13.7 kopecks of state subsidies per 1 ruble of gross output, individual private farms – less than 2 kopecks. At the same time household farms get for only 1 kopeck of subsidies per 100 rubles of output. Data of Zernov I.V., dissertation paper “Family entities and their role in the agrarian sector (the case of Pskov oblast)”, www.vak.ru.

³ An amendment was made in the Federal Law No. 112-FZ of July 7, 2003 “On household farm” that limits the size of such a farm to 0.5 hectares. This amendment concerns plots of all legal titles, not just the ones privately owned. The law envisages that regions-constituents of the Russian Federation can enlarge this acreage but in fact no such decisions are taken. www.consultant.ru.

actually closed: only general information is available that does not allow carrying out detailed analysis and research in the field of agriculture and its state support. Due to that it's hard to speak about the real results of the program, its efficiency for different groups of producers, areas and products and to work out proposals for improving the state support to agriculture.

Formally, there are no infringements in providing access to information: the government and departmental documents specify the general list of information and declare the principle of its availability. However, the summarized data does not allow to reveal latent problems of agricultural performance.

At the same time, the draft of the new State Program for supporting agriculture again envisages expenditures on different kinds of monitoring and data collection carried out by the Ministry of Agriculture. In case the existing practice of providing access to information is maintained and the Ministry continues to perform the function of monitoring the State Program implementation, these funds can be regarded as the funds for supporting the Ministry itself.

In order to put a stop to the formal approach to ensuring access to information that is currently practiced by the RF Ministry of Agriculture, one should publicly discuss and adopt the rules in compliance with which the department will provide informational services. They should concern the list, way and terms of submitting information and the procedure of getting access to it.

Besides, the function of preparing the national report on implementation of the State program for agricultural development and regulation of agricultural and food markets should not be performed by the Ministry of Agriculture as it is the chief agency responsible for this implementation. The national report should be drawn up by an external organization, not subordinate to the Ministry of Agriculture. This will help to give an objective estimate of all aspects of the State Program implementation and its efficiency, to make the necessary adjustments and improve the quality of state support in order to serve the public rather than departmental interests.

3. In the context of Russia's accession to the WTO one should examine measures of state support to domestic agricultural producers applied in the country. These measures should be adjusted to the requirements to "green box" support that is not subject to any restrictions. It's worth examining the possibility to apply such measures as payment of subsidies per hectare or per livestock unit (in order to diminish the ties between output of a selected product and the level of state support), partial compensation of expenditures on new machinery and equipment (in order to stimulate modernization of farm sector) and other measures, the application of which gave good results in other countries – members of the WTO.

4. In order to provide equal access to state support, it would be rational to set limits on its amount received by one farm producer, either physical or legal body.

5. When elaborating federal agricultural policies one should take into account the whole variety of farm structures in regions-constituents of the Federation and administrative districts within them. Federal policies should be designed so that not only regions and districts with large-scale corporate farming but also areas with prevailing small-scale farming could get access to state support. Special measures are needed for areas of agricultural devastation. The efficiency of support should be taken into account when shaping the mechanisms of state support to agriculture. In regions showing good return per ruble of investments it's worth supporting farm production. Meantime, in territories where the return of support allocations is low but rural population is still preserved, it's rational to use state funds for the development of rural areas and any kinds of business.

