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RUSSIA IMPOSES AGRICULTURAL SANCTIONS ON WEST

MOSCOW. Aug 7 (Interfax) - Russia is banning the import of a number of products from countries that imposed sanctions against Russia from August 7 for a period of one year, but will be ready to revise this decision if the situation changes, Russian Prime Minister Dmitry Medvedev said. Russia initially proposed a more stringent list, but decided against it for the time being. The import restrictions will apply to whole categories of food from the EU, U.S., Australia, Canada and Norway, countries which have themselves imposed sanctions on Russian companies and individuals.

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Import restrictions

Russia is banning the import of a number of products from countries that imposed sanctions against Russia from August 7 for a period of one year, but will be ready to revise this decision if the situation changes, Medvedev said.

"If our partners demonstrate a constructive approach towards cooperation issues, the government will be ready to reconsider the timeframe of these measures," Medvedev said at a government session on Thursday.

He said he had signed a government resolution to introduce an embargo on whole categories of food from the EU, U.S., Australia, Canada and Norway. "In fulfillment of the presidential decree, I have signed a government order. Russia is imposing a full ban on supplies of beef, pork, fruit and vegetable products, that is vegetables and fruit, poultry, fish, cheeses, **milk** and **dairy** products," Medvedev said.

Medvedev said the embargo applied to products from countries of the EU, United States, Australia, Canada and Norway." Medvedev recalled that the Russian president on August 6 signed a decree on Special Economic Measures to Protect the Russian Federation's Security.

"Effectively, we're talking about imposing an embargo on whole categories of products from those countries that have imposed economic sanctions against Russian organizations and citizens," he said.

"Our country did not respond to the sanctions that some states introduced against Russia for a long time," he said. "We hoped until the very last that our foreign colleagues would realize that sanctions are a dead end and that nobody needs them. But they didn't realize this. And things have turned out in such a way that we have had to go for retaliatory measures," Medvedev said.

The embargo will not affect babyfood or commodities that Russian citizens **purchase** abroad for their own personal use in accordance with our customs legislation, Medvedev said.

The countries from which Russia has just banned food imports supply over 10% Russia's pork, fish and fruit, Agriculture Minister Nikolai Fyodorov told a briefing.

Russia consumes 2.345 **million** tonnes of beef, but the embargoed suppliers, the EU, United States, Australia, Norway and Canada supply 59,000 tonnes of this. The figures for pork are 3.415 **million** tonnes (450,000 tonnes), poultry - 4.28 **million** tonnes (338,000 tonnes), fish - 3.44 **million** tonnes (457,000 tonnes), **dairy** products - 36 **million** tonnes (459,000 tonnes), vegetables - 16 **million** tonnes (900,000 tonnes) and fruits and berries - 11 **million** tonnes (1.6 **million** tonnes).

Fyodorov said Russia could easily replace any shortfall in supplies with other sources, such as Brazil, Argentina, Turkey, Israel, Uzbekistan, Azerbaijan and Belarus, depending on food category; and by redirecting the flow of goods - Russia currently exports more fish than it imports, for example.

"We can't say we're expecting shortages of any particular foods. Perhaps something will arise, but we're not expecting it," he said.

Medvedev meanwhile tasked Russia's Federal Customs Service (FCS) with quickly enforcing an embargo on the import of a number of products that have imposed sanctions against Russia.

"The Federal Customs Service is to swiftly carry out all actions connecting with implementing this decision; in other words - to block shipments of the corresponding goods," he said at a governmental meeting, describing the countermeasures Russia is taking to western sanctions.

The list of foods, as per the text of the resolution, is as follows (with TN VED customs classification codes):

0201 Fresh or refrigerated beef

0202 Frozen beef

0203 Fresh, refrigerated or frozen pork

0207 Poultry and edible offal as per position 0105, fresh, refrigerated or frozen

From 0210** Salted, pickled, dried or smoked meat

0301, 0302, 0303, 0304, 0305, 0306, 0307, 0308 Fish and shellfish, scallops, other aquatic invertebrates

0401, 0402, 0403, 0404, 0405, 0406 **Milk** and **dairy** products

0701, 0702 00 000, 0703, 0704, 0705, 0706, 0707 00, 0708, 0709, 0710, 0711, 0712, 0713, 0714 Vegetables, edible roots, tubers

0801, 0802, 0803, 0804, 0805, 0806, 0807, 0808, 0809, 0810, 0811, 0813 Fruits and nuts

1601 00 Sausage and similar meat products, edible offal, prepared foods based on these

1901 90 110 0, 1901 90 910 0 Prepared foods, including cheeses and quark (cottage **cheese**)

2106 90 920 0, 2106 90 980 4, 2106 90 980 5, 2106 90 980 9 Food products (products containing **milk**, based on vegetable fats)

List not final, no expansion planned

The list of food products that Russia has embargoed is not final, but no expansions are planned and items may be removed from the list if foreign partners shift their positions, Fyodorov said when asked whether **wine** and buckwheat, for example, would be included on the list.

"The list could undergo specific changes, but in my view and based on my understanding of how the country's leadership views the situation, it [the list] probably doesn't have any prospects to undergo expansion as of right now. [...] Narrowing and limitations are possible," Fyodorov said.

"This is a forced measure. We were pushed to make these decisions," he added.

Fyodorov also said that Russia implemented bans on food imports only after sectoral sanctions from the West were imposed. These sanctions affected "leading lending institutions for Russian farmers, such as Sberbank, Russian Agricultural Bank and VTB, which are the main creditors, and in this sense, investors in carrying out the state agricultural program and achieving the doctrine of food safety," he said.

The embargo was discussed for several weeks before Russia approved sanctions of its own on Thursday, he said. "The possibility of more stringent measures with a broader list of food products had theoretically been allowed for, as were those with a narrower list," Fyodorov told journalists.

No one in the government had wanted events to develop as they have, he said. "This was included in our reasoning theoretically, but no one really wanted or thought that it would come to enactment of actual measures. But it has," he said.

The issue of food imports to Kaliningrad region, Russia's exclave on the Baltic Sea coast, will be considered individually, Fyodorov said.

"We will look at this separately. It is not simply a question of the share [of imports from the EU]. They are also suppliers to the eurozone. So, as far as territorial enclaves are concerned, their circumstances demand individual examination, perhaps individual approaches," he said.

"As it is they have special status in many regards. For them, little will change from the standpoint of their special status, relations with the eurozone and with the rest of Russia," he said.

Protecting producers, not punishing importers

Russia's response measures concerning restrictions of imports of meat and crop products from the U.S., European Union and some other countries announced in a presidential decree are aimed at protecting its own producers rather than punishing foreign ones, Russian permanent envoy to the EU Vladimir Chizhov said.

"These measures are truly a response to the anti-Russian sanctions imposed by the European Union and the governments of the countries affected by this, namely the U.S., Canada, Australia, Norway. They are aimed not at punishing European suppliers but guarding the interests of Russian producers of the relevant products and, certainly, consumers," he said.

These measures will be detailed in a Russian government directive, Chizhov said.

Russia introducing response sanctions assists in enhancing national security, Russian Deputy Prime Minister Dmitry Rogozin said while touring Nizhny Novgorod defense enterprises on Friday.

"Measures, which we are taking now - they are related to enhancing national security. Let it be food security or industrial security," Rogozin said.

Import restriction measures were coming for a long time, the deputy prime minister said.

"Response steps, I do not consider them responsive. What we started to do - it should have been done in a different way. Well, put crudely, we can produce the necessary amount of meat and **milk** ourselves. In such a huge country," Rogozin said.

As to Russia's defense policy amid new conditions, Rogozin said: "And one defense policy should exist - it is necessary to work more and better. All tasks set are not subject to review. It is simply necessary to treat tasks set with discipline."

The best traits of the Russian character are manifested "during ordeal," that is why "sanctions [regarding Russia] are an impetus, strict framework, and testing our character," Rogozin said.

The restriction of food imports from the European Union and the United States will help develop national agriculture, said Chechen leader Ramzan Kadyrov.

"I am being asked how I perceive the ban on imports of certain types of agricultural products, unprocessed goods and food from the countries that announced sanctions against Russia. I think this is an exceptionally right, timely and efficient measure," Kadyrov said, according to the Chechen government's website.

He said he was certain that agriculture will reach a higher level since "hundreds of **billions** of rubles, which annually stimulate the West's agricultural industry, will remain in Russia." "This money will start working for our farmers, for entire agrarian regions," the head of the republic said.

Kadyrov also backed the political course pursued by President Vladimir Putin, stressing "that we do not intend to quietly watch western and U.S. arbitrary rule. Nor are we going to turn the other cheek."

WTO appeals

Meanwhile, Russia will use all opportunities, which the World Trade Organization (WTO) has, in order to defend its interests, including contesting sanctions, Russian President Vladimir Putin's spokesperson Dmitry Peskov said.

"As a WTO member, Russia will also use all opportunities, which are foreseen in the framework of this organization to contest and to defend its interests," Peskov told reporters on August 11.

A range of instruments exists in the framework of the WTO and every participating country has the right to engage them, he said.

"States have the right to engage this instrument and other countries have the right to use necessary arguments to explain different actions," Peskov said.

Russia will definitely take new retaliatory measures if the West imposes new sanctions on it, he said. "Of course, there will be retaliatory measures. "We are not the initiators of the sanctions, are we? Those are forced sanctions, we didn't want them, they are a retaliatory measure."

Meanwhile, no decision has been made to raise or cut any taxes. "No decisions have been made," Peskov said when asked by a reporter whether reported proposals for authorizing regional administrations to levy sales taxes or alternatively raising value-added tax had been approved.

Earlier, sources in economic ministries had said the government had decided to introduce a sales tax effective from 2015 or, as an alternative, put up the value-added tax to 20% from 18%, also with effect from 2015.

Elsewhere, Putin is not personally tackling the problems of the Mechel **company**. "That's not presidential level. No, he isn't [involved in dealing with Mechel's woes]," Peskov told reporters.

Earlier, Presidential Aide Andrei Belousov had said the government proposed two alternative ways for Mechel to evade bankruptcy - either having its debts restructured with the participation of Vnesheconombank (VEB) or providing the creditor banks with stakes in the **company**.

PYATIGORSK. Aug 12 (Interfax) – Prime Minister Dmitry Medvedev has ordered large-scale adjustments to be made to the country's food program aimed at breaking reliance on imports across a range of agricultural sectors. The program through 2020 will now be adjusted to ensure that Russia can not only feed itself, but also supply food abroad, he said. Meat, **dairy** and horticulture were all named as priority areas for development.

New food program

Medvedev said he had issued a directive proposing large-scale adjustments to the current state program for the development of agriculture.

He said in talks with acting Governor of Stavropol Territory Vladimir Vladimirov that the idea is to promote the development of "the sectors of farming that have been dormant and largely relied on imports."

"We will take measures to break the dependency on imports in a range of farming sectors and branches of cattle breeding," Medvedev said.

"In fact, we are to draw up a new food program. A new chapter is opening in Russian agriculture," the prime minister said.

Medvedev said that he would meet with the governors of the leading agrarian regions soon. "We will talk about how this new direction in the state program for the development of agriculture and related industries should be further implemented," he said.

The directive has to do with other state programs, as well, he continued. "All of the adjustments are intended to accelerate the development of the sectors of agriculture that had been inert and dependant on imports," Medvedev said.

"To fulfil this task we will need additional resources, which we'll find, if we are to break our dependency on imports" the prime minister said.

He said he had discussed this directive with the president. "It's a new food program, if you like," he said in conclusion.

Medvedev ordered the Agriculture Ministry, Ministry of Economic Development and Finance Ministry to adjust the state program for agriculture development for 2013-2020 by September 30, due to Russia passing response sanctions on western agricultural products.

"To draft in association with interested executive authorities and with the participation of industry unions (associations) and to submit to the Russian government draft government act on adjusting the state program for agriculture development and regulating agriculture markets, raw materials and food for 2013-2020, foreseeing the formation of new and the adjustment of existing enterprises of these state programs," Medvedev's resolution, posted on the Russian government website, said.

The adjustment should be aimed "at developing domestic agriculture production, which, to a large extent, is dependent on import supplies, taking into account long-term economic viability," the materials said.

Russia fears no sanctions, and attempts to apply heavy pressure on Russia will not succeed, he said.

Feeding itself, selling abroad

The issue of Russian food supplies is coming to the fore amid the ban on supply of some products from the countries which supported sanctions against Russia, Medvedev said.

"We are a country able to feed itself on its own. And not only feed [itself] but to supply food to other regions and countries," Medvedev said.

"We are not in the easiest situation now" as "we have passed a set of response measures regarding EU states, the United States and some other countries due to the illegitimate sanctions declared regarding Russia, but we have every opportunity to change the situation in agriculture drastically," Medvedev said. Though, "we have some agriculture sectors which are developing weakly," he said.

Stavropol territory is ready to increase the speed of import substitution in agriculture, Vladimirov said. "We have prepared our own set of measures and I think that our resolution perfectly supports our desire to fill our own Russian market with Russian products and we are well-prepared for this," he said.

Joint work with all leading agricultural regions of Russia is needed within the framework of the new state program for import substitution, Medvedev said.

"All regions of our country can contribute to this program and leading agriculture regions can significantly increase their presence in our state's agricultural market," the prime minister said.

Amid the decrease of the grain crop by 200,000 hectares, 8 **million** tonnes have already been harvested, Vladimirov said.

"We never presume, but I think that by the end of the year we will achieve very decent figures," Vladimirov said.

Meat and **dairy**: priority sectors

Russia must step up the development of meat and **dairy** farming, Medvedev said.

"We have a whole range of problems with food provision, we have areas of agriculture where everything's fine, like arable farming - we're bringing a good harvest in. And we have problem zones such as meat and **dairy**. Clearly, we've lost even our Soviet capabilities, I mean in sheep farming and cattle," Medvedev said.

He said this applied to both **dairy** and meat farming.

"This is a very important state task, on which we have to focus our attention," he said.

The Agriculture Ministry is suggesting additional measures for increasing domestic meat production. This mostly concerns so-called green-box subsidies for meat and **dairy** farming along the lines of the per-hectare support provided to arable farmers.

This issue was among others discussed during a special meeting held by Deputy Agriculture Minister Federation Dmitry Yuryev earlier in the week.

Yuryev said that the green-box subsidies were aimed at lowering risks connected with increased feed prices, providing stable growth for animal food products, and raising the industry's investment appeal. He said a mechanism must be worked out for providing green-box subsidies on a per-kilogram of **commercial purchases**.

In addition, the ministry said it was necessary to create breeding and genetic centers aimed at developing animal breeding.

Russian-made meat and meat products currently make up 78.5% of the overall total. Over the last five years, self-sufficiency has increased by 12%, while production has grown 38%, including 5% in the last year.

The production of high-quality marbled beef reached 368,000 tonnes in live weight in 2013, up nearly six-fold over the last five years. For the first time ever, the share of such beef in overall beef production volumes has exceeded 12%. In 2008, this figure was only around 2%.

In May, 3.15 **billion** rubles were allotted from the federal budget to compensate the interest rate on investment loans in the beef cattle industry. This year, a commission of the Agriculture Ministry chose 28 regional programs that would develop this industry. The commission received a total of 95 investment projects, and 1.8 **billion** rubles in borrowed funds will be needed to carry them out.

Horticulture

It is also necessary to boost investments in horticultural development and the agriculture sphere as a whole under pressure from the West and because of the latest round of retaliatory sanctions, Medvedev said.

"It is now critical for us to invest in, among other things, horticulture because this is the area of agriculture that has not been developing very well over the last several years, like a lot of other things. Let's do this, find the money," he said.

"For us, it's very important under conditions of certain pressure on our country and [conditions] of the decisions we have made - the countermeasures Russia made to ultimately switch to [our] own products - that we turn away from importing the types of agricultural products that we can grow ourselves," Medvedev said, adding that Russia should also invest in agricultural science and create contemporary models of agricultural products.

He suggested asking the question of why Russia is buying apples from Poland. Medvedev said it was possible to grow apples on Russian territory to meet the country's own needs. This includes the Stavropol territory, he said.

Kaliningrad

Meanwhile, the government of the Kaliningrad region will be given federal support to develop a roadmap for providing the region with food during the ban on food imports from the U.S., the EU and other countries, the press service of the region's government, Nikolai Tsukanov, said on Saturday.

"Discussing the question of banning the import of certain types of food, the Agriculture Ministry agreed with the necessity of studying the situation additionally in the Kaliningrad region, considering its exclave position. A roadmap will be developed with this goal in mind," the press service quoted the vice-governor of the region, Konstantin Suslov, as saying. Suslov took part in a meeting held in Moscow with Fyodorov.

Suslov said that the priority would be to develop the industries of the agricultural sector to fade out imports. This concerns mostly greenhouses to grow vegetables, as well as industrial gardening and livestock and poultry farming.

Fyodorov said that the region had a unique chance to "catch up in the agrarian sector."

Kaliningrad region already has good groundwork for many of these areas and meaningful results have already been made, Suslov said.

As part of working on this roadmap, the regional authorities have already begun consulting with the federal government and with Kaliningrad businesses, including farmers, processors, sales networks and transporters.

Shipments of products to the region from countries not included on the Russian sanctions list are currently being discussed with the participation of the Russian Agriculture Ministry.

"We have the opportunity [to use] alternative shipments, including from other regions of Russia. Our job is to help local processors reorient themselves towards new suppliers [in a way that is] painless for the companies' finances," Suslov said.

He added that the governor had issued an order on September 1 for the regional government to adjust programs aimed at guaranteeing food safety in order to speed up these programs.

On August 7, Fyodorov said the issue of food imports to Kaliningrad region, Russia's exclave on the Baltic Sea coast, would be considered individually.

"We will look at this separately. It is not simply a question of the share [of imports from the EU]. They are also suppliers to the eurozone. So, as far as territorial enclaves are concerned, their circumstances demand individual examination, perhaps individual approaches," he said.

On the same day, Tsukanov turned to the minister with a request to hold a meeting and support the region's efforts to guarantee that its own food was safe.

MOSCOW. Aug 13 (Interfax) – The Russian authorities may impose a ban on the country's state agencies purchasing imported fish as an incentive to encourage deliveries of domestic fish products, Ilya Shestakov, deputy agriculture minister and head of the Federal Fisheries Agency (Rosrybolovstvo), has said.

"Generally speaking, we plan to introduce a ban for acquisitions of fish products by municipal and state agencies," Shestakov said at a press briefing in Petropavlovsk-Kamchatsky on Thursday.

Domestic product

Today there is a 15% price preference for municipal and state agencies aimed at encouraging deliveries of domestic fish products to the country's market, he added.

Russian regions are able to meet domestic demand for fish in full. "Certainly, given today's balance, we export far more than we import. Beyond any doubt, we will be able to fully provide the market with domestic fish products," he said.

The price of domestic fish products will probably be higher than that of imports, Shestakov said.

"Indeed, it may be more expensive in some way than medium- or low-quality fish that was given food of unknown origin, and it is unknown what parasites live in this fish," he said, adding that the quality of fish caught in the ocean is much better than the quality of fish cultivated on fish farms abroad.

Shestakov also said he was convinced that the overwhelming presence of domestic fish products on the country's market would have a positive impact both on fishing companies and consumers.

Price hikes

The Federal Anti-Monopoly Service (FAS) has warned Russian Sea that it will not tolerate violations of antimonopoly legislation that might take the form of possible increases of wholesale prices for fish products.

Due to the public statements of **company** representatives about Russian Sea **Group** raising prices by 15-20% for certain types of fish and seafood, FAS issued a warning "against committing planned action (inaction) aimed at nonmarket formation of prices for fish and fish products because such behavior could **lead** to the violation of antimonopoly legislation," the regulator said.

"Russia's FAS regularly monitors the prices on the biological resources of the sea. We attentively keep track of the situation on the market, particularly in light of recent political decisions, and we do not allow prices to grow for no reason. Following today's meeting, the **company** must provide a rationale for the price policy that was carried out in the last several days," Vadim Solovyov, the head of the FAS's Department for Control over the Housing & Utilities Sector, Construction and Natural Resources, is quoted in the statement as saying.

The statement says that Solovyov met with representatives of Russian Sea on August 12 to discuss the impermissibility of unfounded price hikes for certain types of fish given the current economic situation.

Russian Sea public relations director Ilya Bereznyuk told Interfax that the **company**'s statement referred to reports about possible price increased by the **company**'s potential suppliers, particularly Chilean suppliers. The **company** has not made decisions on prices for its own products.

Bereznyuk said the **company** is reviewing its product mix and plans to replace Norwegian fish, imports of which have been banned by Russia. "The **company**'s management is work hard on diversifying the portfolio, talking with suppliers, including from Chile. Supplies are also possible from the Faeroe Islands," he said.

Bereznyuk confirmed the **company**'s previously issued statement that there will not be a shortage of fish on the market.

Norway ban jeopardizing development

Meanwhile, the ban on imports of fish and fish products from Norway jeopardizes the development of fish farming in Russia, the Association of Fish Processing and Trading Companies said.

The aquaculture sector in Murmansk region and Karelia only began developing recently, the association said in a letter to Shestakov. A copy of the letter was also sent to Prime Minister Dmitry Medvedev.

The nascent industry is wholly dependent on imports, mainly spawn and feed. "Due to the embargo, the overwhelming majority of fish farming enterprises will likely have to halt **operations** due to the lack of material and technical support from the Norwegian side," the letter says.

Output currently amounts to about 25,000-30,000 tonnes a year. Investment totals about \$300 **million**. The growth outlook had been up to 20% a year.

The embargo will severely strain finances at domestic importers, possibly to the point of bankruptcy, because it will prevent the delivery of product that has already been paid for and the return of product that has already been delivered, the association said.

It noted that goods from North America, which have already been **purchased** by Russian companies, can spend two months in transit.

Chilean substitute

Leading Norwegian salmon producers are thinking of sending fish produced in Chile to Russia in an attempt to circumvent Moscow's embargo on the delivery of agricultural produce, the Norwegian media said.

Cermaq, a leading Norwegian salmon producer, expects that Chile will be able to cover some of Russia's demand for salmon, and any shortfalls in the market would be reduced by fish delivered from Norway, the media cited Astrid Vik Aam, a representative of Cermaq, as saying. Cermaq produces half of its fish in Chile.

The Russian sanctions will force Norwegian producers of salmon to do some rearranging on the market, she said.

Russian Sea is replacing shipments from Norway with its own fish and imports from Chile, the **company** said in a press release.

Russian Sea noted that any difficulties which may arise from this process would be temporary.

The **group** is currently selling chilled redfish as normal, the press release says. "Despite the ban on imports of fish products from Norway, the **company** is continuing to ship chilled and frozen salmon using our own fish from farms in the Murmansk region, the Far East assortment, which is in the **group's** portfolio, and products from Chilean producers," the **company** said.

Russian Sea added that "any difficulties that may arise are temporary." At the same time, Russian fish supplies are increasing, as are supplies of fish products from Asia, Latin America and Turkey.

Russian Sea said the market would stabilize over the course of a few weeks, and no fish deficit was expected. "Moreover, the selling price of this type of fish product has not been formulated entirely. Similar information on a change in selling prices will be known by the end of this week," the press release says.

The **company** also said: "The **group** is focusing on world prices, in particular those of [our] Norwegian counterparts as concerns the import assortment."

In addition, Russian Sea refuted information from CJSC Russian Fish **Company**, Russian Sea **Group's** chilled and frozen division, that prices for salmon and similar fish would increase sharply.

"In connection with the emergence of information in a number of Russian media sources concerning an increase in the selling price of salmon, OJSC Russian Sea **Group Company** officially states on the record that this information is not credible," the press release says.

Senegalese fish

Elsewhere, Russia could gain access to Senegalese fish products if it takes part in a number of projects in the country's fish industry, Rosrybolovstvo said in a statement.

This was discussed at an inter-ministerial meeting to discuss cooperation with Russia organized by Senegal's Investment Promotion and Major Works Agency (APIX) with the participation of representatives from Senegal's Ministry of Fisheries and Maritime Affairs, the Finance Ministry and also a Senegalese fishing port. The head of Rosrybolovstvo's Senegalese office, Alexander Biryukov, also took part in the meeting.

Cooperation will focus on restoring **operations** at the Africamer fish plant in the Port of Dakar, building refrigerators and factories to produce ice along the coast, developing pelagic fish resources in the interest of improving onshore infrastructure, building light-duty fishing vessels, and exporting fish products to Russia.

Senegal emphasized that all projects in these areas would receive government support through the state agency and guarantee fund.

"If Russian companies participate in the proposed projects, Russia could gain guaranteed access to Senegal's fish resources and carry out direct shipments of fish products to the Russian market without European intermediaries," the statement says.

Russian vessels have not fished in Senegal's Exclusive Economic Zone for around two years. The Senegalese government is currently considering giving Russia a quota to carry out pelagic fishing in the country's waters.

MOSCOW. Aug 13 (Interfax) - Russian Prime Minister Dmitry Medvedev has instructed his First Deputy Igor Shuvalov and Deputy Arkady Dvorkovich to set up a system of monitoring situation on the food market after Russia introduced an embargo on imports from a number of countries which joined sanctions against Russia.

At an August 11 meeting with his deputies, Medvedev asked Shuvalov and Dvorkovich "to actively use that monitoring system which is envisaged by the (president's) decree (introducing the restrictive measures) in order to understand what is happening on our market."

Russian law enforcement agencies could initiate "administrative and stricter" cases in the near future for unsubstantiated growth in prices for food products, Russian Agriculture Minister Nikolai Fyodorov said on Tuesday.

Apart from the concerned government departments this work must also include manufacturer associations and retail chains, Medvedev said. "The Agriculture Ministry, the Industry and Trade Ministry, as well as the Federal customs service should definitely get involved because these departments feel like no other the market situation," he said.

He also stressed that "it is extremely important to continue talking to suppliers because the future of our food market will also depends on how they adjust to the new conditions." Having noted that the manufacturers are currently experiencing "uneasy times" Medvedev ordered his government "to continue meeting with suppliers' associations and heads of agricultural associations so as to impact on the market situation in the most subtle way."

"And, of course, (retail) chains should join in too since they are a product-distribution system and indispensable," he added.

Crackdown on speculation

Medvedev promised a tough crackdown on any attempts to speculate on the situation surrounding a ban on the import of a number of commodities to Russia.

"I would like to warn everyone that attempts to speculate on this situation will be suppressed rigorously," he said at a Russian government session on Thursday.

"I sincerely hope that our partners' economic pragmatism will prevail over the negative political considerations, and they will start to think instead of intimidating and containing Russia. And our mutually beneficial trade and economic cooperation will be restored in full. We very much like this to happen," Medvedev said.

"All of the measures I have just mentioned will serve exclusively as a response. We did not want this to happen," he added.

The prime ministers ordered all agencies to monitor price-setting tendencies.

"The Agriculture Ministry, the Economic Development Ministry, the Industry and Trade Ministry and FAS [Federal Anti-Monopoly] Service need to work together with representatives of retail chains and commodity producers, hold meetings and consultations with them, as well as draw up a joint action plan in order to replace banned imports as soon as possible," Medvedev said.

"It is imperative to prevent price hikes," he added.

Price hike probes

The Russian Federal Antimonopoly Service (FAS) and Industry and Trade Ministry are organizing an inquiry into price hikes by suppliers to retail networks, Deputy Prime Minister Arkady Dvorkovich said on the Rossiya 24 TV channel.

"The FAS and the ministry have initiated an investigation of instances [of price hikes]," he said.

X5 Retail **Group**, which includes Russia's Pyaterochka , Perekrestok and Karusel chains, has notified the Industry and Trade Ministry that a number of the retailer's suppliers intend to raise wholesale prices.

The government is monitoring wholesale food prices on a daily basis, Dvorkovich said.

He said there were absolutely no grounds for excessive price growth at present. "Yes, it is being said that prices might go up a little for some goods, but this happens every year, and there's nothing surprising about it: fruit and vegetables go down in price on a seasonal basis, and prices rise slightly for goods not subject to seasonal factors such as meat," he said.

But Dvorkovich made special mention of the pork market, where prices had gone up 25%-30% in the past year after falling 15%-20%.

Effect on economy

Short-term price spikes on a number of products are possible due to the import ban decision, but in the medium and long term, there will be no negative effect, Fyodorov said.

"In the long term, and also in the medium term, we do not see the threat of these decisions made today having an unfavorable impact on inflation," he said.

"Of course, some short-term surges, psychological, emotional and, as is usually the case, seasonal, are possible in this country," the minister said.

"But the fundamental and strategic threat that these decisions will manifest themselves negatively on inflation expectations, we do not forecast this, he said.

Meanwhile, the amount of additional Russian agricultural production will automatically rise by 281 **billion** rubles in the space of a year-and-a-half in connection with the restriction of imports, he said.

The government intends to spend around 50 **billion** rubles on supporting farmers in the Russian regions, Medvedev said.

"I was saying today that a unique chance and additional development opportunities have arisen for our farmers, though probably not because of the best of reasons. But aside from these administrative measures, it is also necessary to help them further - the government's future material support is crucial," he said.

Medvedev added that the government must issue subsidies that will go towards compensating part of loan interest rates for the regions.

"This is an extremely important measure. It is proposed to send 11.5 **billion** rubles to the regions for crop development with an additional increase of 2.5 **billion** rubles. For livestock development [this is] over 39 **billion** rubles, with an additional nearly 7.5 **billion** rubles," Medvedev said.

Supermarkets mulling options

Russian supermarket chain Lenta is considering alternatives to suppliers of farm produce and food subject to the ban on imports from countries that imposed sanctions against Russia, Mikhail Berlin, the retailer's deputy **commercial** manager for work with the regions, told a press conference.

"Russia is fairly seriously geared towards imports in certain categories and we have to anticipate changes of some sort. I can't say whether there'll be any deterioration, simply changes. Lenta anticipated such a turn of events. We have alternative sources [of produce] and we know what we'll be doing in the near future. We're just waiting for the decisions to yield concrete results," Berlin said.

Lenta is, for example, looking for replacements for Polish fruit and vegetables on other markets.

Berlin said Lenta imported 10%-20% of its food items and 70%-80% of its non-food goods.

No Moscow deficit

Food import volumes are not as large in Moscow as they might seem and there is no food deficit in the capital, Moscow Mayor Sergei Sobyenin said in an interview with Russian TV channel Rossiya-1 on August 10.

"Many stores and chains focused on the domestic producer a long time ago in this **group** of goods," he said.

"We are monitoring the situation. There is no deficit at stores - not in chains, not in boutiques, not for exclusive products or products for a wide range of consumers," Sobyenin said.

He added that Moscow can import food from Argentina, Brazil, Chili and several other countries if necessary.

"I think that over the course of two or three months, all this hype about changing the food market and food suppliers will die down completely. In this time, both chains and individual food suppliers will focus and take this niche," Sobyenin said.

The introduction of restrictions on imports to Russia of some food and agricultural products is conditional, among other things, on the sanctions against the Russian Agricultural Bank, which complicates financing agriculture producers, Russian Foreign Minister Sergei Lavrov told reporters in Sochi on August 11.

MOSCOW. Aug 7 (Interfax) – European Union losses from the ban imposed by Russia on food imports may reach 12 **billion** euro, Vygaudas Usackas, the head of the EU Delegation to Russia, told Govorit Moskva radio.

The EU will decide in the near future whether to file a suit against Russia with the World Trade Organization (WTO) over Russia's decision to restrict food imports from the countries that earlier imposed sanctions on it, Usackas said.

"We will make a decision on the matter following detailed and concrete consideration. Our experts are working already. I wouldn't like to prejudge, but I think we are talking about hours and days, not months," Usackas said when asked whether the EU would sue Russia and if yes, then when.

Analysis before action

The restrictions imposed by Russia on the import of some food products from the EU undermine Russia's reputation as a reliable partner, Usackas said.

Usackas told the radio station Govorit Moskva on Thursday there will be consequences for Russia.

However, the EU will have to analyze the list of products restricted by Russia, which will take some time, before making conclusions, a source from EU institutions told Interfax on condition of anonymity.

It is too early to say what the EU's reaction will be, but what is beyond doubt is that Russia's actions will have to be considered primarily in terms of their compliance with the WTO regulations, he said.

There is too little information at the time for any practical conclusions, but it is easy to see already now that such a sweeping ban on food imports would not only cause damage to EU producers but would also be detrimental to Russian consumers, he said.

As to measures that Russia said it would take to control growth in food prices, the EU source suggested that such measures could only be artificial and non-market based and would definitely complicate the economic situation in Russia even more.

The EU's restrictive measures differ from the expected Russian ones in that they are motivated more solidly and are better elaborated in legal terms, the source said, adding that experts worked on each of these measures for months before imposing them.

The EU will see whether the decision made by Russia is in line with the WTO rules, adding that he thinks it contradicts WTO rules, Usackas said.

The diplomat believes the EU is closely following decisions made by an important partner such as Russia and regrets that such measures have been taken.

He said it is believed that the sanctions will have negative consequences, adding that he believes this decision hurts ordinary Russian consumers as 40% of all imported food comes to Russia from the EU.

Director of the Russian Economic Development Ministry department for trade negotiations Maxim Medvedkov told Interfax that the bans do not contradict WTO norms. "Everything we are doing complies with WTO rules," he said.

Politically-motivated

The EU regrets Russia's decision to impose a ban on a number of food imports from EU member countries and views such measures as politically motivated, European Commission spokesperson Frederic Vincent said at a press briefing in Brussels on Thursday.

This is the EU's initial reaction to Moscow's measures, he said.

Russian Prime Minister Dmitry Medvedev called Vincent's reaction cynical. "There is no limit to cynicism," Medvedev wrote on his Facebook page.

The Russian authorities' arguments behind its decision to adopt retaliatory measures in food imports follow the same logic as the arguments offered by Moscow's European Union partners, Russia's envoy to the EU Vladimir Chizhov told Russian reporters on Thursday.

"One can recall the formula applied by the European Union to **energy** cooperation with Russia when it [the EU] proclaimed a long-term goal to decrease its dependence on Russian **energy** supplies. Our measures concerning food products come as some sort of implementation of our long-term strategy toward reducing our dependence on agricultural imports that has long been known to everyone," he said.

Russia's restrictions are aimed at protecting its own producers rather than punishing foreign ones, he said.

"These measures are truly a response to the anti-Russian sanctions imposed by the European Union and the governments of the countries affected by this, namely the U.S., Canada, Australia, Norway. They are aimed not at punishing European suppliers but guarding the interests of Russian producers of the relevant products and, certainly, consumers," he said.

These measures will be detailed in a Russian government directive, Chizhov said.

Latvian damages

The Russian embargo on food deliveries could cause about 55 **million** euro of damage to the Latvian economy, Latvian Prime Minister Laimdota Straujuma said on air on Latvian television on Tuesday.

"The impact on the affected sector amounts to 55 **million** euro and half is affecting the **dairy** sector. The **dairy** sector is suffering most of all," she said, adding that losses in related sectors, according to the ministry's statements, could reach 20 **million** euro.

Straujuma said these are approximate calculations, and on Tuesday the government plans to review more detailed estimates.

As a whole, the Russian embargo will not inflict substantial losses on the Latvian economy, she said.

The Latvian government is reviewing the issue of possible aid to producers, who have been seriously affected by the embargo on food imports to Russia.

Latvian **milk** processing enterprises are looking for new markets to sell their products due to the Russian embargo, and some have already decreased output, **company** representatives told BNS.

In particular, a member of the **board** of the Latvian **milk**-processing enterprise, Jaunpils pienotava, Ilze Aizsilniece, said that Jaunpils pienotava decreased its **cheese** production. "We decreased production capacity and are planning to do this further," she said, adding that this only concerns **cheese**, given that Russia was its main market.

The **company**'s last shipment to Russia was sent on August 5. Now, Jaunpils pienotava, which exported 42% of its products to Russia, is busy searching for alternative markets.

The chairman of the **milk** processing department of Rankas piens, Aldis Spalvins, said that the Russian embargo would not really affect the activity of the enterprise, because it exports up to 1% of its products to Russia, while it sells most of it on the local market. The enterprise shipped its last consignment to Russia in June.

Rankas piens does not plan on decreasing its production volumes or laying off workers. Rankas piens is looking for an alternative to exporting to Russia. Spalvins said the government ought to help **milk** producers in connection with the Russian sanctions.

The chairman of the **board** of Preilu siera, Jazeps Snepsts, said that Russia's import ban is not affecting the **company**, due to the fact that the enterprise until now has exported a very insignificant share of its products to Russia - approximately 5%-10%. Besides the Russian market, the **company** has about 40 other markets, and output is scheduled to be sent there. The **company** sent its last consignment to Russia during the second week of August.

Snepsts said that Preilu siera is not planning to lower production volume or lay off workers.

In connection with the Russian embargo, the Latvian Agricultural Organization Cooperation Council called for lowering the value-added tax (VAT) on food goods.

However, the country's finance minister, Andris Vilks, announced on local television that the authorities do not intend to lower the tax, as this would only encourage food imports. In addition, lowering the VAT would negatively affect budget revenue.

The Latvian central statistics department told BNS that in H1 2014, Latvia sent Russia food goods, which were sanctioned on August 7, amounting to 38.5 **million** euro, which is 0.8% of all exports and 8.1% of exports to Russia.

In particular, 24.54 **million** euro of **dairy** products were exported, sausage products - 2.45 **million** euro, meat and meat by-products - 880,000 euro, fish and shellfish (excluding canned) - 650,000 euro, fruit and nuts - 590,000 euro and vegetables - 220,000 euro.

In H1, total exports to Russia amounted to 473.5 **million** euro or 9.8% of all Latvian exports.

In 2013, Latvia sent Russia 52.8 **million** euro of food products, which are now sanctioned.

MOSCOW. Aug 12 (Interfax) – Despite Russia's imposition of sanctions on western food and agricultural products, a number of major foreign companies this week voiced their intent to continue **operations** in Russia. Principal among them were Finland's Valio, which said it is to keep its Russian factories open, and Switzerland's Nestle, which continues to observe good growth in Russia. However, Danish-Swedish concern Arla Foods has halted food production for Russia at its factories.

Valio

Finland's Valio is not closing down and is not halting **operations** at the Russian factories that produce its goods, the **company** said in a statement.

Valio will stop producing goods for Russia at its plants in Finland, but production in Russia itself will continue, said Valio CEO Pekka Laaksonen.

The statement says Valio has its own production facilities in the Moscow region, where it produces Viola triangle-shaped cheeses and sliced Oltermanni and European Collection cheeses. The plant has been in operation since 2009, and initial investments in the project were around 60 **million** euro.

In addition, Valio carries out contract manufacturing of Valio Clean Label yogurts and Valio Gefilus kefir at the Galactica plant in Gatchina. Valio served as a consultant for the plant's construction. **Milk** for these products is shipped from two local farms in the Leningrad region that have been certified and meet Valio's quality standards. The **company** currently accounts for around 5% of the plant's capacity, though this may be increased.

Part of Valio's Finnish and Estonian products that had been imported until August 7, 2014, are at **company** warehouses and being shipped to clients on a limited basis.

Additionally, Valio's Finnish and Estonian **milk** products have been suspended due to a ban on imports from countries that imposed sanctions against Russia.

Valio's comments came ahead of a Tuesday search of its St. Petersburg offices in connection with the investigation of a criminal case against a criminal community involved in illegal bank activities.

"It has been determined during the investigation that gang members wired funds to the accounts of over 20 legal entities, including accounts of the **company** Valio's subdivisions in St. Petersburg, under the cover of legitimate bank **operations**", Russian Investigative Committee spokesman Vladimir Markin said.

The search, carried out by Russian Investigative Committee officers on Tuesday, is aimed at obtaining new proof regarding individuals named in the criminal case and "is in no way related to the **operations** of the Valio **company**," Markin said.

According to information from investigators, the gang, which included the deputy of a Dagestani district, received revenues of over 45 **million** rubles in 2011-2013 alone.

The case is being investigated by the Russian Investigative Committee main investigative department, the spokesman said.

The search at Valio on Primorsky Avenue and Sofiyskaya Street is being carried out within the framework of an open criminal case, a Russian law enforcement source told Interfax earlier on Tuesday.

The Valio office in Russia told Interfax that the **company** "is pursuing its **operations** in full compliance with Russian law."

"We are prepared to provide any information to the authorized organizations," a **company** spokesperson said.

Nestle

Switzerland-based food and beverage giant Nestle had "good growth" in Russia in the first half of 2014.

Ice cream, Nescafe Dolce Gusto and KitKat were particularly strong performers in Russia, Nestle said in a press release.

"Ukraine proved resilient delivering growth despite the political turmoil after a difficult start to the year," Nestle said.

Revenue rose to 42.98 **billion** Swiss francs (about \$47.3 **billion**) in the six months. Organic growth was 4.7%, including a 2.9% increase in sales volume and 1.8% increase in prices. In Zone Europe, which includes Russia and Ukraine, sales rose 0.6% to 7.3 **billion** Swiss francs.

Nestle currently has 11 production facilities in Russia, including the confectionary **group** Rossiya in Samara, confectionery plants in Barnaul, Perm and Moscow region's Tuchkovo, an ice cream plant and Maggi stock plant in Zhukov (Moscow region). The **company** also has a baby food plant in Vologda, an animal feed plant in Kaluga region, a coffee plant in Krasnodar territory and a bottled water plant in Domodedovo.

Nestle Russia LLC boosted revenue 14% to 86.2 **billion** rubles in 2013, according to the SPARK-Interfax database. Net profit fell to 273 **million** rubles from 3.3 **billion** rubles in 2012.

It invested over 5.7 **billion** rubles last year to develop its **business** in Russia.

Arla Foods

However, Arla Foods has halted food production for Russia at its factories, the Danish-Swedish concern said on its Twitter page.

This move is connected with Russia's recent ban on **dairy** imports from EU countries.

In February 2014, Arla Foods and Russian **dairy** holding Molvest, whose main **brand** is Vkusnoteyevo, commissioned the Kalacheyevsky **cheese** plant in Voronezh region following radical renovations costing over 800 **million** rubles.

The Russian division of Arla Foods did not comment on how the ban would impact **company** activity.

Arla Foods estimates that the concern's annual sales in Russia total 1 **billion** Danish kroner, which are mostly accounted for by the **sale** of **cheese** and **butter**. In the **company**'s overall sales structure, Russian sales account for around 1.3% of the total.

Arla Foods is following a similar move by Finnish concern Valio.

Arla Foods was created in the 19th century by Scandinavian farmers and is made up of Danish and Swedish divisions. The **company** is one of Scandinavia's main **dairy** producers.

Chiquita Brands

Meanwhile, the United States' Chiquita Brands International Inc. is expecting consumption of bananas to rise in Russia as a result of sanctions imposed against fruit imports from the EU, U.S., Canada and Australia.

Chiquita Brands is expecting Russia to begin to consume more bananas starting next month, because they will replace many other fruits that are under sanctions, Chiquita Brands President Ed Lonergan said during a conference call for investors.

Bananas are important for Russia and are delivered from Ecuador for the most part, which is not subject to sanctions, he said. Chiquita Brands sells the products of local producers, so the sanctions will not affect their delivery to Russia.

However, Lonergan said that conclusions about the benefit or harm of the Russian sanctions for the banana industry could be drawn later, at the end of the quarter.

Russian imposed a year-long ban on the import of beef, pork, vegetables, fruit, poultry, fish, cheeses, **milk**, **dairy** products and sausages, produced in EU countries, the U.S., Australia, Canada and Norway.

In its report on last quarter, Chiquita said that its **business** has suffered due to instability in Ukraine, the number of shipping ports has decreased and demand for bananas had fallen.

Chiquita has operated for more than 140 years and works in 70 countries. Brands such as Chiquita Bananas and Fresh Express belong to it.

The **company's** sales revenue in 2013 amounted to \$3 **billion**, of which bananas accounted for \$1.97 **billion**. Chiquita's main revenue, \$1.86 **billion**, comes from U.S. markets and \$872.5 **million** from EU countries, Norway, Switzerland and Iceland. Other international markets brought Chiquita \$327 **million** in revenue last year.

MINSK. Aug 13 (Interfax) – With Russia's import ban on western goods ruling out deliveries by a number of traditional agricultural exporters, non-sanctioned countries are queuing up to increase exports to Russia to fill the void left by the restrictions on western importers and close neighbor Belarus is heading the line. Food imports from Belarus, primarily **dairy** products, are seen as an alternative to **dairy** products banned for import from countries that have introduced sanctions against Russia. Minsk is also considering taking advantage in its role as western gateway to the Customs Union.

Leading interested exporter

A Belarusian delegation led by Deputy Prime Minister Mikhail Rusy is currently visiting Moscow to discuss the delivery of foods to Russia, a source in the Belarusian government press service told Interfax.

Rusy is scheduled to meet with Russian Deputy Prime Minister Arkady Dvorkovich and representatives of Rospotrebnadzor . "During the visit the two sides will discuss the delivery of Belarusian food to Russia, amongst other issues," the press service noted.

The discussion of Belarusian food supplies to Russia has been scheduled for August 13, it added.

Dvorkovich's spokeswoman Aliya Samigulina confirmed to Interfax that the meeting will take place on Wednesday at the request of the Belarusian side.

Food imports from Belarus, primarily **dairy** products, are seen as an alternative to **dairy** products banned for import from countries that have introduced sanctions against Russia.

Minsk could still supply Russia with food, produced inside the republic using imported ingredients, the Belarusian representative to the Eurasian Economic Commission , Sergei Rumas, said.

"We took upon ourselves the responsibility of not allowing the re-export to Russia of goods that are prohibited there. But this does not extend to Belarusian products, which are made at Belarusian enterprises using imported raw materials," Rumas told journalists in Minsk on Tuesday.

He said that on Friday, August 15, it is planned to hold a session of the Council of the Eurasian Economic Commission, which will discuss the situation that has developed in connection with the imposition by Russia of a ban against food imports from a number of countries.

Rumas said Belarus, as a member of the Customs Union, has every opportunity to monitor the prevention of re-exports. "We are monitoring the situation, including at the borders. Each consignment of goods goes with a certificate of compliance, and no one will abuse this," he said.

Increased market share

Belarus and Russia plan to discuss issues concerning Belarusian food exports to the Russian market next week, Belarusian Agriculture and Food Minister Leonid Zayats said in a telephone interview with the Selskaya Gazeta newspaper.

"I have spoken to head of Rosselkhoz nadzor [Russian agricultural watchdog] Sergei Dankvert over the phone. He is going to visit Belarus next week in order to discuss all issues surrounding deliveries of Belarusian food to the Russian market," Zayats said, when commenting on Russia's August 6 ban on a number of imports from countries that have imposed sanctions on Moscow.

Belarus has every chance to significantly increase its food exports to the Russian market, the minister said.

"We are analyzing our possibility in terms of how we can further increase last year's volume and how we can expand the range of our exports. I am speaking about pasta, vegetables, groceries and confectionary products, as well as, certainly meat and **dairy** products," he said.

Rosselkhoznadzor plans to increase food import control in order to prevent the transit of banned products through the territory of Belarus, Dankvert told Interfax.

"Rosselkhoznadzor has prepared two customs posts and is ready to organize around-the-clock **operations** for them in order to stop the transit of products banned from shipment through its [Belarus] territory," he said.

Dankvert added that this was being done in case "there are problems with shipments from third-party countries," but only from those banned from importing into Russia. "As an example, Belarus has permitted the import of potatoes from Ukraine, but we have every reason to say that they [the potatoes] are infected." He noted that shipments of Ukrainian potatoes are banned from entering Russia.

Dankvert told Interfax that this problem, along with other issues, would be discussed at a meeting with Belarusian Minister of Agriculture and Food Leonid Zaitsev in Minsk next week.

The two officials will also discuss increasing imports of Belarusian products to Russia, as well as joint measures to fight African swine fever, Dankvert said.

Russian President Vladimir Putin earlier told Belarusian counterpart Alexander Lukashenko that he hoped that Belarus would treat the economic measures Russia had taken with regard to agriculture supplies from countries which had introduced sanctions regarding Russian companies and citizens with understanding.

Food-supply balances

Dankvert said it is time for the Customs Union members to abandon the practice of agreeing fixed targets for mutual food supplies.

"The Customs Union has no barriers to increasing the volume of supplies except those balances agreed by the ministers. It is high time the sides walked away from this," Dankvert said after his meeting with Zayats.

He was quoted by Belarusian state media.

"(Belarus) has a unique chance; with its **cheese**-making factories it can supply 200,000 tonnes of **cheese** instead of the current 100,000 tonnes," the Russian agency chief said.

For his part, Zayats said that Belarus is ready to substantially increase its **dairy**-products supplies to Russia without any detriment to its domestic market.

Each year since 2008, Belarus and Russia have had a so-called "food balance" which regulates the amount of **dairy** products, meat and sugar supplied to the Russian market.

Russia and Belarus will review their bilateral trade in food, as provided for under the balance they agreed in 2008, Deputy Prime Minister Arkady Dvorkovich told Rossiya 24 television on Wednesday.

"We have agreed over the course of several days, to collate the balances, agree on the minimum and maximum volumes of deliveries, and our Belarusian partners will conduct consultations with Russian chains and other consumers, processing plants and set out the contracts," Dvorkovich said.

Belarus has the capacity to increase deliveries of meat, **milk cheese** and potatoes to Russia, he said. In coming months, Belarusian suppliers may redirect exports away from Asia and certain European countries to the Russian market. Belarusian produce prices are "quite appealing," Dvorkovich said.

Food from Belarus could also cover much of the demand in Kaliningrad region, Russia's exclave on the Baltic Sea.

Feeding Kaliningrad

Russia's Kaliningrad region exclave and Belarus have agreed to cooperate to maintain the region's food security as long as a ban on a number of food imports from European Union countries remains in force, Kaliningrad Region Governor Nikolai Tsukanov said on his Twitter account.

Tsukanov held a telephone conversation with Zayats, who, according to the Kaliningrad region governor, reaffirmed Minsk's "readiness to fill in the gaps" on the regional market.

"The Kaliningrad region will promptly analyze the demand for raw materials of regional agricultural producers, and Belarus will examine it. Subsequently, we will sign appropriate agreements. For example, their [Belarusian] apples are of excellent quality and have an absolutely competitive price," Tsukanov said.

The situation concerning the Kaliningrad region's food supply was discussed with Russian Agriculture Minister Nikolai Fyodorov as well, the governor said.

"We discussed a set of measures needed to support regional producers during a transitional period. The minister is now expecting our proposals. We will promptly submit our suggestions concerning vegetables, apples, etc. to the Russian government," he said.

"We need to help businesses fill in the gaps. But it is more important to find a solution to the issue regional food security. We are working on this, but we will be able to find such a solution faster if we receive additional support from the federal center," Tsukanov said.

Transit controls

Belarus will fulfil its obligations to protect the market of the union state during transit of goods via its territory to Russia, Lukashenko said.

"When talking to the Russian president, we discussed protecting the Russian market. In other words, we should fulfil our obligations to protect the union market - we have single customs in the Customs [Union] space - which includes transiting goods from the West via Belarus to Russian territory," the presidential press office quoted Lukashenko as saying during a meeting with Belarusian Prime Minister Mikhail Myasnikov on August 11.

"If Russia has closed its market for certain goods, we should not allow these goods to be transited to Russia via Belarus," Lukashenko said.

Lukashenko said he had issued relevant orders to the customs agencies. Belarus is acting "rationally and in a normal way," the president said.

Rosselkhoznadzor plans to increase food import control in order to prevent the transit of banned products through the territory of Belarus, Dankvert told Interfax.

"Rosselkhoznadzor has prepared two customs posts and is ready to organize around-the-clock **operations** for them in order to stop the transit of products banned from shipment through its [Belarus] territory," he said.

Dankvert added that this was being done in case "there are problems with shipments from third-party countries," but only from those banned from importing into Russia. "As an example, Belarus has permitted the import of potatoes from Ukraine, but we have every reason to say that they [the potatoes] are infected." He noted that shipments of Ukrainian potatoes are banned from entering Russia.

Belarusian and Russian customs bodies later agreed on approaches to be used during customs processing of goods banned for import to Russia when moving them across the Belarusian section of the Customs Union border.

"In order to implement the order of the [Belarusian] president ensuring complete transparency at the border in the spirit of partnership relations, the State Customs Committee and Russia's Federal Customs Service have developed joint approaches to be used during customs processing of goods banned for import to Russia when they are moved across the Belarusian section of the Customs Union," the Belarusian State Customs Committee press office said in a statement.

"The agreements reached are in line with Belarus's international obligations and do not create obstacles to moving goods from the European Union and Ukraine across the republic's border," the press office said.

According to information from the State Customs Committee, since August 7 not a single vehicle was returned to the border area with goods banned for import to Russia without legal grounds stipulated in the legislation of the Customs Union or Belarus.

"While processing transit flows to Russia across Belarusian territory, Belarusian customs bodies are considering certain requests from the Russian customs agencies within the framework of the agreements on cooperation in customs affairs, including on goods banned for import to Russia," the statement said.

"Taking into account the initiatives of the Russian Federal Customs Service, decisions have been made on forms of customs control and the possibility of goods proceeding further to Russia, including under customs convoy," the document said.

Supplies of meat and fish products, **dairy**, vegetables and fruit to Belarus from abroad are to be carried out without change, the State Customs Committee said.

Stranded goods

Belarus may **buy** the food products that have been stranded at the Russian border owing to that country's embargo on a host of food products from European countries.

"The decision was enacted [by Russia] without warning, unexpectedly. A certain number of trucks backed up at the border, including those loaded with highly perishable goods. There is no need for these people to have hurt feelings," Lukashenko said.

"If a supplier sent goods to Russia and now they are not accepting it there, action must be taken, right up to offering for them to sell it on our territory or take it up for processing," Lukashenko said.

"I don't think this will harm Russia. This is not at odds with the obligations we have assumed," he said.

Lukashenko affirmed that Belarus must uphold its commitments to protect the Customs Union market concerning transit of goods.

"Speaking with the Russian president, we discussed protection, as he said, of the Russian market. That is, we must uphold our commitments to protect the Union market - we have one customs authority in the customs territory - in regard to the transit of cargo from the West through Belarus to Russia. If Russia has closed its market to certain goods, we must not allow those goods to transit Belarus to Russia," Lukashenko said.

Myasnikovich agreed, saying that Belarus is acting "rationally, in a normal key," and that it planned to **buy** the stranded goods for the domestic market.

"As for our domestic market, we discussed this issue separately. This is our domestic affair. If we need apples from Poland, we **buy** them. Not for Russia but for the domestic market. If some German delicacies are needed, we **acquire** them for the domestic market as well," Lukashenko said.

Belarus will continue to **purchase** imported **cheese** for the food industry, as needed. "If we need something to process, we **buy** it and process it," Lukashenko said.

Ukrainian produce

Meanwhile, the Interdepartmental Commission on International Trade has decided from August 19 to cancel special duties on some goods from Belarus, which Ukraine introduced in response to the introduction of licensing for certain goods from outside the Customs Union, which was seen as discriminatory actions.

According to the press service of the Ministry of Economic Development and Trade, the commission made the decision on August 5. As expected, the announcement about the decision made will be published in the Uriadovy Kurier newspaper on August 8.

According to the report, the Ministry of Economic Development hopes that the Republic of Belarus in the near future will not perform the licensing of Ukrainian confectionery goods and raw materials for their production, certain types of pasta, beer, malt, cement, glass and polished glass containers.

"However the Belarusian side is expected to abolish agreements on the supply of goods, which determine price and quantity restrictions, signed between Ukrainian exporters and the government agencies of the Republic of Belarus," reads the document.

The Belarusian Foreign Ministry said it welcomed Ukraine's decision to set aside special fees on Belarusian goods.

"The Foreign Ministry received with satisfaction the decision of the Ukraine inter-agency committee on international trade to suspend some of its decisions. We note that import licensing of Ukrainian products in Belarus will not be applied from the date of the named resolution coming into effect," the Foreign Ministry said in a statement obtained by Interfax.

"Thus, any restrictions introduced on mutual trade are eliminated completely," the Foreign Ministry said.

"We expect that in future any problematic issues in bilateral trade and economic relations between our countries will be resolved via consultation, in a constructive way and on a mutually beneficial basis," the document said.

It has been reported that Belarus introduced temporary 6-month licensing on supplies of concrete, polished glass and glassware (from June 1), beer (from May 1) and some types of pasta and confectionary (from June 1) from outside the Customs Union.

Meanwhile, the inter-agency committee on Ukraine's international trade decided to introduce special fees on imports of some Belarusian products. Ukraine referred to the necessity to respond to "discriminatory and unfriendly actions regarding Ukrainian confectionary." In particular, from July 27 special fees of 55.29% were introduced on imports of Belarusian confectionary, **dairy** products, electric lamps, mineral fertilizers and 60.05% on beer, rubber tires and fridges.

Belarusian-Ukrainian consultations to eliminate barriers in mutual trade were held in Minsk in late July.

MOSCOW. Aug 13 (Interfax) - Countries from the Caucasus and Central Asian (CCA) region were this week preparing to ramp up agricultural exports to Russia in light of Moscow's decision to ban imports of food from western countries which have imposed their own economic restrictions on it over the ongoing crisis in Ukraine. Kazakhstan, Kyrgyzstan and Tajikistan are all looking to start or to boost imports to the north, while Georgia, until recently subject to Russian bans itself, has the opportunity to reclaim market share it lost over the past eight years. Russia is also holding talks with a number of countries in its near abroad on boosting imports, including with Turkey, Egypt, Iran, Israel, and Morocco, Agriculture Minister Nikolai Fyodorov said.

List of suppliers

Russia has a list of countries to import food in place of those against which Russia has imposed sanctions, Fyodorov said on Channel One program Vesti August 9.

"Prospective countries for us as concerns supplies of fruits and vegetables include Azerbaijan, Uzbekistan, Armenia, Tajikistan, and to some extent Kyrgyzstan," he said, adding that Turkey, Iran and Serbia were also possible suppliers. "Very prospective countries are Iran, Morocco, and Egypt. They need our products, in particular grain and vegetable **oil**, and we need fruits, vegetables, berries and citrus fruits," Fyodorov said.

He added that another powerful market that is "knocking on our doors" is Latin America. "This includes Chile, Argentina, Paraguay, Ecuador and Peru. We are holding talks with them and they have lined up to increase shipments of their products to us," Fyodorov said, noting that Russia itself would replace Norwegian fish imports.

"Last year we exported 2 **million** tonnes of fish products, while imports were just under 1 **million** [tonnes]. Our domestic fish products have huge potential; we just need to agree with trading networks to redirect export flows for domestic consumption," he said.

Fyodorov added that Russian sanctions on food imports from a number of western countries would not bring about a deficit or an increase in prices.

"We have been meeting with representative from trading networks every day and agreeing on the rules of conduct under conditions in which our country is being tested. It is nice that the trading networks that some like to criticize have complete understanding," he said.

Initially, problems may arise with "very expensive **cheese** from Italy and France [and] with oysters and mussels," Fyodorov said.

"But this isn't the sector that can hurt the country. This is the premium class and is not significant. Our job is to support Russian farmers first and foremost," he said.

Kazakhstan

Kazakhstan can export its beef to Russia, Chairman of State Inspection Committee at Agro-Industrial Complex of Agriculture Ministry Saktash Khasenov told a Friday briefing in Astana.

Beef is valued by price, and Kazakhstan's beef may not be competitive against the similar food product imported from Argentina, Brazil and some other countries into Russia but a gap in Russia's imports may appear, he said.

Russian President Vladimir Putin earlier held telephone negotiations with his Belarusian and Kazakh counterparts Alexander Lukashenko and Nursultan Nazarbayev, the Kremlin press office reported on Thursday.

"Different aspects of integration cooperation in the framework of the Eurasian Economic Union which is being formed were discussed, including coordinating actions in the trade and economic sphere in light of the decisions made to restrict certain agriculture imports, raw materials and foods from the European Union, the United States and a number of other states to Russia," the Kremlin said.

Kazakhstan's Pavlodar region meanwhile estimates its annual supply of potato to Russia at nearly 100,000 tonnes, head of the regional department of agriculture Zhanat Shugaev said.

"This figure is not final, it mostly depends on the last year supply. Local farmers have reported that they already signed supply contracts with Russian cross-border regions," he said.

The region has a 426.3 hectare area of potatoes sown.

Shugaev also noted that the regional farms would export more than 800 tonnes of meat to the Russian Federation until the end of the year. In the first half of the year, over 400 tonnes of beef was delivered to Russia and 40 tonnes of poultry to Novosibirsk.

Russians also **buy** buckwheat, salt and sunflower seeds in small volumes, she added.

Kyrgyzstan

Kyrgyz Prime Minister Joomart Otorbayev has asked Agriculture Minister Taalaibek Aidaraliyev to analyze the prospects for starting the country's agricultural exports to the Russian market.

The prime minister issued this instruction during a visit to the Talas region in northern Kyrgyzstan, a government spokesman told Interfax.

"A huge market is about to open. It is necessary to prepare as many high-quality products as possible in order to be ready to start to exporting them to the Russian Federation," he said.

Kyrgyzstan could send Russia up to 200,000 tonnes of agricultural produce, the Kyrgyz Agriculture Ministry told Interfax.

The ministry said that before the appearance of the Customs Union (CU), in 2008, Kyrgyzstan delivered 195,000 tonnes of vegetables and fruit to the Urals and Siberia.

"However, after Russia, Kazakhstan and Belarus came together in an economic alliance, the deliveries of agricultural produce from Kyrgyzstan to Russia sharply declined, and in 2012, approached 13,000 tonnes a year and in 2013, 7,500 tonnes," the ministry said.

"We are capable of delivering up to 200,000 tonnes of fruit and vegetables annually. We want to come to an agreement with Russia about the resumption of past export volumes. For this, we are asking that CU barriers be lowered for the import of fruit and vegetables," it said.

The ministry is now preparing an official letter to the Russian Agriculture Ministry with a request that barriers be lowered for the import of fruit, vegetables and dried fruit, as well as that the import of meat be allowed after inspection in local laboratories.

"Fruit and vegetables do not need to be so thoroughly inspected, because they cannot present a threat to a person's health, even if they go bad. So we decided that it is possible to request that Russia allow the certificate, which is issued by our phytosanitary service, to be considered acceptable," the Kyrgyz Agriculture Ministry said.

The ministry said the veterinary services and Kyrgyz laboratory for the inspection of animals and meat are capable of quality tests, even if the laboratory does not have international accreditation.

"We intend to invite Russian veterinarians to come to evaluate the performance of the Kyrgyz laboratory. And after the inspection, [that they] consider the certification of Kyrgyz products equal to a CU certification," the ministry said.

Tajikistan

Tajikistan exported food products worth \$50 **million** to Russia in the first half of 2014, 13.4% more than in the same period last year, the head of the Economic Development and Trade Ministry's CIS relations department Zainiddin Muminov told journalists on Monday.

Tajikistan has the potential to increase exports of fruits and vegetables to Russia, he said, without providing specific figures.

"We export agricultural sector products to Central Asia and just a little to Russia, but we will focus on the Russian market now and will be glad to cooperate with them [Russia], a strategic country that we would like to strengthen our economic cooperation with," Muminov said.

Potential export products include cherries, apricots, apples, pomegranates, cantaloupe, watermelon, edible greens and cabbage, he said.

"Tajikistan hopes that in the light of the sanctions that Russia has imposed against the Western countries, that Tajikistan's relations with Russia will become stronger," he said.

Russia accounted for 26.2% of Tajikistan's trade in the first half of 2014. Turnover between the two countries was up 73.4% compared with the first half last year to \$756.6 million, of which Russian exports to Tajikistan totaled \$706.4 million.

Georgia

Russia's latest round of sanctions against from a number of western food importers could be a source of additional revenue for Georgian farmers, Chairman of the Agrarian Issues Committee of Georgian Parliament Gigla Agulashvili said.

"After the implementation of an embargo on the Russian market, naturally demand for certain products will grow since the 'supply-demand' balance is being broken," Agulashvili told journalists Sunday.

He added that "based on the principles of the market economy, this balance must be restored."

"For that reason, it is not being ruled out that Georgia will increase shipments of agricultural products to Russia," Agulashvili said.

Georgian farmers can take advantage of the current situation, he added. "Why not? But their [farmers'] long-term strategy must be based on increasing the volume and quality of products," Agulashvili said.

Georgian Agriculture Minister Otar Danelia has said it is logical to expect the country's export of agricultural products to the Russian market to increase under current conditions.

"I don't think there will be any problems. On the contrary, it is logical that exports will grow," he told journalists, adding that Georgian products are "in high demand on the Russian market."

The minister said his ministry "continues to have very healthy communication with [Russian agriculture watchdog] Rosselkhoz nadzor's phytosanitary and other services."

"Therefore, I do not think there will be a problem. It would be logical for exports to increase," Danelia said, adding that "Georgian goods are already in great demand on the Russian market."

"If this market [Russia's] was at one time closed to Georgia, it was open to others. I do not think morals are important here. These are normal trade-market relations," he said.

Russia imposed a ban on imports of Georgian wine, mineral water and agricultural products in 2006. This ban continued right up until 2013.

Russia and Georgia agreed on a mechanism for allowing Georgian products onto the Russian market in February 2013. Georgian wine and mineral water imports to Russia were resumed first of all and later agricultural products with a low quarantine risk, such as tea, bay leaves and dried fruit. Later imports of almost all types of fruit, vegetables and melons from Georgia resumed.

Egypt

Egypt has also pledged to increase exports of agricultural produce to Russia by another 30% in the near future, Putin said. The parties have agreed to ease Egyptian food exports' access to the Russian market, Putin said, adding that representatives of the veterinary and phytosanitary oversight service Rosselkhoz nadzor and of other agencies will travel to Egypt shortly and visit suppliers.

Also, a plan is being made to set up a logistics center on the Black Sea coast to handle Egyptian food imports, Putin said.

"Today we have discussed the prospects for setting up a logistics center on the Black Sea coast - an Egyptian logistics center," Putin said.

"Instructions will be given to the agricultural oversight service Rosselkhoz nadzor and to phytosanitary oversight agencies," whose experts will have to travel to Egypt and verify the high quality of Egyptian agricultural produce, he said.

"Egypt is a major consumer of Russian grain. Our partners inquired about this year's export potential. Egypt could **buy 5 million** - 5.5 **million** tonnes at minimum," Putin said.

Calculations show that Egypt could double exports of its agricultural products to Russia in 2015 compared to 2013, Fyodorov said.

"We have made our calculations and, based on preliminary contacts with Egyptian businesses, concluded that they could increase their deliveries to us by another 30% this year. This concerns oranges, potatoes, onions, garlic and partially even grapes, both fresh and dried," Fyodorov said.

Egypt exported \$440 **million**-worth of agricultural produce to Russia in 2013 and \$460 **million** in the first half of 2014, he said.

Preliminary calculations indicate that growth in Egyptian agricultural exports to Russia by 30% would cover 40%-50% of Russia's demand for imports of potatoes, onions, garlic, and oranges from the countries from which it has restricted food imports, Fyodorov said.

"They say they are prepared to double [exports]. This could be worth roughly up to \$1 **billion**. They say that if this market is guaranteed for them, they could certainly increase them in the next season, Fyodorov said. However, to this end Egypt needs to increase the areas allocated to crops, receive accreditation from the Russian agricultural watchdog Rosselkhoz nadzor, ensure the necessary logistics, and so on, he said.

"These things are calculable, but, as you can understand, they are quite relevant to us, and I don't see any threat to our Russian producers here, about whom the Agriculture Ministry should care, because we don't claim to be able to produce, say, such amounts of citrus fruits," Fyodorov said.

As far as potatoes, garlic and onions are concerned, Fyodorov said, the situation is somewhat different.

Turkey

Elsewhere, Rosselkhoz nadzor is ready to permit imports of finished **dairy** products from Turkey.

"We began work to open the Turkish **dairy** market last year. Now we can formalize it and begin opening up specific enterprises," Dankvert told Interfax.

Those issues are scheduled for discussion at a meeting on Friday with Nihat Pakdil, the deputy undersecretary of Turkey's Food, Agriculture and Livestock Ministry.

In addition, boosting imports of Turkish fruit and vegetables will also be discussed.

It was reported earlier that Ecuador has voiced plans to begin exporting **dairy** products to Russia.

Dairy products are included on the list of products that Russia is embargoing from countries that have imposed sanctions on Russia.

A Rosselkhoz nadzor delegation left for Turkey on August 12 for talks on possibly increasing food shipments from the country.

The agency told Interfax that the talks, which will take place at the Turkish Food, Agriculture and Livestock Ministry, will concern increasing the assortment of products exported to Russia.

"Above all, we are going to agree on supplies of **milk** and **milk** products, as well as poultry products," the Rosselkhoz nadzor source said.

The agency may also hold talks with the producers of such products. Turkey exported \$1.755 **billion** worth of agricultural products to Russia in 2013.

MOSCOW. Aug 13 (Interfax) - The Federal Service for Veterinary and Phytosanitary Supervision Rosselkhoz nadzor this week announced its readiness to increase the number of countries cleared to import food into Russia and constructive talks are underway with a number of prospective partners, most notably in Latin America. Rosselkhoz nadzor officials held consultations with the ambassadors of Ecuador, Brazil and Chile and charge d'affairs of Argentina in Russia on food delivery issues. Over the past days, a number of Latin American countries, most with developed livestock and fisheries sectors, have expressed interest in focusing more strongly on the Russian market.

Re-focus on Latin America

Following the ban on food shipments from the EU, the U.S., Canada and a number of other countries, Latin American countries now have the chance to enter and become a real player on the Russian food market, Rosselkhoznadzor chief Sergei Dankvert said.

"We are now thinking more about not restricting shipments, but about how to compensate for the shortfall in products. That's why we initiated active talks with other countries," Dankvert told Interfax following a series of meetings with the ambassadors of a number of Latin American countries on Thursday.

"We are informing them that favorable conditions are unfolding as concerns access to our market. Before, many countries were unable to get to the market due to harsh competition; now it has lessened and this should be taken advantage of," he said.

Russian meat product groups Cherkizovo and Miratorg , which are major meat importers, plan to refocus on production from Latin American countries.

Miratorg will replace meat imports from Europe, Canada, Australia and the U.S. with imports from Latin America, **company** President Viktor Linnik told Interfax.

"Our partners in Brazil, Argentina and other countries in the region are ready to increase deliveries of the main types of quality meat," he said.

"The situation that has taken shape once more demonstrates the need to develop domestic production, in order to guarantee affordable prices for Russian consumers and food independence from partners in the WTO," Linnik said.

Boosting its own production and reducing imports is a foundation of strategy for Miratorg , which has already invested over 120 **billion** rubles to organize vertically integrated production of poultry meat, pork and beef.

Miratorg launched capacity in March for production of 100,000 tonnes of refrigerated meat and semi-finished meat products a year. Output is scheduled to reach that level in the first quarter of 2015.

Pork production (live weight) is targeted to rise 14%. In September, Miratorg will begin slaughtering cattle in Bryansk region, where it is creating beef production capacity. The facility's design capacity of 130,000 tonnes a year will cover 10% of nationwide demand for beef, he said.

Miratorg plans to produce over 370,000 tonnes of meat this year.

Miratorg has a 13% share of Russia's pork market. It accounts for 9% of the nation's meat imports.

Cherkizovo also plans to refocus on importing meat from Brazil and other countries.

"We don't see a problem covering the imports. We will refocus on Brazil and other countries," Cherkizovo spokesman Alexander Kostikov said.

Salt pork is the main import product, he said. The **company** will mainly cover demand for other products from in-house production.

"Nothing critical has happened," he said, adding that domestic salt pork could be used as well.

"True, it differs from imports in quality. It is denser. Simply the lunch meat might not be the same as consumers are used to. But there will be no loss of quality," he said.

The pace of growth in lunch meat consumption has slowed in recent years and overproduction is a risk, he said. The embargo may help to stabilize the market situation, he said.

Cherkizovo produced over 0.5 **million** tonnes of meat products in 2013.

Brazilian increase could happen in Sept

Brazil might significantly increase food shipments to Russia in as early as September, Rosselkhoznadzor said.

In addition, the watchdog is ready to increase the number of Brazilian enterprises permitted to export to Russia.

Rosselkhoznadzor said this was discussed during talks in Moscow on Friday between Dankvert and Miguel Griesbach de Pereira Franco, the Charge d'Affaires of the Brazilian Embassy in Russia.

The statement says that Rosselkhoznadzor liftens bans on meat and **dairy** products from the majority of Brazilian companies the day before.

The list of such companies included 31 producers of beef by-products, 27 beef producers, 26 poultry and poultry product producers and four pork producers. In addition, the first set of Brazilian companies has received the right to ship **dairy** products, including Confepar and Perdigao.

According to Rosselkhoznadzor's statement, prospective contracts are currently being signed that will determine the market participants for the near future.

"Taking into consideration the high level of interest shown by Brazil in such shipments, and considering the readiness of the Brazilian veterinary services to provide the necessary guarantees, Rosselkhoznadzor is prepared to consider the possibility of further increasing the number of suppliers," the statement says.

Dankvert also said that increased shipments would be coupled with a higher level of responsibility on the part of the Brazilian veterinary services, which ensure that their animal products meet the standards and requirements of Russia and the Customs Union.

Franco thanked Rosselkhoznadzor for the intense work that has been done so that a large number of Brazilian companies can resume shipments to Russia.

Argentina eyeing exclusive segment

Argentina could increase exports to Russia of not only products for mass consumption, but also exclusive food products for restaurants, Rosselkhoznadzor said in a statement.

The watchdog said that the prospects for increasing such shipments were discussed at talks between Dankvert and Argentine Ambassador to Russia Pablo Tettamanti in Moscow on Thursday.

According to the statement, shipments from Argentina can to some extent replace banned imports from countries that have imposed sanctions against Russia. The watchdog said this concerned exports of Argentine beef, pork, poultry, **cheese**, powdered **milk**, powdered cream, seafood, and a large assortment of fruits and vegetables. In addition, the Russian market is interested in not only products for mass consumption, but also exclusive products for restaurants, such as black hake or corvina.

The issue of increasing the number of Argentine suppliers could be resolved when Rosselkhoznadzor receives the corresponding guarantees from Argentina's competent agencies.

In addition, the next meeting of the Argentina-Russia Inter-Governmental Commission, the Russian side of which is represented by Dankvert, will take place on September 15-16 of this year. Rosselkhoznadzor said that this could also include meetings between Russian importers and Argentine exporters of food products. In addition, the World Food international exhibition for food products, which will take place at the same time in Moscow, would also be a good platform for such meetings, the agency said.

The statement also said that the ambassador assured Dankvert that Argentina was very familiar with the standards and requirements of Russian law and the Customs Union as concerns food safety. Argentina is ready to begin new shipments soon, even before the next intergovernmental commission meeting, the statement said.

Uruguay making preparations

Uruguay will soon prepare a list of companies interested in exporting food products to Russia, Rosselkhoznadzor said in a statement.

The agency added that agreement on this issue had been reached during talks in Moscow on Thursday between Dankvert and Anibal Cabral Segalerba, Ambassador of the Oriental Republic of Uruguay in Russia.

Uruguay's competent agencies will present guarantees that these enterprises meet the legal requirements of Russia and the Customs Union. After this, the companies can begin shipping to the Russian market.

Dankvert said that Russian market participants were interested in increasing imports from Uruguay, in particular beef, pork, lamb, fish, seafood, **butter**, **cheese**, apples, pears, citrus fruits and vegetables.

Segalerba said in the statement that Uruguay did not support western sanctions against Russia and was prepared to increase food exports to the country. In turn, Uruguay is in need of Russian technology and equipment.

Segalerba also expressed interest in shipping quality beef to the Russian market. Dankvert suggested preparing a two-sided framework agreement by early October for such shipments.

The talks also touched on possible shipments of live cattle from Uruguay in order to work together on fighting harmful animal diseases such as foot and mouth disease.

Also, there are shrimp farms in Uruguay whose products could replace the banned Canadian shipments, Dankvert said. "We have even inspected several Uruguayan seafood suppliers," he added.

Dankvert noted that Uruguay also has a real chance to begin supplying Russia with **milk**. "Back at the beginning of the year, they were asking for their companies to be inspected, but we didn't have enough hands; now we have time since it's not necessary to go to Europe and the U.S. for inspections," he said. In addition, the process of gaining approval to ship to Russia will now be simpler, Dankvert said. "Our specialists were in Uruguay to inspect other products and were convinced that the country is overall familiar with Russian veterinary and sanitary standards," he added.

Uruguay could boost **milk** shipments "very seriously," Dankvert said.

Paraguay joining rush for Russia

Paraguay will also soon give Rosselkhoznadzor a list of enterprises interested in exporting livestock products to Russia.

This was announced during talks between Dankvert and the Paraguayan Ambassador to Russia Ramon Pereira in Moscow on Friday, Rosselkhoznadzor said.

According to the statement, the ambassador announced that under the current circumstances, his country is ready to do everything possible to quickly increase exports to Russia. The veterinary service of Paraguay will draft proposals for expanding the list of livestock product suppliers for Rosselkhoznadzor in the near future.

Rosselkhoznadzor also said that in H1 2014, Paraguay exported 47,000 tonnes of beef to Russia. There were times when annual deliveries reached 140,000 tonnes.

According to Dankvert, there was significant potential for increasing pork deliveries. Russia is also interested in importing meat, **dairy**, fruit and vegetable products from Paraguay.

Ecuador to ship seafood

Ecuador is ready to increase its seafood exports to Russia and guarantee that the quality of the fish is higher than that of Norway, Ecuador's Ambassador to Russia Patricio Alberto Chavez Zavala said.

"I do not know if we can replace [Norwegian seafood with seafood from Ecuador], but for some categories, Ecuador can not only guarantee quantity, but also exceed in quality. I can with certainty say that the quality of our products is better than that of Norway: by law, our products should be ecological. Ecuador is the only country with an ecological constitution," Chavez Zavala said in an interview with Interfax.

"Ecuador sells shrimp and tuna, we are first in the world for the export of these items," the ambassador said.

"Ecuador has many products, thanks to which, it holds first place in the world for the number of exports and quality," he said.

"Of the bananas that are consumed in Russia, 98% come from Ecuador. In Ecuador there are the best, beautiful and lasting roses. Shrimp and tuna, many other types of seafood, broccoli and tropical fruits hold a significant share of exports. Russia is our partner and friend, in 2009, a strategic association agreement between our countries was signed. It is necessary to develop approaches and plans so that we can increase the volume of deliveries," he said.

Chavez Zavala said that this week, Ecuador will present Russia a list of products and producers, which could supply Russia. Ecuador does not export meat and **dairy** products, but, the ambassador said that the Latin American country could offer Russia a large quantity of vegetables and seafood.

The ambassador said that EU will not be able to pressure Ecuador into not increasing its exports to Russia. "We feel that, despite the size of our country, the size of its economy, we are a sovereign state and make our own decisions. Ecuador is cooperating with **China**, Iran, and this does not always correspond with the positions of the EU and the United States. We have a long trading experience with

Russia, if not second, we are in third place for exports of products from Latin America, so no one will be surprised if we take another step forward to improve our relations," he said.

Peruvian companies cleared

Rosselkhoznadzor has said it is allowing shipments from 18 Peruvian fish suppliers following a meeting between Dankvert and Peruvian Ambassador to Russia Gustavo Otero.

Rosselkhoznadzor said in a statement that this decision was made after the agency received guarantees from Peru's veterinary services.

The watchdog is also asking Peru's veterinary services to inspect **milk** processing plants interested in shipping powdered **milk**, sweetened condensed **milk**, **cheese** and quark to Russia. Rosselkhoznadzor is also requesting Peru provide a list of such companies as well as guarantees that their products meet the requirements of the Customs Union.

In addition, the number of enterprises that are interested in shipping fish and seafood to Russia could increase, Rosselkhoznadzor said, adding that several types of premium products, such as giant octopus, could enter the Russian market for the first time.

The Russian market is also interested in increasing shipments of vegetables, fruits, citrus fruits and nuts from Peru. Such shipments have already increased; while in 2013, Peru supplied Russia with 20,000 tonnes of grapes, in the first half of 2014, this figure was 14,000 tonnes.

Rosselkhoznadzor said that increasing trade was made possible following the establishment of a system of communication the Peruvian veterinary services, as well as after the inspection of enterprises interested in exporting their products to the Russian market.

CHISINAU. Aug 7 (Interfax) - Moldovan Prime Minister Iurie Leanca said during a meeting with agricultural workers and preserve manufacturers of the northern regions of Moldova on Thursday the authorities will not respond to the recent decisions made by Russia, banning or restricting imports of Russian goods into Moldova.

"I have notified Russian Ambassador to Moldova Farit Mukhametshin about that," Leanca said.

Leanca said Moldova is ready to compensate fruit and vegetable producers for the losses as a result of the low **purchase** prices that preserve manufacturers are prepared to pay, saying the state will pay manufacturers 1.2 lei (11 dollar cents) extra for every kilo of plums processed. The decision on apples will be made on August 12 in a meeting with all parties involved, which will be held in the government.

Leanca reiterated that the government does not want producers of fruit, vegetables and manufacturers fruit and vegetable preserves, which were exported to Russia in large volumes, to suffer from this situation.

"The administration of the country understands the situation and believes we now need to decide on plums and summer sorts of apples, and the later sorts will go to EU markets, which have increased the quotas on the supply of Moldovan apples to 80,000 tonnes. Romania is ready to **buy** 14,000 tonnes of apples of later varieties in September," he said, adding that he has discussed the **purchase** of apples by large British retail chains with the British ambassador to Moldova.

Leanca said Belarusian President Alexander Lukashenko will visit Moldova on September 22-23.

"His country is a reliable market for Moldovan products: **wine**, plums, apples, and vegetables. It's important for us to keep the Belarusian market for Moldovan products, and also the market of Kazakhstan, despite the big distance from this country," he said.

The problems of producers of fruit and vegetables and manufacturers of preserves have been exacerbated by Russia's suspension of imports of these products from Moldova, which traditionally **sold** 65% of these products to Russia, on July 18.

Meanwhile, hundreds of agricultural producers from the northern part of Moldova started a march on Chisinau from Otaci to demand that they be provided with government support in the run-up to the imposition of import customs duties by Russia on Moldovan **wine**, meat, vegetable, fruit, and grain. Veaceslav Valco, a spokesman for the Popular Committee of Agricultural Producers of Northern Moldova.

"Farmers from the Briceni, Ocnita, and Otaci districts have headed for Balti in a column that has stretched for about five kilometers. Stopovers in each district and major populated areas are planned. We intend to meet with people, as many of them don't know anything about our actions," Valco said.

The protest march is peaceful in nature and is being escorted by policemen, Valco said.

"Hundreds of people and about 250 vehicles are taking part in the march. Residents of the Edinet, Riscani, Falesti and Soroca districts will join the column in the evening," he said.

The Russian government earlier issued a directive on imposing import customs duties on Moldovan goods, including **wine**, meat, vegetables, fruit, and grain, to take effect on September 1, 2014. Russia claims this decision was a reaction to the signature of a free trade area agreement between Moldova and the EU, which the Russian authorities believe could endanger the Customs Union's market.

The Russian consumer safety watchdog Rospotrebnadzor had imposed a ban on imports of Moldovan **wine** products in September 2013, and the Russian agriculture watchdog Rosselkhoz nadzor recently suspended imports of Moldovan meat products and fruit, citing the presence of hazardous microorganisms in them.

The protesting farmers have demanded that the government pass legislation on a force majeure situation because of Russia's ban on imports of Moldovan vegetables and fruit, legislation on government procurements, under which the National Bank should allocate about \$200 **million** to producers of canned vegetables and fruit to **purchase** produce from farmers, and the establishment of a trilateral commission including representatives of Moldova, Russia, and the European Union to reach an agreement on conditions of trade in fruit and vegetable products, he said.

Moldova traditionally exports over 180,000 tonnes of apples, 50,000 tonnes of plums, and 45,000 tonnes of grapes, and also peaches and apricots to Russia. Over 60% of Moldova's vegetable and fruit products was supplied to Russian markets until recently.

SOCHI. Aug 12 (Interfax) - Russia's grain harvest this year is forecast to total about 100 **million** tonnes, Agriculture Minister Nikolai Fyodorov said.

"As of today a good harvest is underway. The harvest forecast is good - it might even be said - very good. I will say this: roughly 100 **million** tonnes [of grain]. If losses aren't too great, the number might be more optimistic: over 100 **million** tonnes," Fyodorov told journalists following the Russian-Egyptian summit talks on Tuesday.

Russia will export up to 25 **million** tonnes of grain this crop year, which lasts from July 2014 until June 2015, Fyodorov said.

"We do not yet have sufficient grounds to change dramatically - we can export up to 25 **million** tonnes of grain this crop year, based on today's estimates," he said.

Fyodorov therefore confirmed the ministry's previous forecast. The grain harvest forecast for 2014 has not been changed, he said.

"Our forecast for grain harvest is entirely favorable - around 100 **million** tonnes," Fyodorov said. In addition, the grain harvest is currently surpassing last year's figures by 14 **million** tonnes.

He also said that he saw potential for increasing shipments of Russian grain to world markets. "As the minister, I see prospects for increasing cooperation and several market adjustments for international cooperation in the long-term. Everything happening today, as strange as it sounds, has a positive significance [making] our market more diversified," Fyodorov said.

He added that the main importers of Russian grain are the Middle East, Africa and countries of the Asian region. "And these are friendly countries for us. Relations are now being defined as concerns unfriendly ones. For that reason, our grain and grain export market can be entirely forecast, and the situation is even somewhat better, as strange as it is," Fyodorov said.

According to data from the Ministry of Agriculture, Russia exported 25.4 **million** tonnes of grain in the last crop year.

Russia exported a record 3.12 **million** tonnes of grain in July 2014.

Igor Pavensky, the deputy director of the department of strategic marketing of CJSC Rusagrotrans, told Interfax that this is 24% more than in the same month of 2013 and 2011, which were favorable for exports. In July 2013, exports amounted to 2.53 **million** tonnes and in July 2011, they were 2.52 **million** tonnes.

In July of this year 2.67 **million** tonnes of wheat, 387,000 tonnes of barley and 46,300 tonnes of corn were exported.

Experts said that 508,000 tonnes were shipped via deep water ports, which surpassed the level of the high season of the 2011-2012 agricultural year, when in the same period only 444,000 tonnes of grain were shipped. Applications for shipment in August reached 1.33 million tonnes, and that requests were being received at the same rate as a year ago. In August 2013 as a whole, applications were received for handling 1.42 million tonnes of grain, and in August 2012 - 1.24 million tonnes, and in August 2011 - 1.14 million tonnes.

Pavensky forecast that in August, exports could rise to 3.6 million tonnes and more.

Commenting on the situation on the global grain market, he said that the significant global wheat supply was putting pressure on prices. It is expected that U.S. Department of Agriculture will raise the forecast for wheat output in its August report, including for its own country.

Prices of newly harvested Russian wheat, with delivery in September, for the week have not changed in the past week and amount to \$247 per tonne FOB. The price of newly harvested Russian barley increased by \$4 per tonne to \$214 per tonne.

KYIV. Aug 13 (Interfax) - The U.S. Department of Agriculture (USDA) in August improved its forecast for the grain harvest in Ukraine in 2014 by almost 2.5%, to 58.505 million tonnes.

According to its report, the forecast for the wheat harvest in the country will improve by 1 million tonnes, to 22 million tonnes, and that for the forage crops harvest - by 405,000 tonnes, to 36.505 million tonnes.

The total volume of grain exports from Ukraine in the new marketing year (MY, July 2014 - June 2015) will be 27.46 million tonnes, which is 0.4% more than the forecast in the previous period. At the same time, the forecast for wheat exports was retained at 9 million tonnes and that for forage crops was improved by 100,000 tonnes, to 18.46 million tonnes.

With reference to data from the Ministry of Agricultural Policy and Food, grain exports from Ukraine in the 2013/2014 marketing year was 32.4 million tonnes, which is 42.1% more than in the previous season.

KYIV. Aug 8 (Interfax) - Around 40 grain wagons are staying at the station of Lutovynivske settlement of Donetsk railways waiting for departure and have done for the best part of a month.

The press service of Ukrzaliznytsia reported that the delay of the wagons which are to be sent to ports of Mykolaiv amount to 400-700 hours.

"With the start of the harvesting campaign problems with shipment of grain of the new harvest appeared at stations in Donetsk and Luhansk regions. Wagons not only with grain, but also with coal are sent only after negotiations with the self-proclaimed authorities of eastern regions and cases with the deliberate delay of rolling stock become more often," Ukrzaliznytsia said.

Since early August the volumes of loading at Donetsk railways halved, being 32 grain carriers a day compared to 60 wagons in August 2013.

ASTANA. Aug 8 (Interfax) - The export potential of Kazakhstan's grain in the 2014/2015 marketing year is estimated at 8-9 million tonnes. Gross grain yield of 17 million tonnes is planned for this year, export potential would be 8-9 million tonnes, Chairman of State Inspection Committee at Agro-industrial Complex of Agriculture Ministry Saktash Khasenov told a Friday briefing in Astana.

Kazakhstan exported 8.7 million tonnes of grain in the 2013-2014 marketing year (July 1, 2013 through June 30, 2014), including wheat flour in grain equivalent.

In 2013, Kazakhstan harvested 20 million tonnes of grain and leguminous crops - 18.2 million tonnes in net weight with wheat accounting for 76.5% of the total yield.

Since the start of harvesting Kazakhstan's five regions have threshed 759,000 tonnes of grain, the Agriculture Ministry said.

To date Almaty, Zhambyl, West-Kazakhstan, Kyzylorda and South Kazakhstan regions have gathered a harvest from the area of 654,800 hectares and threshed 759,000 tonnes of grain with the average yield of 11.6 centners per hectare, down 4.9 centners compared with last year, the ministry said on Friday.

The lowest yield is expected in Zhambyl region - 8,1 centners per hectare due to a drought which hit crops during their vegetation period this year.

This year agricultural plants were sown in the area of 21.8 million hectares, by 314,700 centners more than in 2013, including 15.6 million hectares with crops and grain legumes, including 12.8 million hectares of wheat, down 1.9% compared with last year.

During this year's harvest around 45,000 combine harvester, over 156,000 tractors, 15,000 reaping machines, 46,800 trucks.

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Meanwhile, dry weather conditions in Kyrgyzstan have sufficiently lowered grain harvest expectations, meaning Bishkek will be seeking access to increased Kazakh grain exports, Kyrgyz government press office said quoting the Minister of Agriculture and Land Reclamation Taalaybek Aidaraliev.

"Due to the shortage of water and dry weather, the yield will be 200,000 tonnes below last year's harvest," according to the minister.

Kyrgyzstan plans to collect about 695,000 tonnes of grain this year. "That's not enough for the country, so we are planning to **buy** about 300,000 tonnes from neighboring Kazakhstan," Aydaraliev said.

"No disruption in **bread** is expected. Perhaps total gross yield will be higher. The most major problems are in the Chu region," said Aydaraliev

Kyrgyzstan's annual demand in grain is above 1.1 **million** tonnes.

ALMATY. Aug 13 (Interfax) - The U.S. Department of Agriculture (USDA) lowers its forecast for Kazakhstan's wheat harvest for this marketing year (July 2014 - June 2015) from 14.5 **million** tonnes to 13.5 **million** tonnes, the USDA said in its August report.

Kazakhstan's wheat export forecast declined from 7 **million** tonnes to 6 **million** tonnes.

Wheat imports forecast has not changed and stands at 10,000 tonnes.

In 2013, Kazakhstan thrashed 18.231 **million** tonnes of crops, with wheat accounting for 76.5% or 13.940 **million**.

In 2013-2014 marketing year, Kazakhstan exported about 8.3 **million** tonnes of wheat.

The Ministry of Agriculture estimates the export wheat potential of Kazakhstan grain in the current year at 9 **million** tons.

PAVLODAR. Aug 12 (Interfax) - Grain stores in Kazakhstan's Pavlodar region are currently available to receive a total of 694,750 tonnes of grain harvested this year, Head of Regional Agriculture Department Zhanat Shugayev said at a meeting chaired by a regional governor.

There are 101 storage facilities with a total capacity of 193,400 tonnes available to hold vegetables and potatoes, including 28 vegetable storage units for 130,900 tonnes, which are fitted with modern engineering equipment.

Regional Governor Kanat Bozumbayev instructed that "not a single farm be left without hay and fodder" and proposed to stockpile fodder through major agricultural enterprises such as SPK Pavlodar and others to avoid repeating last year's drastic situation. Bozumbayev also urged to complete the harvest by October 1 and warned that then there would be no favorable weather conditions.

Kazakh President Nursultan Nazarbayev considers that Pavlodar region is capable of supplying itself with food.

Meeting with representatives of the regional **business** community and general public, the president turned their attention to the fact that the region is importing a significant portion of food products from Kazakhstan's other regions and Russia. To this end, Nazarbayev stressed that given available opportunities the region can be capable of supplying itself with food.

The president also said the region is a Kazakhstan's industrial stronghold. "The region is developing in all directions, including industry and agriculture. The priority is to support small and medium-sized **business**,

for which the state is creating all necessary conditions, including the provision of cheap loans," Nazarbayev said.

The president instructed that preparatory work in the run-up to a looming harvest season be duly carried out. In addition, the president focused attention on the necessity of solving pressing social issues and improving ordinary people's life, and in particular he emphasized that the attention should be paid to water supply issues since up to 30 communities in the region still have no access to potable water.

Nazarbayev also gave instructions that work on improving the ecological situation in Pavlodar region should be carried out.

MOSCOW. Aug 12 (Interfax) - The Russian Natural Resources Ministry is monitoring the environment on the border with Ukraine's Donetsk region in connection with a possible environmental disaster.

"In view of the environmental threat to the town of Horlivka in the Donetsk region, whose aftermath could assume a trans-border scope, samples of air, water and soil will be taken five times a day in the territory bordering Ukraine in order to prevent an environmental disaster,"

On instructions from the Natural Resources Minister Sergei Donskoy, Deputy Minister Rinat Gizatulin has referred an official inquiry to the Ukrainian Ministry for Ecology and Natural Resources.

Gizatulin said the ministry is not ruling out the possibility that in the event of an environmental disaster, the territory of all neighboring European Union states, and Russia may be threatened.

Donskoy in turn said on Facebook that the situation surrounding the chemical enterprise in Horlivka in the Donetsk region "where, tentatively, about 10,000 tonnes of hazardous wastes are stored, is again raising the issue of environmental security and safety of such production facilities."

"I am convinced that even in the most critical moments no chemical, **oil**, gas or any other hazardous enterprise could be a bargaining chip for achieving one's interests," Donskoy said.

A video was posted on the Internet on Monday with a Stirol Concern spokesman saying that, "a catastrophic leak of toxic substances" may occur as a result of shelling attacks on Stirol.

The Ostchem holding **company**, in turn, said that the enterprise is under no threat for now as it was shut down completely on May 7 for safety reasons and that production of ammonia and carbamide has been suspended, that ammonia storage facilities have been vacated and the entire stock of ammonia has been used.

Ostchem is integrated with **Group** DF, owned by the Ukrainian businessman Dmitry Firtash, and unites four Ukrainian producers of nitrogen fertilizers: Rivneazot, Azot (Cherkassy), Stirol Concern and the Severodonetsk Amalgamation Azot (Luhansk region), plus a chain of storage facilities UkrAgro NPK and the Nika-Tera port. The holding **company** employs over 22,500 personnel.

MINSK. Aug 13 (Interfax) - India is not planning to resume talks on its **purchase** of a **stake** in Belarusian potash miner OJSC Belaruskali even now that the potash market has stabilized, the Indian Ambassador to Belarus Manoj Kumar Bharti said at a press conference in Minsk on Wednesday.

"Concerning the **purchase** of a **stake** in Belaruskali, I already said that India is not interested. This is still the state of affairs," the diplomat said when answering a question about whether India's position had changed after the recovery of the potash market.

At the same time Bharti said: "Cooperation in the sphere of potash fertilizers will be continued as it was until now."

The ambassador said that the situation that emerged on the world potash market last year negatively affected the trade turnover of Belarus and India.

Several years ago, India was interested in the possibility of buying a part of the state's **stake** in OJSC Belaruskali. There was a possibility of India acquiring 20% or a little more, but meaningful negotiations between representatives of Indian companies and the Belarusian government never took place.

It has also been reported, with reference to the Belarusian Foreign Ministry, that a "large contract" with Belarusian Potash **Company** (BPC) was signed in the spring of 2014 on the delivery of potash fertilizers to India. According to unofficial estimates, the volume of deliveries amounted to about 100,000 tonnes.

Before this, in February 2013, BPC, the trader for Belaruskali and Russia's Uralkali on export markets, signed a contract with India's largest mineral fertilizer importer Indian Potash Limited for 1 **million** tonnes of potash at \$427 per tonne on CFR terms.

After the "potash scandal" at the end of July 2013 and the drop in joint sales of potash fertilizers by the Belarusian and Russian producers, the prices on the world market seriously fell, and the sales volumes decreased.

MOSCOW. Aug 8 (Interfax) - Russian agricultural watchdog Rosselkhoznadzor has blocked the import of a consignment of cattle from Ukraine to Crimea, the agency said.

During inspection, it was discovered that the animals had not been checked for dangerous infectious diseases, as required. This was why the shipment was returned to its sender, the watchdog said.

In addition, the veterinary certificate did not include information on the exact number of animals being shipped to Crimea.

MOSCOW. Aug 11 (Interfax) - Russia's Cherkizovo **Group** does not plan to raise output above stated targets and thinks the restrictions imposed on food imports last week could even benefit the **company**.

"Today, Russian poultry market amounts to approximately 4 **million** tonnes a year. It is supplied by domestic producers almost completely. Import quota for poultry (including turkey meat) amounts to 360,000 tonnes a year, or less than 10% of the market needs. The chilled poultry meat most commonly presented on stores shelves is produced domestically. Thus, we should not expect any significant changes, price growth or deficit. Russian producers will fully cover all market needs," Cherkizovo said in a statement.

"In pork, some deficit is seen, as domestic producers cover only 70% of the market's needs (such needs reaching approximately 3.5 **million** tonnes a year). Import quota amounts to 430,000 tonnes a year. In March 2014, import of pork meat from EU was banned due to veterinary reasons. This caused a price increase of 30-40%. Thus, import ban imposed in August is not news for the market, since imports are closed for few months, which is already priced in. Cherkizovo **Group** considers that Russian pork producers may close the market gap within the next two or three years, but this will require a comprehensive state support, as the pork market is volatile," Cherkizovo said.

"The sausages market is also covered with the domestic production almost completely. Sausage products prices will be determined by the market conditions and raw meat prices."

"Cherkizovo management expects that import restrictions will have a positive impact on the **Company's business**. As these restrictions will most likely support meat prices at current levels, this will be favourable for the **Group's** financial performance. In 2014, Cherkizovo **Group** will not increase its production output above the earlier announced levels, since livestock breeding production increase requires more time than few months. The **Company** will thoroughly analyse the market environment to work out the most beneficial mid-term strategy," the **company** said.

The Cherkizovo **Group** includes eight poultry complexes with capacity of 500,000 tonnes (in live weight) per year, 14 pork complexes with capacity for 180,000 tonnes of pork per year (in live weight), six meat processing companies, with the capacity to produce 158,000 tonnes, and six fodder plants with around 1.4 **million** tonnes capacity.

The **group** also has elevators with the capacity to store over 500,000 tonnes of grain at one time and more than 100,000 hectares of farm land.

The **group** turned out more than 500,000 tonnes of meat products last year. Consolidated sales revenue was \$1.6 **billion**.

MOSCOW. Aug 12 (Interfax) - Leading Russian meat and meat products concern Miratorg plans to reduce imports to 20% of total turnover in 2015 from 30% currently.

"At present our share of imports in turnover is 30%. The rest is our own production, whose share is rising. In 2015 the share of imports will decline to 20%," Miratorg President Viktor Linnik said on the Rossiya 24 television network on Tuesday.

The share of imports in the total could decline to 10%-15% in three-five years, he said.

It is wrong for Russia, with its vast meat production potential, to be importing up to 2 **million** tonnes of meat a year, he said.

Before Russia imposed an embargo on meat imports from Western countries, Miratorg imported meat from the U.S. and Canada. "We will now refocus on Latin America: Brazil, Argentina, Paraguay, Uruguay," he said, adding: "Rosselkhoznadzor recently lifted restrictions on a large number of Brazilian enterprises, an unprecedented event."

Linnik did not rule out that possible that the shift to new supply sources might create an one- to two-month interruption in imports. "I believe that the government will enact measures so that prices do not rise steeply," he said.

Miratorg plans to open an office in the Far East. It currently delivers product no further east than Novosibirsk. However, in two-three months the **company** plans to begin producing refrigerated meat storable for up to 45 days, which will make it possible to expand into new regions.

Miratorg was established in 1995. It is one of the largest pork and fodder producers in Russia and is also one of the leading operators on the Russian food market. The companies in the holding provide full-cycle production "from the field to the counter."

The holding includes grain companies, fodder plants, elevators, 23 major automated hog farms, meat processing **company** CJSC Korochoa, a transport **company**, five low-temperature automated distribution centers and a distribution **company** with branches in major cities around the country. Cumulative investment exceeds 120 **billion** rubles.

Miratorg operates in 15 Russian regions and has more than 16,000 customers.

MOSCOW. Aug 13 (Interfax) - Russian agricultural watchdog Rosselkhoznadzor has prevented a shipment of chicken meat from the U.S. destined for Kazakhstan from entering Russia.

Rosselkhoznadzor specialists in Omsk region together with FSS border guard agents detained a truck carrying over 20 tonnes of U.S. poultry meat. The cargo carried veterinary certification dated July 8, 2014 and indicated the route being taken to Kazakhstan.

The shipment was turned back.

The embargo that Russia imposed August 7 on delivery of a host of food products from countries that have imposed sanctions against Russia applies to poultry meat imports from the U.S.

KYIV. Aug 13 (Interfax) - Kernel, one of the largest Ukrainian agrarian groups, has agreed with a syndicate of European banks on the prolongation of credit facilities worth \$230 **million**, the **company** said in a report.

The first facility has a committed limit of \$180 **million** and a committed option to expand to \$230 **million** for pre-export financing of grain from Ukraine. The second facility has a committed limit of \$50 **million** for pre-export financing of grain and sunflower **oil** from the Russian Federation.

Both credit lines are one year secured revolving facilities typically used to finance the **company's** working capital for export **operations**.

Kernel in August 2011 signed two pre-export working capital credit facilities worth \$500 **million**: long-term \$278 **million** facility until July 31, 2014 and the renewable one-year facility of \$222 **million**.

Later, in August 2013, Kernel agreed with a syndicate of European banks to prolong the \$222 **million** facility every year.

Kernel is a vertically integrated **company** that has been operating in Ukraine's agribusiness sector since 1994. The **group** produces sugar and sunflower **oil**, distributes bottled **oil** under the **brand** names Schedry Dar, Stozhar and Chumak Zolota, exports **oil** and grain, and provides elevator storage services for grain and oilseeds.

MOSCOW. Aug 8 (Interfax) - Alexander Mechetin, CEO of OJSC Synergy, has reduced his directly held **stake** in the alcohol **group** from 0.27% to 0.01%.

The change occurred on August 7, the **company** said.

MOSCOW. Aug 7 (Interfax) - Coca-Cola Hellenic Bottling **Company**, Coca-Cola 's exclusive distributor in Russia, has worsened its full-year sales forecast, due partly to the situation in the Russian market, where sales fell in Q2.

"The prevailing difficult economic and trading conditions, the sudden deterioration in Russia and the evolving trends in a small number of other markets have led us to review our volume outlook. We now expect the volume decline trend we have seen in the first half to persist in the remainder of the year," Coca-Cola HBC said in a statement.

"As the year progresses, there is increasing evidence that the trading conditions we have seen so far are unlikely to improve during 2014. Although macroeconomic forecasts are being revised marginally upwards

in some of the countries where we operate, unemployment levels remain high and disposable income is still constrained. Moreover, the escalation of the geopolitical situation in Russia and Ukraine has affected consumer spending in this region," it said.

The **company** said in its Q1 report that it was happy with the renewed sales volume that occurred in Q2. Q1 sales were in the high single digits, which were, among other things, thanks to promotional activity connected with the Olympics in Sochi.

"Volume in Russia declined by low single digits in the second quarter, following a mid single-digit increase in the comparable prior-year period. For the first six months, volume increased by low single digits, following a mid single-digit growth rate in the prior-year period. The current geopolitical developments impacting the economy and the consumer sentiment in the country are the main reason behind the decline in the quarter, which is broad-based, with all major categories except Juice posting lower volume. Trademark Coca-Cola declined by 5% and Sparkling by 4%, with only Fanta recording substantial growth, supported by the launch of new flavors. Our RTD-Tea products registered a low single-digit decline, following strong mid-teens increase in the prior-year quarter. Volume in the juice category continued to grow, though at a slower pace. With growth coming from both our mainstream **brand** Dobry, as well as our premium **brand** Rich, we expanded our volume and value share in Juice. Overall, we grew volume and value share in both Sparkling and NARTD," the report says.

Overall sales in the second quarter and in the first half of the year fell by 3% to 561 **million** cases and 970 **million** cases, respectively. One case includes nine liters. Q2 revenue fell 5% to \$1.85 **billion**, and 6% in H1 to \$3.18 **billion**.

"Volume in Developing markets declined by 5% in the quarter, reflecting our strategic decision to focus on value-accretive volume in Poland and the Czech Republic. Hungary on the other hand, demonstrated growth in nearly every category. This segment has also shown an improving trend compared to the first quarter, bringing the half-year decline rate to under 7%. Emerging market volumes, down 3% in the second quarter and 2% in the first half, were disappointing. While Nigeria resumed growth in the quarter after a slow start to the year, we saw a decline in volumes in Russia and continued volume weakness in Ukraine and Romania," Coca Cola said.

The **company** said it was seeing more and more signals that the economic situation was not likely to improve in the second half of the year. In addition, a worsening of the geopolitical situation in Russia and Ukraine will negatively reflect on consumer spending in these markets, Coca Cola said.

"The ongoing situation in Ukraine and the Russian Federation, and any further economic sanctions that may be imposed on the Russian Federation by the US and the European Union , could adversely affect the **Group's** operational and financial performance. We are continuously monitoring developments in that region," the **company** said.

In Russia, Coca-Cola Hellenic is represented by LLC Coca-Cola ABC Eurasia. It owns factories in the Moscow and Rostov regions and cities of Moscow, St. Petersburg, Oryol, Nizhny Novgorod, Samara, Volzhsky, Yekaterinburg, Novosibirsk, Krasnoyarsk and Vladivostok. Coca-Cola Hellenic in Russia currently has some 13,000 employees.

The **company** will close the Nidan factory in the Moscow region and Novosibirsk and is consolidating its juice **business** at Multon facilities.

Coca-Cola HBC boosted sales in Russia 5% last year to 388 **million** unit cases.

TASHKENT. Aug 8 (Interfax) - Uzbekistan has received 57.118% **stake** in the charter capital of the Coca-Cola Bottlers Uzbekistan Ltd . joint venture (JV), Coca-Cola Ichimligi Uzbekiston, the country's State Committee for Privatization, Demonopolization and Development of Competition told Interfax.

The 57.118% **stake** previously belonged to Swiss Zeromax GmbH, which has gone bankrupt.

"Based on the government's decision, 57.118% of the government's **stake** in the Coca-Cola Bottlers Uzbekistan JV has been transferred free of charge to the department for asset management of the State Committee for Privatization, Demonopolization and Development of Competition," the committee told Interfax.

The JV, which has not been in operation for over a year, is currently preparing to release products. It is expected that Coca-Cola refreshments will be **sold** in September-October.

Moscow, August 12 (Interfax) - The government's and doctors' efforts to protect citizens from the hazardous effects of habitual smoking is yielding results, with the proportion of non-smokers in the

population growing from 58% to 65%, pollster VTSIOM told Interfax, citing figures obtained in a recent poll.

Fifty-two percent of those polled in early July said they had never tried smoking, compared to 51% in 2009, while 13% of respondents said they had managed to overcome this hazardous habit and had not smoked for quite some time.

Most of those who do not smoke are women (81%) and senior citizens (79%).

Thirty-five percent of Russian citizens are smokers, compared to 41% in 2013. A significantly higher percentage of smokers are men (54%), citizens aged between 25 and 34 (44%), and Muscovites and residents of St. Petersburg (43%).

Twenty percent of those polled said they smoke a packet of cigarettes or more a day. Twelve percent of respondents smoke just a few cigarettes a day and 3% - a couple of cigarettes each week, or even month.

Two-thirds of tobacco-users (66%) smoke as much as they did a year ago. Twenty-three percent of respondents said that they now smoke less, and most of them are residents of cities with a population of over a **million** (29%). Ten percent of those polled said they smoke more now.

Since a ban on smoking in public places was introduced on June 1 2014, thirty-four percent of smokers smoke where smoking is allowed. Fourteen percent of respondents said the ban had not affected them in any serious way, as they had never smoked in restricted areas. Twenty-five percent of respondents said they smoke where they cannot be seen, in hallways of **apartment** buildings, for instance, and most of them are women (34%), respondents aged between 18 and 24 (34%) and well-off citizens (31%).

Seventeen percent of those surveyed 'stubbornly' continue smoking wherever they like, even if they are fined, and most of them are young people aged between 18 and 24 years and men (21%.) Only 8% of women and 16% of citizens aged over 60 are 'stubborn' smokers.

The poll involved 1,600 respondents in 130 populated areas of 12 regions, territories and republics.

MOSCOW. Aug 8 (Interfax) - OJSC Magnit boosted revenue 33.68% year-on-year in July 2014 to 65.7 **billion** rubles, the **company** said in a statement.

Revenue was up 32.75% month-on-month.

The Russian retailer saw revenue advance 28.78% over the first half of the year to 414.6 **billion** rubles.

Convenience store revenue grew 31.06% year-on-year in June to 50.16 **billion** rubles and 25.09% in the 7M to 317.14 **billion** rubles.

Hypermarket revenue rose 30.97% to 11.77 **billion** rubles in July and 32.15% to 75.78 **billion** rubles in the 7M. Magnit Family store revenue rose to 2.09 **billion** rubles last month from 915.6 **million** rubles a year ago and to 12.17 **billion** rubles from 5.1 **billion** rubles in the 7M.

Cosmetics store revenue rose 72.42% to 1.68 **billion** rubles in July and 59.81% to 9.5 **billion** rubles in the 7M.

Retail space was 3.227 **million** square meters at the end of July, 15.95% more than a year previously. This included 14.3% growth for sales space at convenience stores.

During July 2014, the **company** opened (net) 115 stores, including 72 convenience stores, one hypermarket, four "Magnit Family" stores and 38 drugstores. Magnit opened 640 stores in the 7M versus 600 in the same period of last year. This included 486 convenience stores versus 572 last year.

The **company** also noted that according to data from the Federal State Statistics Service (Rosstat), food prices grew 0.7% in July 2014 versus 0.5% in July 2013. Prices have grown 7.6% since the beginning of the year versus 5.2% last year.

MOSCOW. Aug 13 (Interfax) - Finnish retailer Stockmann said sales at its stores in Russia fell 15% in the first half of 2014 to 145.5 **million** euro.

Sales in ruble terms were on a par with the first half last year, Stockmann said in its interim financial report for the first half. The operating loss widened to 17 **million** euro from 5 **million** euro in H1 2013.

Stockmann's worldwide revenue fell 8.6% to 890 **million** euro in the six months. The operating loss widened to 40.3 **million** euro from 4.6 **million** euro.

"The market environment in Russia continues to be challenging, as the Russian ruble remains weak and the country's future economic direction is unclear," the report says.

"Trade sanctions against Russia by the EU and the U.S. and counter-measures by Russia may further affect Stockmann's **operations**. A significant share of the products that Stockmann sells in Russia are imported, so trade sanctions would weaken Stockmann's **business** in the country," it says.

Stockmann **Group** operates the Stockmann department stores and the Lindex and Seppala clothing stores. Stockmann, founded in 1862, now operates in 16 countries, including Russia since 1989, and has more than 700 stores.

The Russian **business** includes eight Stockmann department stores and 27 Seppala and 22 Lindex stores. At the beginning of the year Stockmann announced plans to close 20 loss-making Seppala stores in Russia, of which it closed seven in the first half, reducing the total to 27.

NOVOSIBIRSK. Aug 13 (Interfax) - The Siberian Federal District saw 23 wildfires on 1,072.5 hectares on Wednesday morning, the district department of the Federal Forestry Agency (Rosleskhoz) said.

Most fires are raging in Tuva (nine fires on 610 hectares) and the Irkutsk region (nine fires on 430 hectares).

Fires are also burning in Buryatia (two on 20 hectares), the Trans-Baikal territory (two on 6.5 hectares) and in the Tomsk region (one on six hectares).

Eight wildfires have been confined to 301.5 hectares in the Republics of Buryatia and Tuva, the Trans-Baikal territory and the Irkutsk and Tomsk regions.

Hence, the wildfire area practically did not change in Siberia in the past 24 hours. The flames spread across 1,051.4 hectares the day before.

A total of 24 wildfires were put out on 1,074.2 hectares in Buryatia, Tuva, the Altai, Trans-Baikal and Krasnoyarsk territories and the Irkutsk, Novosibirsk, Omsk and Tomsk regions over the past day.

Some 503 foresters and smokejumpers, 59 fire engines and eleven aircraft were extinguishing the blaze.

Most fires were caused by negligence of local residents and thunders.

The Siberian Federal District has had 7,423 wildfires across 1,657,100 hectares this season.

An emergency situation regime was put into place throughout the Republic of Tuva.

The Far Eastern Federal District saw almost 30 wildfires in the past 24 hours. Four fires were put out and six were confined, the district forestry department press service said on Tuesday.

"Over the past day Far Eastern forestry services were extinguishing 29 forest fires, 27 of them in Yakutia. Twenty-five fires were still burning there on Tuesday morning and six of them were confined," the report said.

Wildfires were also put out in the Amur region and the Chukchi autonomous region.

The flames spread across more than 720 hectares in the district in the past 24 hours, practically all of them in Yakutia.

Some 1,300 men, 69 fire engines and 13 aircraft, including nine helicopters, were extinguishing the fires.

In all, the district has seen 2,114 wildfires across more than 1.6 **million** hectares this season. The Far Eastern Federal District reported 984 wildfires on over 755,000 hectares in the relevant period of last year.

KYIV. Aug 8 (Interfax) - Rescue workers and utility services have restored power supply in all 14 micro-districts of Sloviansk in the Donetsk region and 99.5% of customers have had their electricity reconnected.

According to the Ukrainian State Emergency Service's press office, the Sloviansk city council, a municipal hospital, the state pension fund department, a regional employment center, the prosecutor's office, the state treasury, Oschadbank, a **bread** factory, sewerage pumping stations 1A and 1/5, the towers of main cell-phone operators, and supermarkets have been hooked back up to power.

Water supply has been restored to 99% of users.

MOSCOW. Aug 8 (Interfax) - Consumer prices in Russia could rise or fall by up to 0.1% in August, the Economic Development Ministry says in weekly monitoring.

The ministry thinks inflation in annual terms could fall to 7.2-7.4% in August, from 7.5% in July.

Inflation in August year-to-date will be 5.2%-5.4%, the ministry said.

Russia had 0.1% inflation in August 2013.

Federal State Statistics Service (Rosstat) reported earlier that inflation was 0.5% in July and 5.3% in the seven months (compared with 0.8% in July 2013 and 4.4% in January-July 2013).

Inflation in annual terms slowed to 7.5% in July from 7.8% in June.

"The lower increase in utility rates was the main reason for lower inflation in July than a year earlier, as well as a decline in fruit and vegetable prices that was larger - and began earlier - than expected," the ministry said.

Inflation for the basket of 64 goods and services was nil in the week of July 29-August 4, nil in August so far and 5.4% in the year so far (compared with last year's figures of 0.1% in August so far, 4.5% in the year so far and 0.1% for the entire month). Annualized inflation was 7.4% as of August 4, compared with 7.5% in July.

"Inflation in poultry meat prices remained high in August. The pace of growth in sugar prices doubled in the first week of August compared with previous weeks. Egg prices declined after climbing 10.9% in July," the Econ Ministry said.

The Central Bank surprised the market by raising its key rate 0.5 percentage points to 8%, after inflation failed to slow at the forecast pace.

A Central Bank spokesman told Interfax on Tuesday that restrictions on imports of food products from a number of countries that Russia had imposed in recent weeks (but before the sweeping embargo enacted on Thursday) could spur inflation in individual market sectors. Those restrictions together with the changes in tax and tariff policy now under discussion are fraught with the risk of strengthening inflationary expectations, "which could spur price increases on a host of goods and services," the spokesman said.

Prior to imposition of the latest sanctions, the Econ Ministry and Central Bank both said inflation for the full year might be a little higher than 6%. Analysts told Interfax in a consensus forecast at the end of July that they thought 6.2% inflation was likely.

Economists surveyed by Interfax on Thursday said Russia's sweeping embargo would be "statistically significant" for inflation, which might accelerate to 7% in 2014 or even a little higher. They also expected that 2015 inflation would slightly exceed the forecast of 4.5% from the Central Bank and 5% from the government.

KYIV. Aug 11 (Interfax) - The Ukrainian government has proposed that from 2015 a tax of 2% on retail **sale** of excisable goods (beer, alcohol, tobacco and fuel) be introduced.

The proposals are stipulated in draft amendments to the Budget Code (No. 4453A) on the budget decentralization submitted by the Cabinet of Ministers to the Ukrainian parliament on August 8.

The new tax will be sent to the general fund of local budgets, which will allow them to receive UAH 3.2 **billion**, according to the calculations of the Finance Ministry.

In addition, the government proposed that a new tax of 2% of the minimum wage on **commercial** (nonresidential) **property** (hotels, office and shopping centers, garages, buildings of enterprises and warehouses) per square meter (today UAH 24.36), which should bring additional UAH 2.7 **billion** to local budgets.

The ministry said that as of early 2014, the gross area of **residential property** was 1.097 **billion** square meters. "Assuming that the ratio of **residential** and **commercial property** is 10 to 1, the revenues from the tax will total around UAH 2.7 **billion**... Only in 2005-2013, retail space of over 10 **million** square meters was commissioned," the ministry said.

According to the presentation of the ministry, local budgets will receive 45% of the ecological tax (which should additionally bring UAH 2.1 **billion**), a fee for provision of administrative services (UAH 1 **billion**), a state duty (UAH 600 **million**) and 10% of the profit tax of enterprises of the private economic sector (UAH 4.4 **billion**).

The government plans to take 25% of the citizens' income tax from local budgets, which today forms a lion's share of revenues of town councils and Kyiv, which today has 50% of the tax, will have only 20%.

The cabinet also proposed that local authorities are permitted to deposit the development budget funds and own revenues at **commercial** banks, which are in line with the certain criteria. According to the presentation of the ministry, the list could include nine banks: state-run Oschadbank, Ukreximbank, Ukrgasbank, Bank Kyiv and Ukrainian Bank for Reconstruction and Development, as well as PrivatBank, Delta Bank, FUIB and Finance and Credit Bank.

MOSCOW. Aug 13 (Interfax) - Inflation in Russia was zero in the week August 5-11, the Federal State Statistics Service (Rosstat) said.

This was the third straight week of zero inflation. Prior to that, inflation in Russia was 0.1% for three weeks. It accelerated to 0.3% for July 1-7 on the back of increases in some housing and utility charges, which are customary for the first week of July. Inflation was 0.1% for the four weeks prior to that, before which it was 0.2% for 17 weeks barring the week May 20-26, when consumer prices unexpectedly rose 0.3%.

The period July 22-28 was the first week of zero inflation in Russia since the end of last September.

Inflation was zero in the period August 1-11 and 5.4% since the start of the year, compared with 0.1% and 4.5% in the same periods of last year.

Inflation was 7.4% in annual terms as of August 11, as a week previously, when it had fallen from 7.5% at the end of July.

Inflation has slowed to zero due solely to a seasonal drop in fruit and vegetable prices and lower prices for eggs.

The past week saw price growth for chickens, by 0.8%, mutton, granulated sugar and vodka by 0.5%-0.7%, and beef, sausages, canned meats and millet - 0.3%-0.4%. Beef price growth had accelerated from 0.1% the previous week.

Fruit and vegetable prices averaged down 3.3%, including potatoes - 8.8%, tomatoes - 7.0% and carrots, onion and cabbage - 5.1%-6.0%.

Eggs fell 1.8% in price.

Gasoline prices rose 0.2% and diesel went up 0.1%.

State and municipal housing rent went up 0.4% and waste-water disposal charges grew 0.2%.

The Russian Economic Development Ministry thinks consumer prices will rise or fall 0.1% in August as a whole. They rose 0.1% in August last year.

KYIV. Aug 7 (Interfax) - Inflation in Ukraine in July 2014 due to the reduction in prices for vegetables slowed to 0.4% from 1% in June and 3.8% in May.

According to the State Statistics Service, since the beginning of this year consumer prices in the country have risen by 12%.

In annual terms (to the same month last year) inflation accelerated to 12.6% from 12% in June, 10.9% - May, 6.9% - April.

Prices for food and non-alcoholic beverages fell by 0.3%. Prices for vegetables were down by 30.7%. The decrease in prices for sour cream, **milk** and **cheese** was 0.5-0.1%.

Prices for eggs and poultry were up by 12.8% and 10.1%, those for beef, rice, pasta, pork, fruit, sunflower **oil**, **bread**, fish increased by 3.4-1.4%.

Prices for alcoholic drinks and tobacco products grew by 2.8%, in particular for alcoholic drinks - by 3.7%, tobacco goods - by 2.2%.

MINSK. Aug 11 (Interfax) - Consumer prices in Belarus rose 0.9% in July in comparison with June, Belarus's National Statistical Committee said in a statement.

Inflation in January-July was 11.1%.

Prices on food goods rose 0.9% in July in comparison with June, and 14.8% in 7M. Non-food goods rose 1% in price in July and 3.6% for 7M. Prices for services rose 0.6% in July and 16.5% since the beginning of the year.

The core or underlying inflationary index, which excludes short-term irregular price changes caused by various factors of an administrative, once-off and seasonal nature, was 101% in July compared with June and 110.8% in comparison with December 2013.

ALMATY. Aug 13 (Interfax) - In June 2014 the prices for imported goods in Kazakhstan rose 18.9% and export prices declined 4.4% compared to June 2013, the State Agency for Statistics said in a statement.

According to the statistics, the prices for commodity imports rose by 3.4%, commodity exports fell by 6.9% in price. Imported semi-finished products grew in price by 14.1%, exported items by 0.9%. The prices for imported finished products increased by 21.3% and for exported items rose by 7.8%.

Compared to May 2014, the June export prices edged up 0.3% and the import prices went down 3.7%.

Exported cereals became higher in price by 41.8%, flour (5.4%), wheat (3.5%), while cotton and barley declined 2% and 1.9%.

Import prices went down for construction materials (10.3%), vegetables (10.1%), rice (9.9%), timber (9.2%), tea (8.5%), **dairy** products (4.6%) and poultry (0.8%). Vegetable **oil** went up by 9%, fish (7.5%), vegetables (2.9%), tobacco (2%) and sugar (1.8%).

MOSCOW. Aug 7 (Interfax) - The Agriculture Ministry suggests recapitalizing the state Russian Agricultural Bank (RusAg) by 77 **billion** rubles before 2020, Russian Agriculture Minister Nikolai Fyodorov said at a press conference.

"After a wide discussion with all interested parties, the Agriculture Ministry presented its proposals regarding RusAg's request for recapitalization by 77 **billion** rubles before 2020," the minister said.

"It is understood that RusAg would have liked to ask for more, but our calculations stopped at 77 **billion** rubles," Fyodorov said.

According to Vedomosti, RusAg, which cannot borrow funds from Europe and the United States, will ask the state to replace foreign funding by depositing National Welfare Fund money with the bank. According to the newspaper's sources, the required amount of deposits is approximately 100 **billion** rubles.

When answering a question about the possibility of placing deposits with RusAg, the minister said: "This subject has not materialized today," he said.

MOSCOW. Aug 12 (Interfax) - Russian Agricultural Bank (RusAg), the main lender to Russian agriculture, boosted provision charges for loan impairment 50% year-on-year in Q2 2014 to 18 **billion** rubles, the bank said in a quarterly report.

The bank made just 3.8 **billion** rubles in provisions in Q1 2014. It did not say what was behind the sudden increase in Q2.

The bank has said on several occasions that agriculture sector finances depend heavily on the weather conditions, which can affect the solvency of borrowers and the quality of loans.

"Given that lending to agriculture and related sectors forms the core of the bank's **business**, the quality of the loan portfolio and the volume of loan loss provisions depends on the development of these factors and on the financial state of borrowers from these sectors," the bank said in the report.

RusAg provisioned 23.5 **billion** rubles for bad loans in 2013, 2.7% less than in 2012.

RusAg is one of the banks to have been hit by U.S. and EU sanctions against Russia and has been shut off from the American and European capital markets.

The bank had been busy on the domestic and foreign debt markets: borrowings amounted to 1.5 trillion rubles as of July 1.

Russian Foreign Minister Sergei Lavrov said on August 11 that the sanctions against RusAg, which made it difficult for the bank to lend to farmers, were partly to blame for Russia's embargo on certain food imports.

The Russian authorities are ready to recapitalize RusAg by 77 **billion** rubles by 2020. The bank also plans to issue 25 **billion** rubles worth of preferred shares for the conversion of a subordinated credit received from Vnesheconombank (VEB) during the financial crisis.

The Vedomosti newspaper has said had asked the state to replace external funding with deposits from the National Welfare Fund. The paper's sources said the bank needed 100 **billion** rubles in deposits. Agriculture Minister Nikolai Fyodorov said last week that this subject "not materialized today."

RusAg was Russia's sixth largest bank by assets, according to the Interfax-100 ranking at the end of H1 2014.

ASTANA. Aug 7 (Interfax) - Agrarian Credit Corporation JSC (ACC) has posted a half-year net profit of 468.4 **million** tenge compared to a net loss of 219 **million** tenge in January-June 2013, according to the **company's** financial statements under IFRS.

Assets shrank 9.5% to 113.7 **billion** tenge, liabilities dropped 43% to 32.3 **billion** tenge, while **equity** capital rose 18% to 81.4 **billion** tenge and charter capital increased 18% to 87.7 **billion** tenge.

Agrarian Credit Corporation JSC is a subsidiary of KazAgro National Holding. The Corporation offers subsidized loans to agricultural and non-agricultural companies operating in the agricultural areas of Kazakhstan.

*** President Vladimir Putin has signed an order to impose sectoral restrictions on imports of agricultural products and food goods from the European Union, the United States and other countries that have imposed sanctions against Russia. The restrictions - the first formal sanctions imposed by Russia - will affect at least 10% of the country's agricultural imports. The government hopes the decision will give a push to import substitution, while the market does not expect massive shortages of goods (Kommersant, p. 1; Vedomosti, p. 1).

*** Russia announced Thursday that it is banning imports of all fruits and vegetables, fish, **milk** and **dairy** products, pork, beef and poultry from the EU, the U.S., Australia, Canada and Norway effective August 7 in retaliation for sanctions. The list of goods is broader and harsher than expected, and affects about \$10 **billion** in exports from these countries. If alternative suppliers are not found in South America and Asia, inflation in Russia will accelerate to at least 8-9% in 2014-2015. Wholesale prices have already gone up (Kommersant, p. 1; Vedomosti, p. 10).

*** Disputes between Russia, the United States and the European Union over the ability to impose sanctions against one another will probably be decided in the World Trade Organization. Both Russia and the U.S. claim the sanctions are needed for national security reasons. The EU might file the first lawsuit with the WTO soon (Vedomosti, p. 4).

*** Russian consumers of gourmet and premium foods will be most affected by the restrictions on food imports that Russia imposed this week. Products such as Spanish ham, French cheeses and foie gras are unlikely to be available in restaurants and stores in a few months. Restaurants are already starting to prepare changes to menus. Sushi bars will have the hardest time (Kommersant, p. 1).

*** Russian suppliers are scrambling to find new contacts and new countries to replace food products that fall under a ban on imports from countries that have imposed sanctions against Russia. These countries accounted for about \$8.5 **billion** of Russia's \$43 **billion** in food imports in 2013. Manufacturers, meanwhile, are shutting down production lines geared toward the Russian market (Vedomosti, p. 10).

*** Russia's ban on food imports from the EU, the U.S. and a number of other countries could benefit Russian food companies, whose shares surged on Friday. The gains leader was bankrupt agribusiness **group** Razgulay, which soared nearly 40%. Analysts believe the import ban could improve the profitability of Russian producers in the long term (Kommersant, p. 7).

*** Amid the ban on imports of food goods from the EU and the U.S., Russia's Agriculture Ministry is proposing substantial preferences for provisioning for loans to agribusinesses. This is intended to reduce the burden on lenders to the sector and boost the amount of funding banks allocate to the agribusiness sector. The idea has not won support from the Central Bank yet (Kommersant, p. 1).

*** Russian Agricultural Bank's corporate nonperforming loans grew by a record 19% in July to a record high of 132 **billion** rubles as of August 1 and reached 12.8% of the loan portfolio, the highest figure in years, the state lender's financial statement shows. Including retail loans, NPL ballooned to 138.6 **billion** rubles (Vedomosti, p. 11).

*** The first reports of price hikes for food goods following the ban on food imports from countries that imposed sanctions against Russia have reached the government. X5 Retail, one of Russia's largest

retailers, has reported that suppliers have raised prices for shrimp and salmon by over 20%. The agriculture minister has already warned that the competition and law enforcement authorities might look into cases of price hikes (Kommersant, p. 1).

*** Deputy Prime Minister Arkady Dvorkovich met with retailers and food suppliers and producers Tuesday to discuss how the Russian government plans to monitor food prices in light of the ban on food imports from some countries. Retail chains have been given a list of goods in 40 categories that will be subject to price monitoring. They could account for up to half of retail sales (Vedomosti, p. 11).

*** With Russia having banned imports of food goods from countries that have imposed sanctions against it, Prime Minister Dmitry Medvedev has ordered the government to increase funding for the agriculture development program for 2013-2020, which is currently slated to get 1.5 trillion rubles from the federal budget. The extra money will be earmarked to develop production of goods for which supply is heavily dependent on imports (Vedomosti, p. 10).

Product	18.07.14	25.07.14	01.08.14	08.08.14
latest July-14 Aug-13				
Grade 3 wheat (23% gluten) (rubles/tonne)	7 290	6 980	6 775	6 715
-60 7 724 6 749				
Grade 3 wheat (23% gluten) (\$/tonne)	\$207,3	\$199,1	\$189,6	\$184,2
-\$5,4 \$223 \$204				
Grade 4 wheat (rubles/tonne)	7 005	6 610	6 375	6 355
-20 7 389 6 328				
Grade 4 wheat (\$/tonne)	\$199,2	\$188,6	\$178,4	\$174,4
-\$4,1 \$213 \$192				
Food rye (rubles/tonne)	5 145	4 700	4 515	4 370
-145 5 253 4 569				
Food rye (\$/tonne)	\$146,3	\$134,1	\$126,4	\$119,9
-\$6,5 \$152 \$138				
Fodder wheat (rubles/tonne)	6 610	5 960	5 770	5 765
-5 6 951 5 701				
Fodder wheat (\$/tonne)	\$188,0	\$170,0	\$161,5	\$158,2
-\$3,3 \$201 \$173				
Fodder barley (rubles/tonne)	6 135	5 665	5 370	5 330
-40 6 076 5 753				
Fodder barley (\$/tonne)	\$174,5	\$161,6	\$150,3	\$146,2
-\$4,1 \$175 \$174				
Brewing barley (rubles/tonne)	8 100	8 100	8 000	8 500
500 8 200 7 475				
Brewing barley (\$/tonne)	\$230,4	\$231,1	\$223,9	\$233,2
\$9,3 \$237 \$226				
Fodder corn (rubles/tonne)	8 645	8 600	8 615	8 680
65 8 509 7 551				
Fodder corn (\$/tonne)	\$245,9	\$245,3	\$241,1	\$238,2
-\$3,0 \$246 \$229				

Product	18.07.14	25.07.14	01.08.14	08.08.14
latest July-14 Aug-13				
Top-grade wheat flour (rubles/tonne)	13 990	13 950	13 690	13 340
14 001 14 923				-350
Top-grade wheat flour (\$/tonne)	\$397,9	\$398,0	\$383,2	\$366,0
-\$17,2 \$406 \$371				
Grade-1 wheat flour (rubles/tonne)	12 895	12 875	12 715	12 485
12 938 11 516				-230
Grade-1 wheat flour (\$/tonne)	\$366,7	\$367,3	\$355,9	\$342,6
-\$13,3 \$373 \$349				
Grade-2 wheat flour (rubles/tonne)	10 615	10 580	10 580	10 425
10 659 10 150				-155
Grade-2 wheat flour (\$/tonne)	\$301,9	\$301,8	\$296,1	\$286,0
-\$10,1 \$308 \$307				
Hulled rye flour (rubles/tonne)	9 000	8 970	8 880	8 850
9 063 8 814				-30
Hulled rye flour (\$/tonne)	\$256,0	\$255,9	\$248,6	\$242,8
\$262 \$267				-\$5,7

Product	18.07.14	25.07.14	01.08.14	08.08.14	latest	
July-14 Aug-13						
Grade-1 buckwheat (rubles/tonne)	16 700	16 700	16 610	16 570	-40	16
673 15 414						
Grade-1 buckwheat (\$/tonne)	\$474,9	\$476,4	\$464,9	\$454,6	-\$10,3	
\$481 \$467						
Grade-1 rice (rubles/tonne)	28 545	28 315	28 305	27 655	-650	28
679 24 776						
Grade-1 rice (\$/tonne)	\$811,8	\$807,8	\$792,3	\$758,8	-\$33,5	
\$828 \$750						
Grade-1 millet (rubles/tonne)	16 000	15 945	16 000	14 835	-1 165	15
889 12 581						
Grade-1 millet (\$/tonne)	\$455,0	\$454,9	\$447,8	\$407,0	-\$40,8	
\$459 \$381						

Product	18.07.14	25.07.14	01.08.14	08.08.14	latest	
latest July-14 Aug-13						
Sunflower seeds (rubles/tonne)	13 310	13 150	13 145	13 015		
-130 13 390 13 180						
Sunflower seeds (\$/tonne)	\$378,5	\$375,1	\$367,9	\$357,1		
-\$10,8 \$387 \$399						
Unrefined, sunflower,						
oil, (rubles/tonne)	28 710	28 680	28 415	29 140	725	28 813 34 823
Unrefined, sunflower, oil, (\$/tonne)	\$816,5	\$818,2	\$795,3	\$799,5		
\$4,2 \$832 \$1 055						

Currency	Per	Rate	Change, %
Australia (Dollar)	1	33.6468	0.673
Azerbaijan (Manat)	1	46.2490	0.369
Armenia (Dram)	1000	87.8114	0.247
Belarus (Rubel)	10000	34.8961	0.176
Bulgaria (Lev)	1	24.7251	0.239
Brazil (Real)	1	15.8995	0.250
Hungary (Forint)	100	15.4275	0.320
South Korea (Won)	1000	35.1843	0.082
Denmark (Krone)	10	64.8725	0.258
United States (Dollar)	1	36.2222	0.369
EURO	1	48.4110	0.354
India (Rupee)	100	59.1383	0.279
Kazakhstan (Tenge)	100	19.9023	0.375
Canada (Dollar)	1	33.1766	0.590
Kyrgyzstan (Som)	100	69.7289	0.364
China (Yuan)	10	58.7899	0.299
Lithuania (Lita)	1	14.0070	0.221
Moldova (Lei)	10	26.4685	0.516
Romanian (Leu)	1	10.9100	0.421
Turkmenistan (Manat)	1	12.7082	0.359
Norway (Krone)	10	58.6518	0.517
Poland (Zloty)	1	11.5262	0.420
SDR (Special Drawing Rights)	1	55.3787	0.210
Singapore (Dollar)	1	28.9662	0.361
Tajikistan (Somon)	10	71.7271	0.262
Turkish (Lira)	1	16.7579	0.174
Uzbekistan (Sum)	1000	15.5583	0.369
Ukraine (Hryvna)	10	27.6084	-1.888
United Kingdom (Pound STG)	1	60.9294	0.626
Czech Republic (Koruna)	10	17.3569	0.157
Sweden (Krona)	10	52.6164	0.198
Switzerland (Franc)	1	39.8484	0.226
South Africa (Rand)	10	34.1053	0.627
Japan (Yen)	100	35.3750	0.227

* SDR - Special Drawing Rights. It is the unit of account for the International Monetary Fund

Country Currency For \$1 For 1 ruble For 1 EUR

Azerbaijan	manat	0.7843	0.0217	1.0482
Armenia	dram	411.32	11.34	549.32
Georgia	lari	1.729	0.047909	2.3063
Belarus	bel. ruble	10360	287	13850
Kazakhstan	tenge	182	5.04	242.9
Kyrgyzstan	som	51.9472	1.4394	69.3729
Lithuania	litas	2.5839	0.071597	3.4528
Moldova	leu	13.7222	0.3797	18.3048
Russia	ruble	36.089		48.2402
Tajikistan	somoni	4.9857	0.1381	6.6508
Turkmenistan	manat	2.85	0.078971	3.8028
Ukraine	hryvnia	13.110661	0.36329	17.497488
Uzbekistan	sum	2340.19	64.21	3159.26

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