



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - Public distribution

**Date:** 12/14/2007

**GAIN Report Number:** RS7092

## Russian Federation

### Agricultural Situation

### Creation of Legal Basis for Food Price Regulation

### 2007

**Approved by:**

Allan Mustard  
U.S. Embassy

**Prepared by:**

Yelena Vassilieva, Mikhail Maksimenko, Kimberly Svec

---

**Report Highlights:**

GOR Resolution #769 of November 10 "On agreements between the Provincial Authorities and Business on Decreasing and Fixing Prices of Socially Important Food Products" creates a legal basis for controlling prices of "socially important food products" at the provincial level.

---

Includes PSD Changes: No  
Includes Trade Matrix: No  
Trade Report  
Moscow [RS1]  
[RS]

## Executive Summary

In recent months, the Russian Government has issued several Resolutions aimed at curbing growth in retail food prices, including Resolution #660 on the increase of grain export tariffs, Resolution #674 on the decrease of dairy products' import tariffs, and Resolution #769 on the price-fixing agreements between provincial authorities and food producers and traders. The latter one received less publicity than the first two, although it paves the way to structural changes in the mechanisms that regulate Russia's food production and distribution. The Resolution of the Government of the Russian Federation #769 "On Agreements between the Executive Government Bodies of the Provinces of the Russian Federation and the Business Entities on the Decrease and Stabilization<sup>1</sup> of Certain Kinds of Socially Important Essential Food Commodities" was signed on November 10, and was published on the official website of the Government of the Russian Federation on November 14, 2007.

Resolution #769 allows "price fixing agreements" between Russian regional governments and business entities (food producers and/or traders of food products) for the period up to January 31, 2008. However, the "price fixing" agreements may be extended due to continued inflation in December 2007. Furthermore, in the beginning of 2008, prices may climb 10 to 20 percent due to annual price increases on many communal services, electricity, transportation, and other services and commodities. Therefore, disposable income available for food purchases may decrease by February, thereby creating a potentially worse reaction to higher food prices in early 2008 than experienced in late 2007. Extension of the price-fixing agreement may increase administrative control over production, marketing and distribution of essential commodities.

Below is an unofficial translation of the Resolution.

### **Text of the Resolution #769 of November 10, 2007**

BEGIN TEXT:

On Agreements between the Executive Government Bodies of the Provinces of the Russian Federation and the Business Entities on the Decrease and Stabilization of Certain Kinds of Socially Important, Essential Food Commodities

In accordance with Article 16 of the Federal Law "On Protection of Competition" the Government of the Russian Federation decrees the following:

1. To determine that in order to decrease and stabilize prices of certain types of socially important, essential food commodities the executive government bodies of the provinces of the Russian Federation have the right to conclude temporary, but not for the period longer than up to January 31, 2008, appropriate agreements with the business entities - producers and/or traders of food commodities (hereinafter referred as Agreements).
2. The agreements are concluded in written form and envisage measures that the parties undertake to decrease and (or) stabilize prices of certain types of socially important, essential food commodities. The agreements shall determine conditions which guarantee competition.
3. The Federal Antimonopoly Service of the Russian Federation shall develop and send to the executive government bodies of the provinces of the Russian Federation recommendations on the essential terms of agreements.

---

<sup>1</sup> The Russian word is "podderzhaniye", meaning "support". However, the issue is that prices must be kept at a level acceptable to consumers, hence the word "stabilization" may be a better translation.

4. The executive government bodies of the provinces of the Russian Federation within 3 days shall inform the Federal Antimonopoly Service of the Russian Federation and the Federal Statistical Service about the concluded agreement.
5. The Federal Statistical Service, in order to monitor the fulfillment of terms of agreements, shall provide for statistical surveillance and shall submit, in accordance with the established procedure, statistical data on the agreed retail (consumer) and factory prices of essential food commodities.
6. The Federal Antimonopoly Service shall control the conformity of agreements with the antimonopoly legislature of the Russian Federation.

Chairman of the government of the  
Russian Federation  
END TEXT

V. Zubkov

### Comments

Resolution #769 has *ex post facto* legalized the written and unwritten agreements between the provincial governments and food producers and retailers from September and October 2007. In October 2007, the Ministry of Agriculture, major retail chains, and several major producers of dairy, confectionary and vegetable oil products signed a voluntary agreement to "freeze" retail prices of a number of staple food products until the end of January 2008. Resolution #769 has set a precedent that local authorities can be given the legal right to distort the market by administrative means without announcement of a local or nationwide emergency. If this approach continues, the administrative power of provincial governments over supply and distribution of products will increase, the still weak competitive business environment will disappear, and, given the previous experience of Russia's planned economy, production of commodities will decrease. Ensuing shortages will lead to aggravation of social problems in Russia.

### Relevant Reports

RS7091 Russia May Prolong Food Price Controls as Inflation Continues to Grow  
(not yet posted)

RS7086 Grain and Feed / December Monthly Update  
<http://www.fas.usda.gov/gainfiles/200711/146293138.doc>

RS7084 Dairy and Products / Dairy Annual Report  
<http://www.fas.usda.gov/gainfiles/200711/146293007.pdf>

RS7082 Grain and Feed / November Monthly Update  
<http://www.fas.usda.gov/gainfiles/200711/146293082.doc>

RS7075 Grain and Feed / Grain Interventions Announced  
<http://www.fas.usda.gov/gainfiles/200710/146292770.doc>

RS7071 Dairy and Products / Certain Dairy Import Tariffs Reduced  
<http://www.fas.usda.gov/gainfiles/200710/146292751.doc>

RS7070 Grain and Feed / Russian Government Resolution on Temporary Export Duties on  
Wheat and Barley  
<http://www.fas.usda.gov/gainfiles/200710/146292739.doc>