

Government's First Grain Sales to Start Soon

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The government will soon begin selling grain from its intervention stocks to drought-hit regions in an attempt to contain rising prices, First Deputy Prime Minister Viktor Zubkov said Wednesday.

The first stocks, to be distributed among 15 regions and large cities like Moscow and St. Petersburg, are 211,000 metric tons of milling and feed wheat, barley and rye, said Zubkov, the country's top agriculture official.

"The governors will have two weeks to prepare lists of hard-up agricultural producers," he said during a meeting with regional ministers and agribusiness representatives.

Zubkov said that according to an order signed by Prime Minister Vladimir Putin, the government is allowed to sell at low, fixed prices the first 1.3 million tons of grain out of the 9.64 million it has in its intervention stocks.

"In January, we will take a look how prices are behaving on the domestic market," Zubkov

said. "If they don't go down, we will channel more grain so that they finally decline."

The most severe drought in more than a century cut the grain harvesting area in Russia by a third last summer, and the grain harvest to 60.5 million tons from 97 million tons in 2009, which pushed domestic prices up in spite of an export ban.

The president of the Russian Grain Union lobby group, Arkady Zlochevsky, has said the government could start grain sales in the first quarter of 2011, commencing the process in January so that the grain could reach consumers by March.

Zubkov also said the government would channel 5 billion rubles (\$163 million) in subsidies to regions that have held off slaughtering more animals while Russia faces a shortage of feed grain.

He said another 1 billion rubles in subsidies would be granted to farmers for the purchase of seeds for spring sowing and another 1 billion rubles for fertilizers.

Russia has sown 15.5 million hectares with winter grains for the 2011 harvest, down from 18 million hectares a year ago. To compensate for the decline, the government wants farmers to increase the area sown with spring grains.

The Grain Union's Zlochevsky said Monday that the spring sowing was at risk because of delays related to fertilizer supplies.

Zubkov said he would try persuading fertilizer producers, farmers and railway cargo companies to sign a "trilateral pact" to guarantee stable fertilizer supplies to farmers.

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