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Global Agricultural Information Network

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Russian Federation

Sugar Semi-annual

Beet Sugar Production to Fall But Still Be Second Highest on Record

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Report Highlights:

FAS/Moscow estimates Russia's 2012/13 beet sugar production to fall from last year's record, but still be at the second highest level in history as availability and production of sugar beets is expected to remain large. Russian imports of raw cane sugar sharply decreased in 2011/12, and are only expected to grow slightly in 2012/13 because of this strong domestic production of sugar beets and beet sugar.

Production:

Table 1a. Russian Sugar Beets, Area, Production, and Utilization (1,000 HA, 1,000 MT)

Sugar Beets Russia	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Sep 2010		Market Year Begin: Sep 2011		Market Year Begin: Sep 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	1,160	1,160	1,200	1,292		1,143
Area Harvested	910	910	1,130	1,200		1,080
Production	21,500	21,500	33,000	47,640		42,500
Total Supply	21,500	21,500	33,000	47,640		42,500
Utilization for Sugar	21,500	21,500	33,000	47,640		42,500
Utilizatr for Alcohol	0	0	0	0		0
Total Distribution	21,500	21,500	33,000	47,640		42,500

Table 1b. Russian Sugar, Production, Supply, and Distribution (1,000 MT Raw Value)

Sugar, Centrifugal Russia	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		Market Year Begin: May 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	399	399	350	350	455	455
Beet Sugar Production	2,996	2,996	5,500	5,500	5,050	4,850
Total Sugar Production	2,996	2,996	5,500	5,500	5,050	4,850
Raw Imports	2,260	2,260	750	500	1,000	700
Refined Imp.(Raw Val)	250	250	140	250	200	200
Total Imports	2,510	2,510	890	750	1,200	900
Total Supply	5,905	5,905	6,740	6,600	6,705	6,205
Refined Exp.(Raw Val)	17	17	275	300	300	300
Total Exports	17	17	275	300	300	300
Human Dom. Consumption	5,523	5,523	5,995	5,885	6,015	5,540
Other Disappearance	15	15	15	15	15	15
Total Use	5,538	5,538	6,010	5,900	6,030	5,555
Ending Stocks	350	350	455	400	400	350
Total Distribution	5,905	5,905	6,740	6,600	6,705	6,205

Sugar beet area and Sugar beet production

Sugar beet planted area decreased 9.1% in 2012 due to a number of factors. First, planting was delayed in the South of Russia because of cold weather. Also, because of the huge crop in 2011, farmers experienced high losses as a result of lack of beet storage facilities and processing capacities to handle the huge volume and this discouraged farmers from increasing area. Despite these factors, planted area still remained at a high level in 2012 as a result of continued strong prices for beets. Average prices for beets in 2011/12 were at 1,602 rubles/MT, down less than 2% from 1,636 rubles/MT in 2010/11 when production was far smaller.

FAS/Moscow estimates overall sugar beet production at 42.5 MMT in 2012, down 11% compared to 2011/12. This is due not only to lower planted area but also poorer yields in Southern regions due to continued dryness in early summer 2012.

Beet seed production

Sufficient domestic production of beet seeds continues to be a problem for domestic growers. The Russian Ministry of Agriculture is supporting beet seed production to decrease the dependence on imported seed, which are often not adapted to the Russian climate. The Russian sugar beet industry considers the absence of facilities for treating beet seeds as a bottleneck to attaining self-sufficiency. With funding from Federal programs, a seed treating plant was constructed in Voronezh oblast. The plant was put into operation in March 2011 and by the end of the year has already produced 100,000 units of coated sugar beet seed units (1 unit =100,000 seeds), including 2,500 seed units from sugar beet seed of domestic breeding. It is planned that by 2015, the share of domestic selection seeds will be 43% of the total beet seeds supply and when at full capacity this one plant will cover 35% of the Russian needs in sugar beet seeds.

Beet harvesting September 2012 Russia

As of early October harvesting of sugar beets in Russia was about half completed. The pace of harvesting was ahead of last year’s pace (see Table 2 below) but the yield and gross harvest were down. By October 2nd, 19.0 MMT of sugar beets were harvested, compared to 21.5 MMT by October 12th last year. This production gap between this year and last year, however, is expected to shrink as the harvest progresses. This is because early beets are harvested from the South, which was hit by severe dryness this year, but then the harvest progresses northward where the growing conditions were good this year.

Although average yield is down, early reports are that root weight and sugar content as of early September are up slightly from last year. It is expected that root sugar content will actually increase as harvesting moves to the north where the sugar stored in the root increases rapidly as winter approaches.

Table 2. Beet Harvesting in 2012 compared to 2011

	Harvested, ha	% of planted	Yield, MT/ha	Gross harvest, MMT
10.02 2012	525,800	46.0	35.7	19.0
10.12.2011	573,600	44.5	37.6	21.5

Source: Rossahar

Table 3. Dynamics of sugar beet development

	Average weight of beet, grams			Sugar content, %		
	2010	2011	2012	2010	2011	2012
09.01.2012	292	498	511	16.59	14.79	14.82

Source: Rossahar

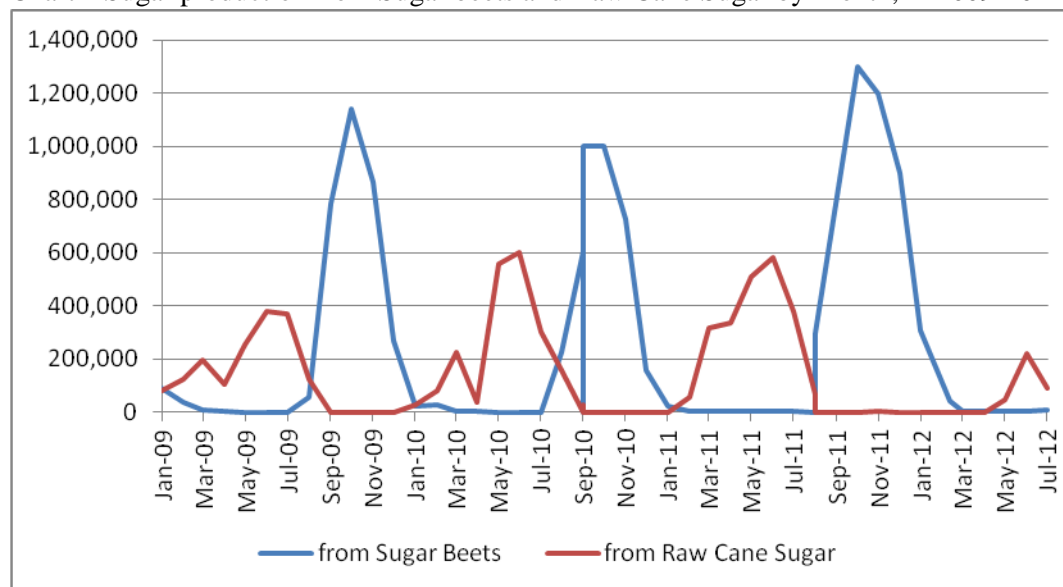
Sugar production

FAS Moscow forecast production of 4.85 MMT of white beet sugar in raw value basis in 2012/13 following the five-year trend (excluding the 2010). This is 11.8% less compared to 2011/12 due to lower domestic beet production and expected lower sugar extraction due to excessive precipitation during vegetation period.

In 2011/12, due to very large beet stocks as a result of record production, domestic processing of sugar from beets lasted until March 2012, while in the previous 3 years the switch to processing of sugar from cane happened in January (See Chart 1 below). As a result the timeframe of sugar processing from raw cane sugar has been significantly curtailed in 2012. Production of white sugar from raw cane sugar

accounted only for 352,500 MT in October 2011 – July 2012 compared to about 1.35 MMT in October 2010 – August 2011.

Chart 1 Sugar production from Sugar beets and Raw Cane Sugar by Month, in 2009-2012, MT



Source: Rosstat

Customs Union: Sugar production and industrial activity

The entire Customs Union (Russia, Belarus, and Kazakhstan) produced 8.31 MMT of white sugar in CY 2011, including 5.27 MMT from sugar beets. Sugar from beets occupied 66.6% of total (7.087 MMT) Russian sugar production; 7.1% of total (238,000 MT) Kazakhstan production, and 53.5% of total Belarusian sugar production (985,000 MT), and the figures for 2012 are expected to show an even higher percentage from beets.

Table 4. Indicators of sugar production industry in the Customs Union in CY 2011

Country	Area, 1,000ha	Yield, MT/ha	Gross beet harvest, 1,000MT	Stored beet, 1,000MT	Refineries product capacity 1,000MT/day	Sugar production, 1,000MT		
						Total	Including	
							From sugar beet	From raw sugar
CU	1,409	396	52,283	45,708	373.77	8,310	5,266	3,044
Including:								
Belarus	100.7	453	4,485	4,427	29.60	985	527	458
Kazakhstan	16.0	240	155	142	22.50	238	17	221
Russia	1,292	392	47,643	41,139	321.67	7,087	4,722	2,365

Source: [The Russian Union of Sugar producers](#)

Consumption:

In 2006-2010 consumption of sugar in Russia ranged from 37 kg per person in 2009 to a high of 40 kg in 2008 dependent on beet sugar production and domestic and world prices. There is also variability by region and in sugar beet producing Southern and North-Caucases regions consumption was 42 kg and

44 kg per person respectively, while in the Ural, Siberian and Far East regions (removed far from sugar beet producing zones) consumption was about 34-36 kg.

Consumption of sugar is not growing linear to production of sugar containing products as the food processing industry increases utilization of sugar substitutes. The chairman of the Russian Union of Sugar Producers has proposed to maintain the current level of rates of duty on citric acid, yeast food, and confectionery products after Russia's accession to the WTO, and to restrict the use of artificial sweeteners and high-energy glucose-fructose syrups.

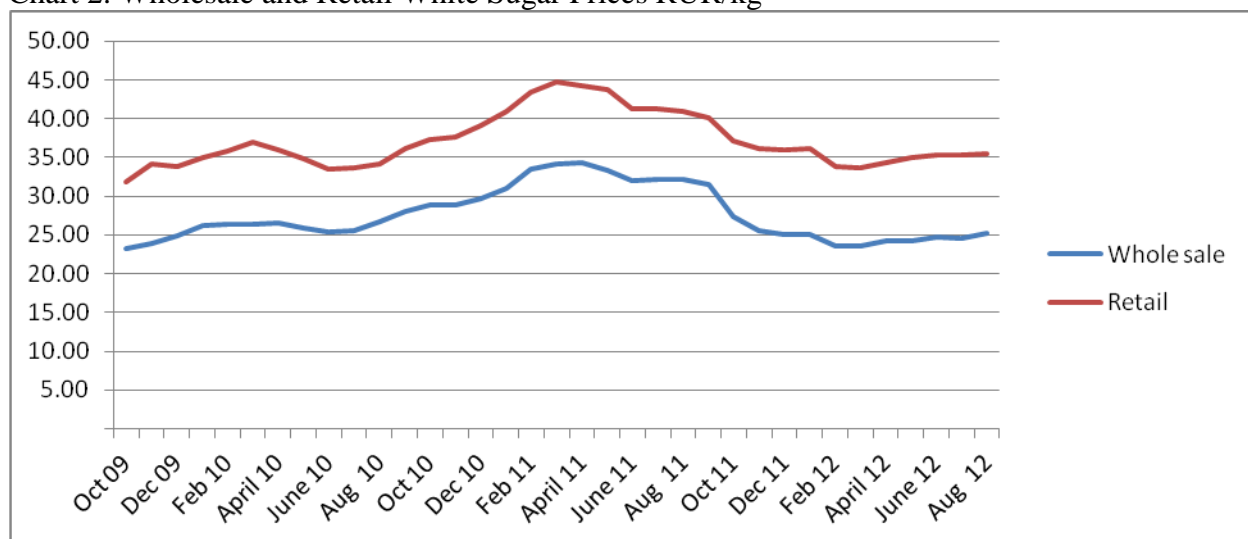
Table 5. Sugar Consumption, Kg/Capita*

Region	2006	2007	2008	2009	2010	% Δ 10/09
The Russian Federation	39	39	40	37	39	105,4
Central	42	43	44	43	43	100,0
North-Western	39	40	40	38	38	100,0
Southern	42	42	42	42	42	100,0
North-Caucuses	45	44	45	44	44	100,0
Volga region	37	37	38	36	36	100,0
Ural	34	35	36	36	37	102,8
Siberian	35	35	35	34	34	100,0
Far East	35	35	36	36	36	100,0

Source: [Rosstat](#)

*including candies calculated as sugar

Chart 2. Wholesale and Retail White Sugar Prices RUR/kg



Source: Russian Ministry of Agriculture

Trade:

Raw cane sugar imports

FAS/Moscow forecasts raw sugar imports in 2012/13 increase slightly from 2011/12 to but remain at relatively low levels because of continued strong domestic production, and continued high imports of white sugar from Belarus (where domestic production is also large). Imports are estimated at 700,000

tons, up from 500,000 tons in 2011/12 but far below the 2.3 MMT in 2010/11. In the first half of 2012 Russia imported 415,000 MT of raw sugar, which is about 82% less than in the first half of 2011 when the Russian Government increased the time window for low-duty raw sugar imports (beginning in March rather than at the beginning May).

According to Russian Customs, Russia imported 422,283 MT of raw sugar in October 2011 -- July 2012 compared to 2,258,774 MT in October 2010 -- July 2011. Imports from Brazil accounted for 42.3% (313,240 MT) of total raw sugar imports, Cuba --14.6% (61,459 MT) and Thailand – 10.4% (43,751 MT) in October 2011 -- July 2012.

White sugar imports

FAS/Moscow forecasts white sugar imports in 2012/13 to fall only slightly to 200,000 from 250,000 MT in 2011/12 as imports from Belarus are expected to remain strong due to high production there. Russia imported 43,451 MT of white sugar from the world (excluding Belarus) in October 2011– July 2012 which is 44% less compared that period the previous year. Poland's and Lithuania were the largest exporters of white sugar to Russia other than Belarus.

According to the Custom Union Statistic Service, in Calendar Year 2011 Belarus exports were strong with exports to Russia at 192,919 MT (worth \$158 million) and to Kazakhstan 52,853 MT, worth (worth \$58.85 million).

White sugar exports

According the Ministry of Agriculture, Russia exported a record 300,000 MT of sugar, (worth almost US\$200 million) in marketing year 2011/12. About half of this amount went to Kazakhstan. FAS/Moscow forecasts white sugar exports in 2012/13 to remain at 300,000 MT because of high sugar availability and continued strong demand from Customs Union and other CIS members.

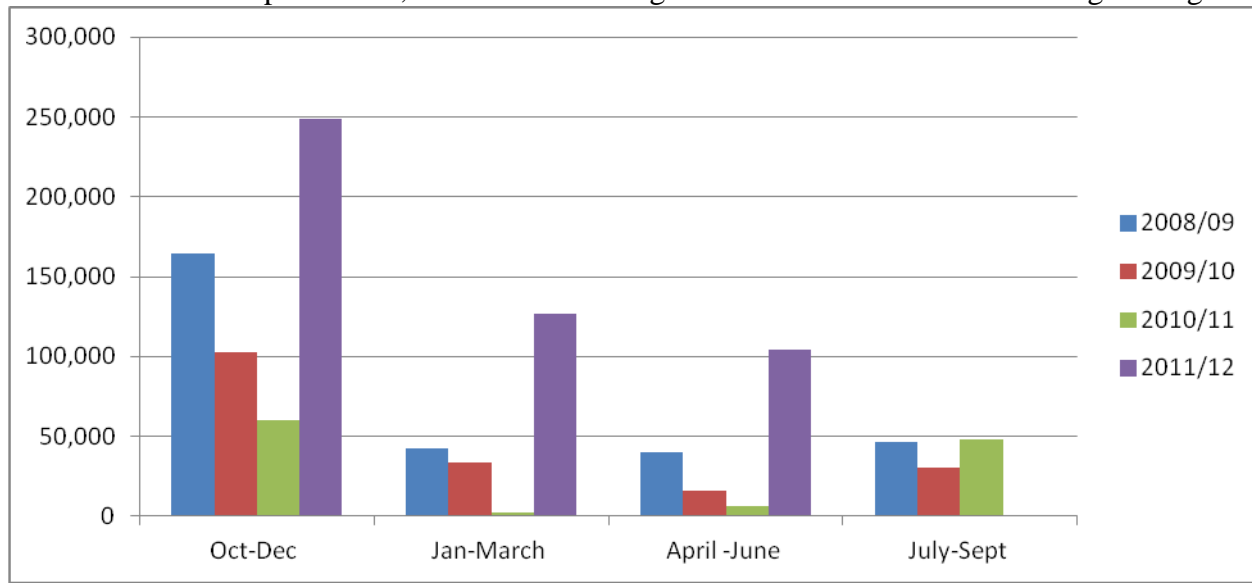
Free Trade Zone will protect CU sugar producers from imported white sugar

A CIS Free Trade Zone within the Commonwealth of Independent States to Ukraine, Russia and Belarus came into force on September 20, 2012. The agreement stipulates that the parties do not apply in relation to each other customs duties (and other payments equivalent to them) except for those listed in the annexes of the agreement. A list of duty exemptions includes sugar supplied from to Russia, Belarus, Kazakhstan and Moldova include the following: For sugar supplied from the countries of the Customs Union, the duty will be \$340 MT. For sugar supplied from Moldova the duty will be 75% of the customs value (until 2015). For sugar supplied from the Customs Union and Moldova to Ukraine, the duty will be 50% of the customs value.

Russia exports of molasses

Russia also exported about 600,000 MT of molasses in 2011/12, a five-fold increase compared to 20110/12. Of this molasses total, almost two-thirds went to just 3 markets, Vietnam, Turkey and Ukraine. Profitability of molasses exports is low due to its low price and high transportations costs to the destination country. However producers are using this possibility to utilize by-products and increase its beet processing industry efficiency as demand from the domestic livestock production is low.

Chart 3. Russian Exports 1703, Molasses Resulting From The Extraction Or Refining Of Sugar



Source: World Trade Atlas

Import duties

Starting on August 23, according with WTO accession, Russia released new duty schedule for sugar. The current raw sugar import duties vary within a year from a minimum \$140/MT when the average monthly price at the New York Mercantile Exchange is more than \$356.84/MT (excluding period from May 1 to July 31 when the average price is not less than \$485.03/MT) up to a maximum \$270/MT, when the New York Mercantile Exchange average monthly price is less than \$286.60/MT. Previously, the duty on seasonal imports of raw sugar from May through the end of July had been as low as \$50/MT, but now the minimum is \$140/MT throughout the year.

Policy:

The State Program 2013-2020

The Russian State Agricultural Program for 2013-2020 calls for the share of beet sugar in total sugar supplies (including stocks) to be 93.2% by the end of the year by 2020 (for comparison, for 2012/13 it is 78%). Many of the other goals in this program have already been met or surpassed in 2011/12 and 2012/13 because of the large sugar beet crops. For example, the program calls for sugar beet production to reach 41 MMT (production in 2011/12 and 2012/13 are above this), and beet sugar production 5.4 MMT (which was exceeded in 2011/12). Also it calls for sugar exports to increase to 250,000 MT (and exports are estimated at 300,000 MT for 2011/12 and 2012/13).

Zero tax for farmers

The Russian State Duma adopted in the second reading on September 14, 2012 a bill to make permanent a perpetual zero rate of income tax and other tax benefits for farmers. According to the existing legislation, this exemption would have ceased to have effect starting January 1, 2013. In addition, grants and subsidies allocated from the budget for farmers are also exempt from income tax. The text of the bill notes that the amendments are designed to protect Russian agricultural producers from the WTO accession negative effects.

State Support Structure Changes to comply with WTO commitments

According to Russian government officials, all the regulations necessary to evolve mechanisms of state support of agriculture in compliance with Russia's WTO accession will be developed by the end of October. Such measures will be dealt with fuel and fertilizer subsidies, lending support and export promotion.

Author Defined: Production Tables

Table 6. Sugar Beet Trade, CY 2009, 2010, 2011

	2009	2010	2011	11/10, %
Beets Marketed, MMT	19.0	17.3	32.4	87.9
Average prices,	1,242	1,636	1,602	-2.1

Source: [Rosstat](#)

Table 7. Indicators of sugar production industry in Russia, CY 1986-2011

	1986-1990	1991-1995	1996-2000	2001-2005	2008	2009	2010	2006-2010	2011	11/10 %
Planted area, 1,000 ha	1,475	1272	902	833	819	819	1,160	971	1292	11.4
Yield, MT/ha*	20.3	14.9	13.5	18.2	39.2	41.2	30,0	36,5	36.3	20.1
Gross beet harvest, 1000MT	33,177	21,663	14,025	18,581	28,995	24,892	22,256	27,218	47,663	114
Stored beet, 1,000MT	28,764	19,343	12,652	16,170	25,506	22,002	20,638	23,858	41,139	99
Contaminant at delivery for processing, %	11.7	12.8	11.9	12.3	9.3	8.1	9.4	9.8	10.7	13.8
Sugar content at delivery to refinery, %	15.7	16.0	16.3	16.0	17.1	17.6	16.6	16.7	16.0	-3.6
Sugar output, as % of processed beets	10.72	11.56	12.35	12.66	14.33	15.05	13.58	13.83	13.00	-4.3
Sugar content in syrup	2.274	2.56	2.36	2.12	1.89	1.79	2.07	1.93	1.90	-8.2
Length of sugar processing, days	115	90	68	76	101	83	76	94	135	+59 days

*Average yields in 1996-2000, 2001-2005-2006-2010, 2008, 2009, 2010, and 2011 are from harvested area, in 1986-1990, and in 1991-1995 - from planted area.

Table 8. Wholesale and Retail White Sugar Prices RUR/kg

	2009		2010		2011		2012	
	Whole sale	Retail	Whole sale	Retail	Whole sale	Retail	Whole sale	Retail
Oct	23.25	31.82	28.93	37.21	28.93	37.21	27.42	37.14
Nov	23.87	34.10	28.91	37.66	28.91	37.66	25.60	36.14
Dec	24.82	33.78	29.73	39.10	29.73	39.10	25.00	35.91
Jan	26.23	34.99	30.95	40.94	30.95	40.94	25.03	36.14
Feb	26.40	35.75	33.50	43.36	33.50	43.36	23.50	33.75

March	26.45	36.95	34.14	44.78	34.14	44.78	23.60	33.68
April	26.55	36.04	34.29	44.27	34.29	44.27	24.16	34.24
May	25.87	34.78	33.37	43.67	33.37	43.67	24.20	35.01
June	25.42	33.42	31.98	41.34	31.98	41.34	24.65	35.22
July	25.57	33.70	32.12	41.20	32.12	41.20	24.53	35.33
Aug	26.78	34.21	32.10	40.86	32.10	40.86	25.14	35.46
Sep	28.05	36.19	31.44	40.08	31.44	40.08	N/D	N/D

Source: [The Russian Ministry of Agriculture](#)

Table 9. Prices for Molasses and Granulated pulp, RUR/MT

Date	Molasses	Granulated pulp
December 15, 2011	300 – 400	2,500 – 3,500
December 5, 2011	600 – 1,500	3,500 – 4,000
November 23, 2011	600 – 1,500	3,500 – 4,000
September 3, 2012	800-2,200	4,500 - 6,200
September 21, 2012	800-2,200	4,500 - 6,000
October 1, 2012	800-3-100	4,500-6,500

Source: Rossahar

Trade Tables

Table 10. Russian Import: Commodity: 170199, Cane Or Beet Sugar And Chemically Pure Sucrose, Refined, In Solid Form, Not Containing Added Flavoring Or Coloring Matter, Year Ending September: 2007 - 2011, Year To Date: 10/10 - 07/11 & 10/11 - 07/12, Quantity, MT

Partner Country	Unit	Year Ending					Year Ending		
		2007	2008	2009	2010	2011	10/10 - 07/11	10/11 - 07/12	% Change
World	T	127,112	71,782	91,074	72,296	85,927	77,494	43,451	-43.93
Moldova	T	44,864	0	30,993	5,742	25,332	25,332	2,552	-89.93
Brazil	T	19,978	6,550	18,666	3,786	24,038	19,033	3,711	-80.5
Poland	T	37,844	59,395	16,450	36,564	13,276	13,276	23,297	75.49
Lithuania	T	0	1	0	511	1,383	1,383	10,582	665.21

Source: World Trade Atlas

Table 11 Russia Export 1703, Molasses Resulting From The Extraction Or Refining Of Sugar

	2008/09	2009/10	2010/11	2011/12
Q4	164,538	102,743	60,249	248,348
Q1	42,609	33,789	2,647	126,442
Q2	40,397	15,723	6,270	104,048
Q3	46,740	30,515	48,434	N/D
Total	294,284	182,770	117,600	478,838

Source: World Trade Atlas

Table 12. Russia Unit Value: Export Commodity: 1703, Molasses Resulting From The Extraction Or Refining Of Sugar Year To Date: January - July

Partner Country	Unit	Unit Value (United States Dollars)			% Change 2012/2011
		2010	2011	2012	

World	T	115.89	156.90	71.64	- 54.34
Turkey	T	112.99	0.00	93.49	0.00
Vietnam	T	75.86	0.00	58.31	0.00
Germany	T	78.41	0.00	58.93	0.00
Ukraine	T	82.89	0.00	49.01	0.00
Netherlands	T	0.00	0.00	130.50	0.00

Source: World Trade Atlas

Table 13 Russian White Sugar Exports to Belarus and Kazakhstan in 2011

	MT	USD	Price USD/kilo	January March2012	
				MT	USD
Total	120,158	84, 442	\$0.7/kilo	32,279*	22,910
Belarus	399	491	\$1.23/kilo	44*	54
Kazakhstan	119,759	83,951	\$0.7/kilo	32,235*	22,565

Source: Customs Union Statistic Service*Calculated

Table 14. Kazakhstan Imports: Commodity: 1701, Cane Or Beet Sugar And Chemically Pure Sucrose, In Solid Form, Year Ending: July

Partner Country	Unit	Quantity			% Change 2012/2011
		2010	2011	2012	
World	T	448,300	381,640	180,528	- 52.70
Ukraine	T	172	0	89,634	0.00
Brazil	T	299,729	339,780	58,717	- 82.72
Azerbaijan	T	13,184	38,510	10,496	- 72.74
Cuba	T	0	0	10,062	0.00

Source: Global Trade Atlas

Table 15. Kazakhstan Import Statistics From World, Commodity: 17, Sugars And Sugar Confectionary, Year Ending: July

Commodity	Unit	Description	Quantity			% Change 2012/2011
			2010	2011	2012	
17	T	Sugars And Sugar Confectionary	493,495	419,010	203,994	- 51.32
1701	T	Cane Or Beet Sugar & Chem Pure Sucrose, Solid Form	448,300	381,640	180,528	- 52.70
1704	T	Sugar Confection (Incl White Chocolate), No Cocoa	22,674	16,961	10,997	- 35.17
1702	T	Sugars Nesoi, Incl Chem Pure Lactose Etc; Caramel	8,824	8,215	7,595	- 7.54
1703	T	Molasses From The Extraction Or Refining Of Sugar	13,698	12,194	4,874	- 60.03

Source of Data: Customs Control Committee of the Ministry of Finance