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# **WTO Accession by Russian Federation: Risks, Outcomes and Possible Solutions for the Agricultural Sector of Tyumen Province**

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## **Introduction**

On 16<sup>th</sup> of December 2011 the Eighth Ministerial Conference formally approved the WTO Accession Package of the Russian Federation.

On 10<sup>th</sup> of July 2012 Duma (Parliament) of Russian Federation ratified the Protocol on the Accession of Russian Federation to the World Trade Organization (referred further to as the protocol of accession). Russian Federation will officially become the WTO member 30 days after the protocol ratification and notifying the WTO Secretariat. Thus, on 9<sup>th</sup> of August 2012 the WTO Protocol on the Accession of the Russian Federation will come into effect.

The WTO accession means that Russian Federation accepts the rules of numerous WTO agreements which regulate trade barriers, as well as state support to specific sectors. The domestic support to agriculture is regulated by the Agreement on Agriculture which was negotiated during the Uruguay Round in 1986-1994, signed in April 1994, and took effect on 1<sup>st</sup> of January 1995.

The Agreement on Agriculture indicates the general rules of domestic support and export subsidies to agricultural products, the measures of support which are subject to reduction commitments, and the basis for exemption from the reduction commitments.

The reduction commitments for a specific country are indicated in the in the respective Protocol on Accession.

# **1 Learning to read and understand the WTO conditions for Russian Federation**

The Protocol on Accession of the Russian Federation specifies the commitments on the reduction of import tariffs on agricultural products (both, raw and after processing) and commitments on the reduction of the domestic support of the sector.

## **1.1 Commitments on the reduction of import tariffs on agricultural products**

In part of the tariffs, the reduction commitments of the Russian Federation vary significantly among different products in terms of:

- target year of implementation;
- gradual reduction versus one-time reduction on the 1<sup>st</sup> of January of the year indicated;
- scale of reduction (the difference between the tariff rate at the date of accession and the final tariff rate);
- exporting countries who benefit from the tariff reduction in RF.

For a better understanding, the difference in reduction commitments is demonstrated by two examples which are described below and summarized in Table 1.1.

Example 1: Meat of swine, fresh, chilled, or frozen. Currently import of pork to Russian Federation is regulated by the tariff-rate quota (TRQ). According to the Protocol on Accession, on the first day of its membership in WTO Russian Federation is bound to introduce 0% tariff rate on pork imported within quota, but may enjoy the tariff rate of 65% on pork imported above quota. Such conditions will prevail till 2020. On the 1<sup>st</sup> of January 2020 the TRQ must be eliminated, and a flat bound rate of 25% should instead apply for meat of swine imported from the US, EU27, Australia, Brazil and Canada.

What do WTO conditions in this case mean for Russian Federation?

For the date of accession the tariff applied to the products falling under the category “Meat of swine, fresh, chilled, or frozen” was set in Russian Federation at the level of 15% (but not less than 0.25 €/kg) for import within the quota, and 75% (but not less than 1.5 €/kg) for import above the quota. The import quota of 430 thousand ton per year was set for the category.

Thus, border protection of the domestic pork production sub-sector will be significantly reduced at the moment of Russia’s becoming a WTO member (on 8th of August 2012). The following outcomes may be expected:

- 1) the price of pork imported within quota will reduce significantly due to reduction in the tariff rate from 15% to 0%;
- 2) import of pork above quota may increase due to reduction in the respective tariff rate from current 75% to 65%;
- 3) at the same time, the tariff-rate quota will further restrain pork import till 2020 and will allow Russian Federation to strengthen its pork production sub-sector until TRQ is finally eliminated and a flat tariff rate of 25% is introduced.

Example 2: Milk and cream, not concentrated, nor containing added sugar or other sweetening matter. According to the Protocol on Accession, by 2016 the import duty on the products within

this category should be reduced to 15% for the products within the category which are imported from Australia, EU27, and New Zealand. Tariff reduction should be gradual, with the first tariff reduction occurring no later than the first day of the 13th month after the date of accession (1<sup>st</sup> of August 2013), and any subsequent reduction taking place no later than 12 months after the previous reduction.

What do WTO conditions in this case mean for Russian Federation?

The current tariff rate is 15% for most of the products belonging to this category (for some products the tariff rate is 0%). At the same time, the initial bound rate indicated in the protocol on accession is 20-25% (depending on the product). Thus, the operational tariff rates (0-15%) for the category “Milk and cream, not concentrated nor containing added sugar or other sweetening matter” are lower than the initial bound rate indicated in the protocol on accession (20-25%), and the final bound rate in the protocol of accession (15%) is not lower than the current tariff rate of RF (0-15%). This means that in fact Russian Federation will not have to reduce the tariffs on milk products within the category, and the WTO condition for the product category won’t have negative effect on milk production sub-sector of RF.

**Table 1.1: Examples of WTO conditions for Russian Federation to reduce import barriers for different agricultural products**

<b>Product category</b>	<b>Meat of swine, fresh, chilled or frozen</b>	<b>Milk and cream, not concentrated nor containing added sugar or other sweetening matter</b>
Initial bound rate <sup>a</sup> , %	65	20-25
Target bound rate, %	25	15
Scale of reduction, %	40	5-10
Target year of implementation	2020	2016
Type of reduction	one-time reduction (01.01.2020)	gradual
Benefiting countries	US, EU27, Australia, Brazil, Canada	Australia, EU27, New Zealand

<sup>a</sup> as indicated in the Protocol on Accession

*Source:* WTO Protocol on the Accession of Russian Federation, Part I “Most-favoured-nation Tariff”, Section I “Agricultural Products”, Section I-A “Tariffs”.

From the examples above we observe how different the WTO conditions to reduce import barriers are for different products. The total effects of WTO conditions on Russian agriculture can be estimated only upon in-depth analysis. We should also consider that the Protocol on Accession does not specify the import tariff conditions for a range of “sensitive” products, such as fresh or chilled beef, frozen beef, main cereals (wheat, rye, oats, barley).

In general, we may conclude that in the part of import tariff commitments Russian meat-production branch will be more affected by the WTO accession than crop production branch due to the significant reduction in the high import tariffs of Russian Federation on fresh, chilled and frozen meat.

## 1.2 Commitments on the reduction of the domestic support to agriculture

The WTO schedule of gradual reduction of domestic support to agriculture is in Table 1.2. From the schedule follows, that the total aggregate measurement of support (AMS) to agriculture in Russian Federation will be gradually reduced by 2018.

**Table 1.2: Domestic Support to Agriculture: Total AMS Commitments**

Base Total AMS	Annual and Final Bound Commitment Level (Billion USD)						
	2012	2013	2014	2015	2016	2017	2018
<b>1</b>	<b>2</b>						
	9.0	9.0	8.1	7.2	6.3	5.4	4.4

*Source:* WTO Protocol on the Accession of Russian Federation, Part IV “Agricultural Products: Commitments Limiting Subsidization”, Section I “Domestic Support: Total AMS Commitments”, p. 845

What is the total AMS and which support measures fall under this category? To answer this question, let us consider the three “boxes” of measures distinguished by WTO, and the specific measures within each of these boxes (see Table 1.3).

**Table 1.3: Measures of domestic support by “Boxes”**

Box	Amber box	Blue box	Green box
<b>Description</b>	Measures to support prices, or subsidies directly related to production quantities	Any support from the amber box which aims to limit agricultural production	Government-funded subsidies which do not distort trade and do not involve price support.
<b>Measures</b>	All measures are not included into the blue or green boxes	For example: <ul style="list-style-type: none"> <li>- livestock payments made on a fixed number of head (in combination with production quotas)</li> <li>- payments based on fixed area and yields (in combination with the requirement to set-aside land)</li> </ul>	<ul style="list-style-type: none"> <li>- general services (research, pest &amp; disease control, training, extension &amp; advisory, inspection, marketing &amp; promotion, infrastructure)</li> <li>- food security (accumulating &amp; keeping stocks of products)</li> <li>- food aid</li> <li>- decoupled income support</li> <li>- government participation in income insurance programmes</li> <li>- payments for relief from natural disasters</li> <li>- producer retirement programmes</li> <li>- resource retirement programmes</li> <li>- investment aid</li> <li>- payments under environmental programmes</li> <li>- payments under regional assistance programmes (to disadvantaged regions)</li> </ul>

*Source:* Agriculture negotiations: background fact sheet, Domestic Support in agriculture: the boxes; available at: [http://www.wto.org/english/tratop\\_e/agric\\_e/agboxes\\_e.htm](http://www.wto.org/english/tratop_e/agric_e/agboxes_e.htm); accessed on 11. 06.2012; WTO Agreement on Agriculture

To summarize, the total AMS are all support measures which are not included into the blue and green boxes. Total AMS is located in the amber box; this support to agriculture should be within limits set by the WTO (Table 1.2). The funding of measures from the blue and green boxes is not limited. The measures within the blue box are currently irrelevant for Russia to consider, because the country's agricultural policy aims not at reducing, but at further expansion of agricultural production.

## 2 Short characteristic of state support to agriculture in Russian Federation

### 2.1 Current state support to agriculture within the federal and sector targeted programmes

In the previous section we have considered the two types of commitments of Russian Federation to reduce the protection of its agriculture. Further in this document we will deal explicitly with the measures of domestic support to agriculture. This is explained by the fact that WTO conditions in the part of trade barriers are very clear, cannot be avoided, and the respective alterations to federal legislation will be made at the federal level. Instead, further support to agriculture under the WTO conditions will be enabled by restructuring the domestic support to agriculture, i.e. reallocating of budget funding among the three WTO boxes of measures. Furthermore, such restructuring of domestic support will take place at the federal level, as well as within single federal subjects. First, let us consider the expenditures on agriculture in the framework of federal and sector targeted programmes within the last years (see Table 2.1).

**Table 2.1: Dynamics of state support to agriculture in the framework of the federal and sector targeted programmes in 2008-2011**

Year	2008	2009	2010	2011
Overall expenditures under the federal and sector targeted programmes:				
- billion RUB	118.3	165.0	142.3 <sup>a</sup>	125.0
- billion USD <sup>b</sup>	5.59	5.22	4.70	4.25

<sup>a</sup> in 2010 107.3 billion RUB (3.55 billion USD) were allocated for agricultural support in the framework of the existent state programmes, another 35 billion RUB (1.15 billion USD) were the extra funds allocated from the budget for the compensation of agricultural losses caused by draught;

<sup>b</sup> the average RUB to USD exchange rates of 0.0404 for 2008, 0.0316 for 2009, 0.0329 for 2010 and 0.0340 for 2011 were taken at: <http://www.oanda.com/lang/de/currency/historical-rates/>

*Source:* Ministry of Agriculture of Russian Federation (2009). National Report "On the progress and results of the implementation in 2008 of the State Programme of Agricultural Development and Regulation of Markets for Agricultural Products, Raw Materials and Food for 2008-2012";  
 Ministry of Agriculture of Russian Federation (2010). National Report "On the progress and results of the implementation in 2009 of the State Programme of Agricultural Development and Regulation of Markets for Agricultural Products, Raw Materials and Food for 2008-2012";  
 Ministry of Agriculture of Russian Federation (2011). National Report "On the progress and results of the implementation in 2010 of the State Programme of Agricultural Development and Regulation of Markets for Agricultural Products, Raw Materials and Food for 2008-2012";  
 Ministry of Agriculture of Russian Federation (2012). National Report "On the progress and results of the implementation in 2011 of the State Programme of Agricultural Development and Regulation of Markets for Agricultural Products, Raw Materials and Food for 2008-2012"

We observe that support to agriculture under the federal and sector targeted programmes has been decreasing over the last three years. Let us now compare the numbers in Table 2.1 with the WTO conditions for domestic support in Russian Federation which are indicated in Table 1.2.

**Table 2.2: Comparison of the state support to agriculture in Russian Federation with the WTO conditions to reduce domestic support of the sector**

Year	2008	2009	2010	2011
Overall expenditures under the federal and sector targeted programmes, billion USD	5.59	5.22	4.70	4.25
Total AMS under WTO condition in:				
- 2017	5.4	5.4	5.4	5.4
- 2018	4.4	4.4	4.4	4.4

We observe that over the last years the state support to agriculture has been slightly higher (or even lower in 2011) than the limits of domestic support in the last of the schedule set by WTO. Thus, the WTO requirements in the part of domestic support are not expected to have a significant influence on the expenditures from the federal budget on agriculture. Here, however, we need to consider the following three aspects:

1. the maximum domestic support to agriculture indicated in the protocol of accession concerns not total amount of support, but only the measures which belong to the amber box. Some measures of domestic support belong to the green box (see Annex I); their funding will be subtracted when calculating total AMS;
2. the amount of state support indicated in Table 2.1 and 2.2 shows only the expenditures from the consolidated budgets<sup>1</sup> under the federal and sector targeted programmes. The expenditures of federal subjects within the local programmes of agricultural support are not included, but will be added when calculating the total AMS;
3. most of the federal and sector targeted programmes were developed for the period till 2013. This means that starting from 2013 new programmes will be in place.

Now, let us consider the measures of support funded within the federal and sector targeted programmes, and allocate them to the three WTO boxes (see Annex I). We observe that most of measures belong to the amber box, i.e. have trade-distorting effects. Furthermore, the largest share of federal funds was allocated to the amber-box measures. Thus, almost 66% of expenditures from the federal budget were allocated to the subsidies to reimburse payments for credits within the period 2008-2011<sup>2</sup>. At the same time the green-box support to rural development constituted only 6% of the total expenditures on agriculture from federal budget<sup>3</sup>.

<sup>1</sup> The state support to agriculture from the federal budget is based on the co-funding principle. The principle means that if a federal subject wishes to receive federal funding on the measures within the federal and sector targeted programmes, it is required to invest into these measures at a specific rate from its own budget

<sup>2</sup> The information is derived from the data in Table 1.1 “Funding of the State Programme by Directions” of the National Report “On the progress and results of the implementation in 2011 of the State Programme of Agricultural Development and Regulation of Markets for Agricultural Products, Raw Materials and Food for 2008-2012”

<sup>3</sup> Ibid.



## 2.2 Future state support to agriculture within the federal and sector targeted programmes

Now let us consider how Russian Federation intends to support its agricultural sector in the upcoming years. The funding from the federal budget for years 2013-2020 is planned within the Draft State Programme of Agricultural Development and Regulation of Markets for Agricultural Products, Raw Materials and Food for 2013-2020<sup>4</sup> (referred further to as draft programme of agricultural development). Please note that the latest version of the draft programme was released on 18<sup>th</sup> of May 2012 and is assumed to be adjusted to the WTO conditions in the part of domestic support to agriculture.

**Table 2.3: Planned state support to agriculture in Russian Federation in 2013-2020**

Year	2013	2014	2015	2016	2017	2018	2019	2020
Projected expenditures under the Programme of Agricultural Development:								
- billion RUB <sup>a</sup>	216.4	257.2	282.0	305.4	325.6	343.9	365.7	386.4
- billion USD <sup>b</sup>	7.18	8.54	9.36	10.14	10.81	11.42	12.14	12.83
Total AMS under WTO conditions	9.0	8.1	7,2	6,3	5,4	4,4	-	-

<sup>a</sup> at current prices;

<sup>b</sup> the average RUB to USD exchange rate of 0.0332 for the period 01.01.2012-18.05.2012 was taken at: <http://www.oanda.com/lang/de/currency/historical-rates/>

*Source:* Ministry of Agriculture of Russian Federation (2012). Draft State Programme “Agricultural Development and Regulation of Markets for Agricultural Products, Raw Materials and Food for 2013-2020”, version from 18.05.2012

WTO Protocol on the Accession of Russian Federation, Part IV “Agricultural Products: Commitments Limiting Subsidization”, Section I “Domestic Support: Total AMS Commitments”, p. 845

We observe that starting from 2013 state support to agriculture within the federal and sector targeted programmes will continually increase. Already in 2014 the projected funding agriculture will exceed the limits set by WTO. BUT the projected expenditures are not necessarily equal to the total AMS. We proceed from the assumption that the funding of the amber-box measures will take place within the limits set by WTO, and the rest of funds will be allocated to the green-box measures.

Let us have a brief look at the directions of domestic support to agriculture in 2013-2020 and their projected funding (see Table 2.4). We observe that though support to crop and animal production remains the priority, the importance of “green” directions of agricultural development, such as rural development, research and management, is being increased. As regards single support measures, the shift towards green-box measures is obvious. Much more measures within the categories “general services”, “income insurance”, and “structural adjustment aid” are named in the draft programme of agricultural development for 2013-2020 in comparison to the programme of agricultural development for 2008-2012. Some measures, such as protection of genetic resources and reducing ecological pressure, are novel to agriculture.

<sup>4</sup> The draft version of the document from 18.05.12 is available at: [http://www.mcx.ru/documents/file\\_document/show/17665.342.htm](http://www.mcx.ru/documents/file_document/show/17665.342.htm); accessed on 19.06.12

**Table 2.4: Funding of agricultural production from federal budget in 2013-2020 by sub-programmes**

Sub-programme	Funding, billion RUB							
	2013	2014	2015	2016	2017	2018	2019	2020
Development of crop production sub-branch, processing and sale of crop products	51.8	54.4	59.2	63.3	69.2	76.4	85.1	94.8
Development of animal production sub-branch, processing and sale of animal products	71.8	77.3	82.4	86.5	90.8	93.2	97.8	102.0
Support to small forms of agricultural producers	11.9	12.2	11.4	11.8	12.4	13.0	13.7	14.4
Technical and technological modernization, innovations	12.2	12.9	13.6	14.3	15.0	15.8	16.6	17.5
Scientific support of the programme implementation	9.2	9.7	10.5	11.5	12.6	13.7	15.0	16.4
Management of programme implementation	37.2	37.8	38.5	39.5	40.9	42.4	44.0	45.6
Social rural development till 2013	9.6	-	-	-	-	-	-	-
Sustainable rural development in 2014-2017 and for the period till 2020	-	-	-	-	479.1	-	-	525.8
Development of land melioration for the period till 2020	12.6	20.8	30.1	38.1	40.1	39.8	38.1	34.0

*Source:* Ministry of Agriculture of Russian Federation (2012). Draft State Programme “Agricultural Development and Regulation of Markets for Agricultural Products, Raw Materials and Food for 2013-2020”, version from 18.05.2012

We may draw the following conclusions:

1. Russian Federation expects negative effects of WTO accession for its agriculture and intends to increase state support to the sector;
2. at the same time there is an understanding that this increase in state support should take place through the investments in green-box measures;
3. moreover, there is an awareness that agricultural sector needs to be modernized in order to ensure high competitiveness of Russian agricultural products, achieve food security and food quality objectives.

As regards further reallocation of domestic support to agriculture among the three boxes, the increase in the funding of the green box measures is the only possibility for Russian Federation. Measures belonging to the blue box are irrelevant to the goals set by Russian Federation for its agricultural sector. Thus, the country aims at further increase in production in order to achieve food security which is understood as the share of domestic agricultural products in the total consumed agricultural products. On the contrary, the blue box measures aim to decrease production; for example, they are widely applied by the EU and Norway.

### **3 Analysis of state support to agriculture in Tyumen province in the light of the WTO accession**

Before proceeding with the analysis of the measures of state support to agriculture in Tyumen province, let us first consider how the share of the province budget allocated to agricultural support is being formed.

#### **3.1 The budget of Tyumen province available for state support of agriculture**

The funds available for agricultural support in Tyumen province have two sources:

- the funds transferred to the province budget from the federal budget, and
- the share of the province budget allocated to agricultural support.

The funds from the federal budget are transferred to the province budget to implement the federal and sector targeted programmes (see Annex II). In this case the measures of support are determined by the federal goals of agricultural development.

In order to receive the funds from the federal budget, two aspects need to be taken into account:

- the co-funding principle, and
- the level of budgetary provision of Tyumen province.

The co-funding principle applies to all measures within the federal and sector targeted programmes of agricultural support. It indicates the share of subsidies from the province budget which needs to be allocated to specific measure in order to receive subsidies from the federal budget. For example, the state programme of agricultural development indicates that up to 30% of the costs of pedigree cattle purchase can be reimbursed from the federal budget under the condition of co-funding from the province budget at the rate of at least 30% of the funds transferred from the federal budget. Thus, in order to receive 100,000.00 RUB from the federal budget on the purchase of pedigree cattle, at least 30,000.00 RUB must be allocated to this measure from the province budget. Thus, the total available state support to the purchase of pedigree cattle in the province would be 130,000.00 RUB.

The level of budgetary provision is the index which indicates how (in)dependent the budget of a federal subject is from the federal budget. The index is calculated by dividing the index of tax potential (potential budget income) of a federal subject by the index of its budget expenses<sup>5</sup>. For Tyumen province the index of budgetary provision constitutes 2.3467. This means that the income part of the province budget formed from the sources within its geographical borders is sufficient to cover the expenditure part of the budget. In relation to the transfers from the federal budget on agricultural support, the level of budgetary provision indicates the rate of funding required from the province budget in order to receive funds from the federal budget. For example, if in the calendar year 100,000.00 RUB were transferred from the federal budget to the province budget on state support of agricultural production, at least 234,670.00 RUB must have been allocated from the province budget to agricultural support. This correlation of funding from the province and the federal budgets must be respected by Tyumen province in order to receive 100% of funding available from the federal budget.

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<sup>5</sup> According to the “Method of allocating subsidies to equalize the budgetary provision of the subjects of Russian Federation” approved by the Decree of the Government of Russian Federation No 670 from 22.11.2004

Apart from the co-funding of measures indicated in the federal and sector targeted programmes Tyumen province is free to design and finance its own measures of state support. These measures are then determined by the specific objectives of agricultural production, and are adjusted to the geographical, climatic and socio-economic conditions of the province.

For example, the following measures cannot be funded from the federal budget, but are strongly supported by the province budget funds:

- purchase of foreign agricultural machines (only the purchase of machines produced within Russian Federation can be subsidised from the federal budget);
- support to leasing companies;
- reconstruction of animal premises.

The amount of agricultural support from the province budget is approved every year by the government of Tyumen province. There are no articles in the income part of the province budget which must be reinvested exclusively in agriculture<sup>6</sup>. All taxes and payments are generated in a single pot of the province budget which is further distributed among different economy sectors.

Looking at the shares of funds allocated to agricultural support from the federal and province budgets, we observe that the former constitutes around 8% of total state support available to agricultural producers in Tyumen province<sup>7</sup>. The fulfilment of the co-financing principle constitutes around 20% of the funds allocated from the province budget on agricultural support. In total, only 27% of agricultural funding in the province is allocated to the measures within the federal and sector targeted programmes. The rest 73% is the support of measures designed for and operating exclusively within the territory of Tyumen province. From this we conclude that in terms of funding, state support of agriculture in Tyumen province is rather independent from the federal budget, and the authorities have sufficient financial means and freedom to support specific measures within the province.

### **3.2 Measures of state support to agriculture in Tyumen province**

Let us now consider the measures of support to agriculture designed by the authorities of Tyumen province and funded entirely from the province budget (see Annex II). We observe that according to WTO classification, practically all measures belong to the amber box, i.e. have production and/or trade-distorting effects. Only measure 11 “Subsidies to provide agro-industrial complex of Tyumen province with qualified personnel” can be with confidence placed into the green box. Another two measures 1.5 “Subsidies to households to purchase mixed fodder and mixed crushed grain” and 10.3 “Subsidies to agricultural consumption cooperatives to partly compensate for the costs of hay procurement for households” could be considered rural development or income support measures and allocated to the green box under the condition that the agricultural production in households is intended for own consumption and not for sale. Considering that the share of households in the total agricultural produce of Tyumen province is

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<sup>6</sup> For example, in Ukraine payment for land can be used only for the purpose of improving soil fertility

<sup>7</sup> Source: Law of Tyumen Province “On the execution of the province budget in 2011”, approved by the Decree of Tyumen Duma No. 279 from 24.05.2012.

almost 54%<sup>8</sup>, and considering that at least milk and meat production in households is indeed a commodity production, we may conclude that the support measures 1.5 and 10.3 belong to the amber box.

All other measures of agricultural support have distorting effects because they reduce production costs or influence the motivation to produce specific products:

- measures 1.1 and 1.2 reduce the products' selling price thus making them more attractive for purchase;
- such measures as 1.6, and those within group 5 reduce production costs;
- such measures as 1.8, 2.3, 2.4, 4.1, 6 are related to specific product. They do not only reduce production costs, but also influence the production choices of farmers;
- such measures as those in group 3, 7 and 8 reduce investment costs and give strong incentives to produce specific products.

If we try to look at the reasons behind the specific support measures, we could identify the following potential ones:

- producing specific products in sufficient amount (measures 1.2, 1.4);
- increasing the competitiveness of local agricultural products by reducing the production cost (measures 1.3, 1.6);
- support of income level and/or food security of rural population (measures 1.5, 10.3);
- support to the local industries (measures 2.2, 4.1)

This variety of potential reasons for agricultural support indicates that in order to adjust agricultural support to the WTO conditions we need to set the priorities of agricultural support and answer some fundamental questions. We will come back to this point in the last section of this paper.

## **4 Potential risks and outcomes of WTO accession for the agriculture of Tyumen province: formulating the task**

The ratification of the protocol of accession by the federal parliament will be inevitably followed by change in institutions regulating agricultural production. On the one hand, the border protection of the sector will be gradually reduced. On the other hand, the domestic support will also alter. The latter, as we observed in the previous section, will refer to both, the amount of funds allocated to agricultural support, and the restructuring of state support.

We cannot prevent or influence these alterations at the federal level. But, we may build an expectation as to their implications for agricultural sector of Tyumen province.

### **4.1 Reduction of border protection**

In the Section 1.1 of this paper we observed how different WTO conditions in the part of tariff reduction may be. The assessment of respective implications for agricultural sector requires a thorough analysis. Such studies, which investigate the effects of import quotas elimination and

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<sup>8</sup> *Source:* Territorial body of the Federal Service of State Statistics in Tyumen province "Agricultural Produce by the Categories of Producers". Available at: <http://www.tumstat.gks.ru/bibl1/продукциясх.htm>, accessed on 18.06.2012

tariffs reduction on the Russian economy in general and its agricultural sector in particular, are absent. Instead, the political discourse is guided by personal opinions and statements<sup>9</sup>.

The common opinion about the implications of WTO accession for agriculture can be summarized as follows:

*Reduction in border protection will lead to significant increase in the import of agricultural products. Among all agricultural sectors animal production will be particularly affected<sup>10</sup>. Meat production branch is particularly vulnerable and may even be destroyed. In this regard, pork and poultry production need to be especially supported<sup>11</sup>.*

We can see that this opinion is not based on the careful reading of the WTO conditions. Thus, the time-frame for reducing barriers to beef import has not been set yet; in case of pork we can expect significant increase on import starting from 2020 when the tariff quota will be eliminated.

Similar opinions dominate the discourse in Tyumen province, where meat production is the priority direction of agricultural development. According to the Concept of Food Security of the Ural Federal District<sup>12</sup> (UFD), meat and vegetables production are the only two branches which cannot answer the demand on the respective products within Tyumen province. Thus, in the part of meat production local producers satisfy actual meat consumption only by 43%, and in the part of vegetables consumption – by 64%. That is why increasing meat production is a specific objective in Tyumen province which attracts the largest share of budget expenditures.

Import of meat is of particular concern because of another common opinion, that meat produced in Tyumen province cannot compete with foreign products in terms of price and quality<sup>13</sup>. Thus, in this case the main problem is not the expected increase of meat import, but the competitiveness of local products.

Furthermore, it is not yet clear, if import of agricultural products will necessarily increase in all federal subjects. The study of the Russian Academy of Science classifies the federal subjects in three groups by their dependency on import. If we look closed at this classification, we notice that Central Federal District and the border federal subjects have the highest import dependency, which is determined by the higher incomes of population in the first case, and low transportation costs of imported products in the second case. For Tyumen province import dependency was estimated as low (6.7%) with a conclusion that changes in custom policy will be of minor effect.

Most of the judgements about the implications of tariff and quota reduction are made from the perspective of potential effects for local agricultural producers. At the same time we must not forget that increasing import of agricultural products will also affect other actor groups, and numerous interests must be taken into account when estimating the effects of WTO conditions in the part of reduction of import barriers. Let us briefly consider another two perspectives on the issue.

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<sup>9</sup> [http://www.wto.ru/ru/news.asp?msg\\_id=28964](http://www.wto.ru/ru/news.asp?msg_id=28964); accessed on 20.06.2012

<sup>10</sup> [http://www.wto.ru/ru/news.asp?msg\\_id=28930](http://www.wto.ru/ru/news.asp?msg_id=28930); accessed on 20.06.2012

<sup>11</sup> [http://www.wto.ru/ru/news.asp?msg\\_id=28978](http://www.wto.ru/ru/news.asp?msg_id=28978); accessed on 20.06.2012

<sup>12</sup> The Concept of Food Security of Ural Federal District for the Period till 2020 was prepared by the apparatus of the Plenipotentiary Representative of the President of Russian Federation in Ural Federal District in accordance with the Doctrine of Food Security of Russian Federation

<sup>13</sup> Ibid.

Population. The increase in the import of agricultural products will have the following positive effects on the consumers' welfare:

- decline in food prices. Consumers will be able to purchase more with the same budget. This would have positive nutrition effects by enabling consumers to increase the share of meat and vegetables in their basket of food products
- food quality. Positive nutrition effects may also be experienced by consumers in terms of better food quality. For example, the UFD Concept of Food Security underlines the steadily decreasing quality of food produced within the territory of the district. This is further supported by the Department of State Service of Monitoring and Control in the Field of the Protection of Consumers' Rights and Human Welfare in Tyumen province<sup>14</sup>.
- food security. The UFD Concept of Food Security underlines that the federal district is not sufficient in the production of milk and meat. Thus, increasing import of these products would signify the increase of food security in the region.

Processing industry. The ready-to-consume food products imported under the new quota and tariff conditions will compete with the local processing industries. In this competition the latter might have a weaker position due to backwardness in terms of equipment, technologies, quality and price of the final product<sup>15</sup>. On the other hand, imported raw agricultural products might be a better (in terms of price and quality) input for local processing industries than locally produced agricultural products.

Having considered the potential effects of reduction in import quotas and tariffs from different perspectives, we apprehend the complexity of the situation and interests involved. This complexity should be further taken into account when discussing the potential solutions and designing concrete measures of further support to agriculture.

## **4.2 Amount of state support to agriculture**

From the discussion in Section 2.2 of this paper we may conclude that there is no risk of decreasing funding of agriculture from the federal budget. On the contrary, Tyumen province, together with all other federal subjects, may expect a potential increase in such funding. Furthermore, this increase of support from the federal budget is especially beneficial to Tyumen province where objective to increase meat production coincides with the priority direction of the federal agricultural policy.

In the context of the common perception of negative effects of WTO accession on agricultural production, and the strong willingness to support the sector in this transition period, we can expect that the funding from the province budget will be maintained at the same level, or even increased within the next years. Thus, the problem is not in the amount of available funding, but in its allocation among the specific measures of agricultural support.

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<sup>14</sup> Decree of the Parliament of Tyumen province No 56 from 09.02.2012 "On the information of the department of State Service of Monitoring and Control in Tyumen Province about the execution of state control aimed at the provision of the province population with safe food products".

<sup>15</sup> The Concept of Food Security of Ural Federal District for the Period till 2020 was prepared by the apparatus of the Plenipotentiary Representative of the President of Russian Federation in Ural Federal District in accordance with the Doctrine of Food Security of Russian Federation

## 4.2 Restructuring of state support to agriculture

The need to restructure state support to agriculture is recognised at all levels. This recognition is determined by the following aspects:

- the perceived necessity to support agricultural producers under WTO conditions even more than prior to the WTO accession;
- the perceived pressure from the WTO to decrease the support to the amber-box measures, and increase the funding of the green-box measures, and
- the perceived need to modernise agricultural sector in order to make local products competitive.

As we discussed in Section 2.2, the concrete steps towards restructuring state support to agriculture are already noticeable at the federal level. For Tyumen province this signifies that:

- 1) new measures will be funded from the federal budget and respectively co-funded from the province budget;
- 2) the amount of funding will be reallocated among the measures of support with the reduction of expenditures on the traditional direct measures of support and instead the promotion of indirect measures;
- 3) the normative acts regulating state support to agriculture within Tyumen province will need to be brought in accordance with the federal normative acts;
- 4) the restructuring of state support to agriculture at the federal level will result in the requirement to federal subjects to redesign the local programmes of support in order to reduce the funding of the amber-box measures.

The upcoming institutional change caused by the WTO accession is well recognised by the authorities of Tyumen province<sup>16</sup>. That is why the working group on the risks of WTO accession for agriculture of Tyumen province was created within the Tyumen Parliament<sup>17</sup>. The task of the working group and the authorities of Tyumen province is not simply to re-formulate the measures of agricultural support, but to redesign them. The restructuring of state support should not only preserve the amount of funding available to agriculture, but also contribute to the modernization of the sector.

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<sup>16</sup> Official web-site of the Parliament of Tyumen Province. News: "Members of the United Russia party discuss the draft laws on the support of agricultural producers". Available at: <http://www.duma72.ru/ru/news/428/16830/> (accessed on 22.06.2012)

<sup>17</sup> Official web-site of the Parliament of Tyumen Province. News: "Deputies of the province parliament discuss the suggestions about the sustainable development of agro-industrial sector of Tyumen province in the context of WTO accession by Russian Federation". Available at: <http://www.duma72.ru/ru/news/428/17123/> (accessed on 22.06.2012)



## **5 The Green-Box Measures and Potential of Their Application in Tyumen Province**

### **5.1 Applicability of green-box measures in Tyumen province**

In Section 3.3 we observed that agriculture in Tyumen province is supported mainly through the production-linked measures among which the direct payments prevail (see also Annex II). In order to discuss how state support to agriculture can be redesigned, let us reflect on the potential to implement the green-box measures (see Table 1.2) in Tyumen province. Annex III lists all green-box measures, indicates the current state of their implementation in Tyumen province, and analyses the potential for future implementation.

From Annex III we observe that the applicability of the green-box measures for Tyumen province depends strongly on the goals of province development. Here not only agricultural but also the rural development and environmental objectives play a role.

## Annex I: Allocation of the RF measures of domestic support to agriculture by the WTO three boxes of measures

Measures financed from federal budget in 2010	Box
<b>Support to meat production</b>	
Subsidies to purchase of pedigree animals, embryos and semen by agricultural producers	Yellow
Subsidies to purchase of pedigree animals, embryos and semen by breeding organizations (research)	Green
Subsidies to keep the brood stock	Yellow
Subsidizing cattle fattening through the selected regional meat production programmes	Yellow
Subsidies to develop reindeer breeding in the North, and horse breeding for meat	Green
Anti-epizootic measures	Green
<b>Support to crop production</b>	
Subsidies to purchase elite seed material	Yellow
Subsidies to produce flax	Yellow
Subsidies to produce rape-seed	Yellow
Subsidies to purchase agrochemicals	Yellow
Subsidies to establish perennial plantations	Yellow
<b>Protection and restoration of soil fertility</b>	
Subsidies to purchase fertilizers	Yellow
Agrochemical land melioration (liming, gypsuming)	Yellow
Construction and reconstruction of melioration systems and anti-erosion constructions	Green
Agro-chemical and ecological soil monitoring	Green
<b>Rural development</b>	
Construction and improvement of housing facilities in rural areas	Green
Gasification of rural dwellings	Green
Improving central water supply and drinking water provision	Green
Construction of schooling, entertainment and medical facilities	Green
<b>Establishment of the state system of information support to agriculture</b>	
Consulting services to agricultural producers; training and retraining of agricultural workers	Green
<b>Financial stability of agricultural enterprises</b>	
Subsidies to reimburse payments for short-term credits	Yellow

Subsidies to reimburse payments for investment credits (up to 8 years)	Yellow
Subsidies to pay for credits taken for (re)construction of animal breeding centres	Yellow
Subsidies to pay for agricultural insurance	Green
Compensation of losses caused by draught	Green
<b>Investment projects</b>	
Construction, reconstruction and modernization of animal husbandry farms, including poultry farms and breeding farms	Yellow
Construction, reconstruction and modernization of facilities for the primary processing and storage grain	Yellow
Construction, reconstruction and modernization of facilities for primary processing of meat and milk	Yellow
Construction, reconstruction and modernization of sugar plants	Yellow
<b>Other measures of support to agriculture financed from the federal budget in previous years</b>	
Subsidies to compensate for costs for fuel used in agricultural production	Yellow
Subsidies to purchase mixed fodder	Yellow

*Source:* State Program of Agricultural Development and Regulation of Markets on Agricultural Products, Raw Materials and Food for 2008-2012; approved by the Decree of the Government of Russian Federation No 446 from 14.07.2007

Sector targeted programme “Development of Pork Production in Russian Federation for the period 2010-2012”; approved by the Decree of the Ministry of Agriculture of Russian Federation No 567 from 30.11.2009

Sector targeted programme “Development of Cattle Breeding for Meat for the period 2009-2012”; approved by the Decree of the Ministry of Agriculture of Russian Federation No 494 from 06.11.2008 N 494

Sector targeted program “Development of Poultry Farming in Russian Federation for 2010-2012” and the Concept of the Development of Poultry Branch of Russian Federation for the Period 2013-2020; approved by the Decree of the Ministry of Agriculture of Russian Federation No 433 from 15.12.2010

Sector targeted program “Development of Flax Complex of Russian Federation for the period 2008-2010”; approved by the Decree of the Ministry of Agriculture of Russian Federation No 261 from 16.06.2008

Federal targeted program “Preservation and Restoration of Soil Fertility on Agricultural Land for the period 2006-2010”; approved by the Decree of the Government of Russian Federation No 99 from 20.02.2006

Federal targeted program “Social Rural Development till 2013”; approved by the Decree of the Government of Russian Federation No 858 from 03.12.2002

Sector targeted program “Development of Infrastructure and Logistical Provision for Agricultural Market for the period 2010-2012”; approved by the Decree of the Ministry of Agriculture of Russian Federation No 434 from 15.12.2010

**Annex II: Measures of state support to agriculture in Tyumen province and their allocation by the WTO three boxes of measures**

No.	Measures financed from federal budget in 2010	Amount	Box
<b>1</b>	<b>Animal production</b>		
1.1	Subsidies to compensate the expenses on milk production	3000 RUB per ton of milk sold (for farmers), purchased (for processing enterprises), or processed (if milk producers are also milk processors)	Yellow
1.2	Subsidies to agricultural producers to keep the thoroughbred meet cattle	8000 RUB per head per year	Yellow
1.3	Subsidies to agricultural producers to keep the cows in the mixed bred animal husbandry	2500 RUB per feeding cow per year	Yellow
1.4	Subsidies to agricultural enterprises to keep rabbits	90 RUB per head per year to agricultural producers	Yellow
1.5	Subsidies to households to purchase mixed fodder and mixed crushed grain	2100 RUB per 0.3 ton used to keep one sow per for one farrow 700 RUB per 0.1 ton of fodder to keep one cow in households with more than 5 cows	Yellow
1.6	Subsidies to agricultural producers (except households) to purchase protein feed	50% of costs, but not more than 5000 RUB per ton	Yellow
1.7	Subsidies to agricultural producers (except households) to partly compensate the costs of feeding young cattle	50 RUB per 1 kg of slaughter weight to: - producers except households - consumption cooperative under the condition of meat purchase price being not less than 120 RUB/kg	Yellow
1.8	Subsidies to agricultural producers to raise cattle for reproduction	Cattle: 70 RUB per 1 kg of live weight Pigs: 50 RUB per 1 kilo of live weight	Yellow
<b>2</b>	<b>Animal breeding</b>		
2.1	Subsidies to agricultural producers to purchase pedigree animals for breeding	Cattle: 70 RUB per 1 kilo of live weight Pigs: 50 RUB per 1 kilo of live weight Sheep and goats: 30 RUB per 1 kilo of live weight Rabbits: 3000 RUB per head	Yellow
2.2	Subsidies to breeding centres to sell the bull semen	45 RUB per dose under the condition that semen is sold to the agricultural producers in the province at the price not higher than 120 RUB per dose	Yellow
2.3	Subsidies to agricultural producers to partly compensate the costs of purchase of milk cattle of foreign breeding	At the rate of 90% of purchase cost	Yellow

2.4	Subsidy to purchase fish stock material	Larva of fish of Coregonus genus: 50 RUB per 1000 larva items Yearlings of Coregonus, Cyprinidae, and predatory fish (except of perch): 2000 RUB per 1000 yearlings	Yellow
<b>3</b>	<b>Support to the development of the material and technical basis, technical and technological equipment, and re-equipment of livestock premises</b>		
3.1	Subsidies to agricultural producers (except households) to equip and re-equip cattle premises (including equipment's delivery and installation)	At the rate of 90% of the equipment purchase cost, including cost of delivery and installation	Yellow
3.2	Subsidies to mini-farms and households to purchase equipment	At the rate of 70% of the equipment purchase cost, including cost of delivery and installation	Yellow
3.3	Subsidies to poultry farms (for meat production) to conduct modernization and re-equipment	At the rate of 40% of the equipment purchase cost, including cost of delivery and installation	Yellow
3.4	Subsidies to pig-raising enterprises to conduct modernization and re-equipment	At the rate of 40% of the equipment purchase cost, including cost of delivery and installation	Yellow
3.5	Subsidies to the rabbit-raising and reproducing enterprises to conduct modernization and re-equipment	At the rate of 70% of the equipment purchase cost, including cost of delivery and installation	Yellow
3.6	Subsidies to strengthen the material and technical basis of organizations and individual entrepreneurs doing fish-breeding in the part of raisin and processing of water biological resources	At the rate of 90% of the equipment purchase cost, including cost of delivery and installation	Yellow
3.7	Subsidies to milk processing enterprises to conduct modernization and re-equipment	At the rate of 50% of the equipment purchase cost for the enterprises with production capacity of more than 50 thousand ton of whole-milk products and 150 thousand ton of hard cheese per year At the rate of 30% of the equipment purchase cost for other milk processing enterprises, agricultural producers with own milk processing facilities, and individual entrepreneurs	Yellow
3.8	Subsidies to meat processing enterprises to conduct modernization and re-equipment	At the rate of 50% of the equipment purchase cost, including the cost of delivery and installation	Yellow
<b>4</b>	<b>Subsidies to support seed farming</b>		
4.1	Subsidies to agricultural producers (except households) to purchase the stock seeds from the producers within Tyumen province (RUB per 1 ton of seeds)	<u>Cereals:</u> 4000 for stock seeds; 3000 for seeds of 1 <sup>st</sup> reproduction <u>Leguminous:</u> 4500 for stock seeds; 3500 for seeds of 1 <sup>st</sup> reproduction <u>Potato:</u> 7500 for stock seeds; 4200 for seeds of 1 <sup>st</sup> reproduction	Yellow

4.2	Subsidies to agricultural producers (except households) to purchase the stock seeds from the producers outside Tyumen province	At the rate of 20% of purchase cost for stock seeds of cereals and/or leguminous At the rate of 30% of purchase cost for seeds of corn and/or rape-seed	Yellow
4.3	Subsidies to agricultural producers (except households) to purchase the original seeds from the producers within Tyumen province	At the rate of 50% of purchase cost	Yellow
<b>5</b>	<b>Subsidies to purchase chemicals</b>		
5.1	Subsidies to agricultural producers (except households) to conduct chemical land melioration	At the rate of 70% of cost of work performed, but not more than 70% of cost estimates	Yellow
5.2	Subsidies to agricultural producers (except households) to purchase mineral fertilizers	At the rate of: 2400 RUB for 1 ton of simple mineral fertilizers 5100 RUB for 1 ton of complex mineral fertilizers	Yellow
5.3	Subsidies to agricultural producers (except households) to purchase pesticides and agrochemicals	At the rate of 30% of purchase cost	Yellow
<b>6</b>	<b>Subsidies to agricultural producers (except households) to saw perennial herbs</b>	At the rate of 1000 RUB for 1 ha of crops	Yellow
<b>7</b>	<b>Subsidies to develop virgin and/or long-fallow lands</b>	At the rate of 3000 RUB per 1 ha of new arable land	Yellow
<b>8</b>	<b>Subsidies to modernize and (re)equip agricultural production</b>		
8.1	Subsidies to purchase (including installation) agricultural machines and equipment	Subsidy at the rate of up to 80% of purchase cost is provided to (1) agricultural producers, (2) other organizations providing services of cereals trashing or cultivation, and (3) grain processing enterprises	Yellow
8.2	Subsidies to compensate the costs of the leasing objects	Subsidy at the rate of up to 80% of the initial value of the leasing object is provided to (1) agricultural producers, (2) other organizations providing services of cereals trashing or cultivation, and (3) cereals processing enterprises	Yellow
8.3	Subsidies to modernize and re-equip the oil-producing enterprises with production capacity over 500 ton oil per year	At the rate of : 70% of purchase cost for new laboratory equipment, weight measuring equipment, and seed processing equipment; 30% for transportation means; 50% for dryers, transporters and containers	Yellow
8.4	Subsidies to oil-producing enterprises to compensate the costs of the leasing objects	At the rate of : 70% of purchase cost for new laboratory equipment, weight measuring equipment, and seed processing equipment; 30% for transportation means; 50% for dryers, transporters and containers	Yellow

8.5	Subsidies to agricultural producers and processing enterprises to purchase equipment for grain processing	At the rate of 30% of purchase cost of new technological and laboratory equipment including its delivery and installation	Yellow
<b>9</b>	<b>Subsidies to compensate for the costs of integration</b>		
9.1	Subsidies to introduce new arable land into operation	At the rate of: 1000 RUB per 1 ha for the regions with cereals productivity over 250 kg/ha within the last three years 1700 RUB per 1 ha for the regions with cereals productivity 160-250 kg/ha within the last three years 2000 RUB per 1 ha for the regions with cereals productivity less than 160 kg/ha within the last three years	Yellow
9.2	Subsidies to buy out property from agricultural producers or agro-industrial organizations against whom the bankruptcy procedure is initiated, or who are being liquidated	At the rate of 30% of property value	Yellow
<b>10</b>	<b>Subsidies to develop agricultural consumption cooperation</b>		
10.1	Subsidies to agricultural consumption cooperatives to partly compensate for the costs of milk purchase from households	At the rate of 1500 RUB for 1 ton of milk, under the condition that the purchase price was not less than 85% of the average price of milk sale to milk processing enterprises	Yellow
10.2	Subsidies to agricultural consumption cooperatives to partly compensate for the costs of meat purchase from households	At the rate of 30000 RUB for 1 ton of meat in slaughter weight, under the condition that the purchase price was not less than 120000 RUB for 1 ton of meat in slaughter weight	Yellow
10.3	Subsidies to agricultural consumption cooperatives to partly compensate for the costs of hay procurement for households	At the rate of 65 RUB per 100 kg of hay sold to households at the price not higher than 100 RUB per 100 kg	Yellow
<b>11</b>	<b>Subsidies to provide agro-industrial complex of Tyumen province with qualified personnel</b>		
		<b>One-time payments of 30000-60000 RUB (depending on qualification) to graduates who signed work contracts with agricultural enterprises</b>	Green

Source: Regulations on the procedure of allocating funds from the province budget to the state support of agricultural production; approved by the Decree of the Government of Tyumen province No 180-p from 14.05.2012

### Annex III: Potential of Implementing the WTO Green-Box Measures in Tyumen Province

Green-box measures <sup>a</sup>	Current state of measure application in Tyumen province	Potential of measure application in Tyumen province
<p>General services:</p> <ul style="list-style-type: none"> <li>- research, including general research, research in connection with environmental programmes, and research programmes related to particular products</li> </ul>	<p>Research, both general and related to specific products is poorly funded.</p>	<p>Research is a promising direction for investments, in particular such directions of agricultural research as:</p> <ul style="list-style-type: none"> <li>- development of new plant varieties adjusted to the climatic conditions of Tyumen province</li> <li>- breeding livestock varieties adjusted to the climatic conditions of Tyumen province</li> <li>- cost-effective agricultural production techniques.</li> </ul>
<ul style="list-style-type: none"> <li>- pest and disease control, including general and product-specific pest and disease control measures, such as early-warning systems, quarantine and eradication</li> </ul>	<p>These measures are not mentioned among the measures supported by the government of Tyumen province.</p>	<p>Increasing state support of pest and disease control measures would have the following advantages:</p> <ul style="list-style-type: none"> <li>- decreasing the production costs of agricultural producers</li> <li>- reducing economic risks related to loss of animals and crops</li> <li>- increasing the quality of agricultural products.</li> </ul>
<ul style="list-style-type: none"> <li>- training services, including both general and specialist training facilities</li> </ul>	<p>Training and retraining of agricultural workers has been taking place in Tyumen province. However, the number of trained and retrained staff has been decreasing.</p>	<p>The decrease in the number of workers taking part in the available training or retraining measures may have several reasons: (1) decreasing offer or programmes and courses; (2) quality of available programmes and courses; (3) low interest from the potential participants, etc. The potential of increasing investment in this measure depends on the reason. Thus, it is worth to invest if the number of trained and retrained workers may be increased through expansion of offered courses of improvement of their content and quality.</p>
<ul style="list-style-type: none"> <li>- extension and advisory services, including the provision of means to facilitate transfer of information and the results of research to producers and consumers</li> </ul>	<p>The measure has not been implemented.</p>	<p>One of the most important directions for investments here is bringing research and production together by (1) providing agricultural producers with access to information on innovations, new production methods; (2) organising exhibitions and demonstrations, etc.</p>
<ul style="list-style-type: none"> <li>- inspection services, including general inspection services and the inspection of particular products for health, safety, grading or standardization purposes</li> </ul>	<p>There is a well-developed network of quality controlling agencies which conduct regular inspections of agricultural products for health, safety and conformity to standards. The outcomes of these measures are, however, not quite satisfactory. According to the UFD Concept of Food Security, one of the reasons is ineffective and irresponsible performance of functions by the controlling agencies.</p>	<p>Quality control measures are a perspective direction to reallocate state support to agriculture. If increasing agricultural production remains one of the priorities in Tyumen province, its achievement won't be possible without the sufficient quality of the produce.</p>



<p>- marketing and promotion services, including market information, advice and promotion related to particular product, but excluding expenditure for unspecified purposes that could be used by sellers to reduce their selling price or confer a direct economic benefit to purchasers</p>	<p>Some measures of have been already implemented in the province. For example, to promote local products the official web-site “Buyng Tyumem products”<sup>b</sup> has been established which contains information about (1) specific products and their quality, (2) control measures, (3) inspections and their outcomes, etc.</p>	<p>The support to measures belonging to this category can be further extended towards regular provision of market information to producers and organizing marketing campaigns for local products. There are, however, some aspects to take into account. The regular provision of market information would require access of producers to media resources, for example Internet. The promotion campaigns for local food products would be successful only in combination with good quality and reasonable price for those products.</p>
<p>- infrastructural services (for capital works only), including: electricity reticulation, roads and other means of transport, market and port facilities, dams and drainage schemes, and infrastructural works associated with environmental programmes</p>	<p>A range of measures within category has been implemented: (1) the construction and reconstruction of irrigation and drainage systems is funded from the federal budget, (2) construction of market premises is funded from the province budget, (3) roads, electricity grids and water supply systems are constructed within the rural development programme.</p>	<p>If an increase in investment is needed, is subject to discussion.</p>
<p>Public stockholding for food security purposes</p>	<p>The measure is already in place.</p>	<p>Investing in the measure is reasonable if the current level of public stockholding does not correspond to the desirable level.</p>
<p>Domestic food aid</p>	<p>The measure has not yet been implemented, but its necessity is foreseen by the UFD Concept of food security.</p>	<p>Investment in the measure would improve the welfare of socially and economically vulnerable groups of population but would not have a direct effect on the development or transformation of agricultural sector.</p>
<p>Direct payments to producers decoupled from production (no production shall be required to receive such payments)</p>	<p>Most of subsidies in Tyumen province are direct payments to producers linked to the production of specific goods. Thus, such measures have trade-distorting effects and belong to the amber-box measures which funding is subject to reduction.</p>	<p>If direct payments to food producers (agricultural producers and processing industries) are to be preserved in Tyumen province, they need to be de-coupled from production, i.e. allocation of subsidies should be based on production-neutral criteria. Such criteria could be:</p> <ul style="list-style-type: none"> <li>- income level: all agricultural producers with income below certain level are subject to subsidies;</li> <li>- specific characteristics of agricultural producers, for example property rights on land resources (rented or owned land), type of producer (subsistence vs. commodity), size of producer, etc.</li> </ul>
<p>Government participation in income insurance programmes</p>	<p>The measure has not been implemented.</p>	<p>The measure supports the producers' income in unfavourable years.</p>
<p>Payments for relief from natural disasters</p>	<p>This measure is foreseen by the federal agricultural policy and is implemented upon the occurrence of natural disasters. For example, in 2010 agricultural producers were compensated from the federal budget for the losses due to</p>	<p>The measure represents a one-time payment important to support the income of agricultural producers affected by natural disasters.</p>

Structural adjustment assistance provided through producer retirement programmes	draught. The measure has not been implemented.	The measure does not seem to fit to the context of Tyumen province. It is broadly implemented in the EU which member states aim at decreasing the number of agricultural producers and the production volume. On the contrary, the Russia's agricultural and rural development objectives are to increase production (also by households and small farmers) and to increase the employment of rural population in agricultural sector.
Structural adjustment assistance provided through resource retirement programmes	The measure has not been implemented.	On the one hand, resource retirement, in particular land retirement might be contradictory to the objective of expanding arable land. On the other hand the investments in the measure would have positive effects on the quality of natural resources, such as soil fertility, and thus enable long-term agricultural production.
Structural adjustment assistance provided through investment aid	The procedure of allocating funds from the province budget to the state support of agricultural production (the Decree of the Government of Tyumen province No 180-p from 14.05.2012) foresees a range of capital investments in the restructuring and modernization of agricultural production. Each of these measures, however, is linked to the production of specific agricultural products such as milk, eggs, meat etc.	A way should be found to decouple capital investments from production.
Payments under environmental programmes	The measure has not been implemented. Just start to enter the political discourse at the federal level.	Investments in this measure have high potential because apart of support to agricultural sector they have other numerous positive effects: - improvement of soil quality - improvement in quality of water resources - reduction of ecological burden - improved quality of agricultural products Here we may consider funding of innovative and environmental friendly ways of production, measures to preserve soil quality, recycling of agricultural waste, etc.
Payments to disadvantaged regions under regional assistance programmes	The subsidies to the development of disadvantaged regions are foreseen by the Federal Programme of Agricultural Development. The south of Tyumen province is not eligible for funding as it does not correspond to the criteria of disadvantaged region.	Design of these measures are rather a prerogative of the federal authorities

<sup>a</sup> taken from the WTO Agreement on Agriculture

<sup>b</sup> <http://tyumenkoe.ru>