

Russian government tries to stabilise food prices

On 2 September, Prime Minister Vladimir Putin announced the extension of the ban on exporting cereal from Russia until at least September 2011; furthermore, the introduction of preferential rail tariffs to transport cereal to regions of Russia hit by crop failures is planned. The government's actions are intended to stabilise the prices of agricultural food products on the internal market. Rising prices are becoming a potential source of social discontent. This year's drought and fires have led to the destruction of about 20% of the cereal crops in Russia. In order to prevent a rise in grain prices in the country, on 15 August the government introduced a temporary ban (until 31 December) on its export (this year's harvest, together with reserves from previous years, fully meets the country's needs). However, this instrument of regulating the market has proved ineffective (for example, buckwheat prices in some regions of Russia rose by several times), because exporters expecting a lifting of the embargo have held back from selling it on the internal market. Furthermore, grain prices in central Russia have risen because of the high costs of transporting it from the south of the country. The actions undertaken and announced by the Russian government may stabilise the Russian cereal market. However the government has limited influence on the fruit and vegetable market, which has also very strongly felt the effects of the drought; for example, potato harvests will most probably be only half of what they were a year ago. In this situation, the Russian government has tried to demonstrate its concern for the citizens; the President and Prime Minister have made highly publicised visits to shops and farms, and the State Anti-Monopoly Service is searching for speculators who have driven up the prices of agricultural food products. <iwo>