

Drought forces food prices higher in Russia

On 30 August, Russia's minister of agriculture Yelena Skrynnik revealed the size of the direct losses farmers have suffered as a result of this year's drought; these have reached 37 billion roubles (over US\$1.2bn). Over 20% of crops have been lost; however, thanks to high reserve supplies held over from last year, Russia will not run out of crops. However, an important problem for the Russian government is the rising prices of agricultural food products, which has raised public concern.

The drought has affected 37 regions of Russia, mainly in the central part of the country. The Russian government has forecast this year's harvest at 62-63 million tonnes of grain (demand on the Russian market is 77-78 million tonnes). To satisfy internal demand, reserve supplies from last year, which had been built up in the state's emergency reserve, are to be used (25 million tonnes). In addition the government has introduced a temporary ban (from 15 August to 31 December) on the export of crops from Russia, which is intended to counteract the rise in prices on the internal market.

However, the government's actions have not as yet succeeded in slowing down the rise in the prices of agricultural food products in Russia. The government's embargo has led to a freeze of the internal market for cereals. The fall in wholesale prices has discouraged producers from selling; meanwhile, livestock farmers are holding off on making purchases, as they are counting on access to crops from the emergency reserve at preferential prices.

As a consequence, in August in some regions of the Russian Federation, prices of flour and buckwheat rose by up to 30%. In addition, the panic buying of cereal products, caused by alarmist comments on this year's harvest, has caused temporary shortages of some articles in shops. <iwo>