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Farmers to Pay More for Fertilizer as Voluntary Subsidy Ends

By The Moscow Times

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Prime Minister Dmitry Medvedev leading a meeting of the Presidium on Monday.

Prime Minister Dmitry Medvedev indicated Monday that domestic fertilizer producers would no longer subsidize local farmers, starting next year.

Discounts from London-listed Uralkali alone, which produces a fifth of the world's output of the fertilizer potash, amounted to $117 million last year, about two-thirds of its profit-tax payment.

Medvedev said the state has in effect controlled fertilizer prices in "recent years" but signaled that would change.

"The situation may get worse starting next year," he said, adding that the global market would define the local price from then on. "These circumstances require an effective mechanism of support for the farmers."

He ordered a support plan to be ready for review by the Cabinet by the end of September. Medvedev spoke at a session of the Presidium, a trimmed down Cabinet.

The talk of state control over the prices apparently referred to the government-sponsored agreement between the associations of fertilizer producers and farmers. Under the agreement that runs from 2008-12, fertilizer producers volunteered to allow the prices to rally slower than they did internationally.

Still, they have grown 12 percent since last June, Medvedev said Monday.

Uralkali said in an annual report in April that it supplied 10 percent more potash to the Russian market last year than in 2010. Its total sales grew 6 percent.

In addition to the fertilizer pricing agreement, farmers drew direct support from the government to buy fertilizers. The government spent 5 billion rubles ($156 million) on those subsidies last year.

Medvedev also said the country's oil companies would continue to provide fuel discounts to farmers during this year's second half. The government has until the end of this week to hammer out the size of the discount.

In the first half, farmers saved 12 billion rubles through the 30-percent discount on some of their fuel, Medvedev said, citing the Energy Ministry.

"It's obvious that the fuel spending must be such that it allows farmers to remain competitive, including on foreign markets," he said.

It wasn't immediately clear if the measure would comply with Russia's membership in the World Trade Organization, which the country is set to formally join in either August or September.

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