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Farm Equipment Import Duties Soar

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A John Deere tractor on a Vladimir region farm. The new duty will likely have a negative impact on the U.S. firm. **Vladimir Filonov**

Russia has sharply raised the import duty on farm equipment to a level higher than it was before the country joined the WTO.

The backslide is taking place since domestic manufacturers competing with the likes of American companies John Deere and Case New Holland complained about a surge in imports.

The Eurasian Economic Commission, the European Union-like authority made up of Russia and its customs union partners, announced the higher 27.5 percent duty on grain harvesters Tuesday.

An interim measure, it will apply through July 5 while the commission continues to investigate the complaint.

"It was established in the course of the investigation that there are critical circumstances, and a delay in introducing a special protective measure would have brought serious damage, which would have been difficult to repair afterward," Eurasian Economic Commission trade minister Andrei Slepnev said in a statement.

The other customs union members, Kazakhstan and Belarus, will also charge the increased duty.

The duty went down to 5 percent with Russia's accession to the World Trade Organization in August. It used to be 15 percent for new harvesters and 25 percent for second-hand machines.

Domestic producers Rostselmash and Krasnoyarsk Combine Plant complained in August that imports had begun flooding the country even before the duty dropped.

The offending imports were chiefly the products of John Deere and Case New Holland, Andrei Agashkov, a spokesman for the Association of Farming Equipment Producers, said at the time.

A Moscow spokeswoman for John Deere said she had no comment. A call and an e-mail to Case New Holland's press office for Europe went unanswered Wednesday afternoon.

The Eurasian Economic Commission started looking into the matter in August and determined that imports had indeed posted explosive growth earlier this year and are undermining the farm equipment industry of the customs union, it said in the statement.

The customs union imported 92 percent more harvesters in the first half of this year than it did in the same period last year. In the previous few years, the growth rate was 20 percent.

The protectionist move came a day after St. Petersburg-based Kirovsky Zavod announced a deal to manufacture harvesters and farm tractors jointly with Italy's SAME Deutz-Fahr, the latest example of a trend for foreign farm equipment producers to set up local production.

The companies will conclude a 50-50 venture by the end of March, Kirovsky said in a statement. They didn't say how many machines they aim to make per year or when the venture will start operating.

Apart from an undisclosed amount of money, Kirovsky will contribute its premises, manufacturing equipment and dealer network. The Italian company will provide investment, equipment and technology transfer.

SAME Deutz-Fahr describes itself on its website as one of the world's leading manufacturers of tractors and combine harvesters.

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