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Russian Price Controls Disrupt Sugar Deliveries – Izvestia

The government's latest measure to cap soaring prices could have backfired, freezing the market.

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The Russian government is concerned about rising food prices. **Moskva News Agency**

Sugar factories across Russia have suspended sales and deliveries to retail chains as they await the introduction of a government subsidy the Kremlin hopes will put a lid on soaring food prices, the Izvestia newspaper has reported.

Food prices in Russia have surged 7.7% over the last 12 months — the fastest annual rise in more than five years, pushed higher by an increase in global agricultural costs. That has heaped pressure on authorities already facing growing discontent over an economic crisis which has knocked living standards to their lowest level in a decade.

Sugar has been one of the top contributors to surging supermarket bills, with prices up by around 70%. The government has introduced a number of measures — including price caps

and export curbs — to try to avoid those costs being passed onto consumers.

Izvestia reported that the government's latest step — a five-ruble ($0.07) subsidy to sugar producers for every kilogram they sell to retail chains at a fixed price of 36 rubles ($0.47) — could have backfired, causing a bottleneck of deliveries as factories refuse to sell until the subsidies kick in.

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The subsidies start Thursday and are set to last six months, with retail prices fixed until at least the end of May. But since the subsidies were announced on March 22, retail chains have been unable to secure deliveries from their usual suppliers, Izvestia reported, citing industry sources and figures in Russia's Trade and Agricultural Ministries.

In the final weeks of March, manufacturers started ignoring bids placed on the usual electronic trading system and also turned down direct requests from large supermarkets to buy sugar, the paper said.

Retail chains would typically have reserve supplies for around two weeks, meaning the situation is "gradually becoming critical," one government official told the paper. Although the subsidies kicked in Thursday, there remains uncertainty about when the government top-ups will be paid out, meaning supply disruption could remain for the next few days.

Russia's Audit Chamber, food manufacturers and independent economists have repeatedly warned that the government's strategy toward tackling rising prices, first rolled out with price caps last December, risks creating shortages in supermarkets as it becomes unprofitable for manufacturers to produce or sell their products.

The government says it has reserved 3 billion rubles ($40 million) to subsidize sugar prices over the next six months.

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