

New pesticide price war on the threshold of Russian market ???

- Опубликовано 6 августа 2018 г.

Without a doubt, the main theme of the summer of 2018 was the decision of the Eurasian Economic Commission on the introduction of anti-dumping duties for a number of herbicide manufacturers from Europe. It is assumed that the European herbicide producers will pay a special fee in the amount of 28% to 52% of the customs value of each product. This decision will significantly change the situation on the Russian market of plant protection products.

The story of the duty began in December of 2016. The four companies from Russia, Belarus and Kazakhstan (JSC "Firm" August ", JSC" Shchelkovo Agrohim ", JSC" August-Bel "and LLP" Astana-Nan ") appealed to the Eurasian Economic Union with the requirement to conduct an anti-dumping investigation. the companies claimed that their European counterparts were importing herbicides to the EAEU countries (Russia, Belarus, Kazakhstan, Kyrgyzstan and Armenia) at unreasonably low prices. and this causes significant damage to local producers.

The investigation lasted almost a year and a half. As a result, the Eurasian Economic Commission supported the position of the applicants and decided to introduce anti-dumping duties for a period of five years from June 30, 2018. The amount of duty was set as a percentage of the customs value of herbicides.

In its decision, the Eurasian Economic Commission also identified a list of varieties of herbicides in respect of which the anti-dumping duty will not be introduced:

herbicides containing a single active substance to penoxulam at a molecular concentration of 25g/l;

herbicides containing one active ingredient azimsulfuron at a molecular concentration of 500 g/kg;

herbicides containing the active ingredient cyhalofop-butyl at a molecular concentration of 100 g/l and the active substance to penoxulars at a molecular concentration of 13.33 g/l.

Settlements and claims

Herbicide producers from Russia, Belarus and Kazakhstan explained their initiative with economic losses. Cheaper foreign herbicides led to the fact that in 2015, domestic products reduced their market share, production fell, companies lost profits and were forced to cut jobs in their enterprises. And in 2016 domestic enterprises were forced to lower prices for pesticides by 12% to compete with cheaper European herbicides.

The applicants drew attention to one important circumstance: at a cheaper price, European counterparts sold their products only on the market of the UNPP mill. In their own markets, these same herbicides cost an average of three times more expensive.

According to one version, which experts discuss the field of plant protection products, the implementation of the decision can be postponed for some time. This is indirectly evidenced by the position of the Ministry of Agriculture of Russia, which sparingly and carefully comments on the situation. At the June meeting on the introduction of an anti-dumping measure for herbicides imported from the European Union into the customs territory of the Eurasian Economic Union, Russian Minister of Agriculture Dmitry Patrushev stated:

- Recently, numerous appeals from industry associations and associations in the field of crop production about the postponement of the introduction of this measure. To avoid making an erroneous decision and negative consequences, there is a need for additional consultations.

Obviously, consultations and negotiations are underway, and most of them are not yet advertised. Russian producers believe that there are no serious grounds for postponing the implementation of the decision of the Eurasian Council.

Meanwhile, both supporters and opponents of imposing anti-dumping duties are sure that the main issue is not the timing of the implementation of the decision, but its consequences. Two large herbicide manufacturers have already taken steps to protect themselves from imposing duties. Syngenta and BASF voluntarily accepted the "price commitment": they promised to import no more than a certain volume of the drug and sell it at a price not lower than the minimum.

The increase in the price of herbicides after the introduction of anti-dumping duties excites the market the most. It is obvious that the prices for imported preparations of European suppliers (except for Syngenta and BASF companies) will grow at least by the amount of anti-dumping duties.

Leading Russian manufacturers, on their part, offered the EEA member states to conclude agreements to prevent unjustified price increases for herbicides. Such a document has already been signed with the Republic of Belarus, the agreement with other countries is being finalized. It is also discussed the idea to sign agreements with Russian agrarian unions on fixing price lists for these five years and other measures.

However, market experts believe that the price increase for herbicides will still occur for reasons that Russian producers can not influence. For example, due to the fact that the active ingredients for the production of herbicides are supplied from China. Only in the first three months of 2018, the volumes of supplies of active ingredients from China fell by 19%, and prices rose by 20%. In addition, the adoption of a law on the increase of VAT, the growth of other fees and tariffs will affect the cost of herbicides produced in Russia.

Protect and defend

Meanwhile, anti-dumping duties on herbicides, even in the paper version, have already influenced the market. And this influence, of course, is positive. European manufacturers stepped up efforts to localize production in Russia. Recall that the Bayer concern is going to produce 60% of plant protection products sold in Russia in 2020 (currently only 30% is produced), Syngenta localizes 80% of herbicide production by 2019, DuPont also thinks about new plants in Russia and discusses this with Ministry of Agriculture.

It seems that anti-dumping duties already work on the interests of the plant protection sector, stimulating the development of production within Russia. Otherwise, the Russian Pesticide industry simply will not have a future. European producers will not always be "kind" to Russian farmers. Their low prices today - the classic method of conquering foreign markets, described in any textbook on marketing. If domestic production does not survive the price war and goes bankrupt, it will be possible to raise prices. At least to the European level, that is, three times. Or more. When you run the market, you can dictate any prices.

That is why many countries protect their markets in a variety of ways, including the introduction of duties. The fact that Russian producers have united and protected their interests in a civilized manner is a good example of equalizing conditions for fair competition.

Aligning competitive working conditions for European and Eurasian manufacturers opens up new opportunities for cooperation. For example, increasing the production of herbicides in domestic enterprises by tolling, further and operative pesticide localization release in the territory of the Russian Federation, technology transfer and creation of new products for agricultural producers, joint scientific developments and projects. The ways and form of such cooperation Russian producers are ready to discuss with all interested companies.

What's really going on

The initiators of the anti-dumping investigation, Russian manufacturers, faced with the inability to compete with the rapidly changing conditions in the market, take consistent steps to monopolize the market and consolidate it in their hands.

Having unbalanced financial indicators, annually increasing receivables exceeding revenue growth, Russian manufacturers identified two competing groups - foreign producers and importers from third world countries.

The first blow to competitors was Order No. 200 of the Ministry of Agriculture prohibiting the transfer of licenses for import of pesticides to third parties from registrants.

The meaning of this step was to limit access to the market for importers, who, following the 2008 and 2014 crises accompanied by the devaluation of the ruble, successfully took market shares from both Russian producers and multinational companies.

The market flinched, but quickly adapted to innovations and this law did not prevent the positions of small companies controlling up to 30% of the market share of pesticides in Russia.

The second step was a temporary ban on issuing licenses for the import of glyphosate-containing drugs while preserving the possibility of producing glyphosate at Russian facilities.

Paradox was that the Russian market not only did not react to the potential shortage of products not only from the introduction of the ban on glyphosate (one of the most liquid goods on the Russian market), but also missed the collapse in China on a number of positions of the pesticide portfolio and continued correction downwards on most products.

These two measures were supposed to limit cheaper offers in the pesticide market and help regain the market share lost by Russian producers.

On the other hand, multinational companies, with their forward movement to retain market share and practically unchanged selling prices, limited the appetite of Russian producers to increase margins for a desperate attempt to balance the financial collapse of failed market players.

Anti-dumping duties will allow without additional effort to correct Russian producers in the foreseeable future by 50%, which is an unprecedented non-market crime against the consumer in the name of profit.

Potential consequences

In general, for all to pay the buyer, first the agricultural producer and then the ordinary person. But ...

There remains a small market share, namely, 40% of the illegal market, half of which is smuggled imports. The main beneficiary of these changes will be precisely this market since the difference between the cost of legal production in Russia and the illegal import can again return to the sky-high figures of the late 1990s and early 2000s.

The struggle of monopolists for market shares will only delay their sad end, and small companies engaged in importing products from third world countries (China, India, etc.) and already under the daily press of the surrounding reality will find new legal ways to promote affordable and quality goods from neighboring Asian countries.