



COUNTRY REPORT: RUSSIAN FEDERATION

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1. MACROECONOMIC ENVIRONMENT AND POLICIES

1.1 Background data

The Russian Federation is located at the north of Eurasia. It shares land borders with 14 countries, and maritime borders with Japan, USA and Canada (Figure 1). Russia covers more than 17 mln. square kilometres that represent more than one-eighth of the Earth's inhabited land area (Table 1). Russia is situated in different climate zones but the humid continental climate is prevalent. The range of climate zones goes from polar and subarctic climate at the north to humid subtropical climate at the south (near the Black Sea coast). Differences in temperatures are significant; the coldest month is January, whereas the warmest is July.

Figure 1 Map of the Russian Federation



Table 1 Main country view 2013

Russia – Year 2013	
Population (1st January) (000 inhabitants)	143 667
Area (sq. km)	17 125 187
Real GDP growth rate (% change on previous year)	1.32
Unemployment rate (%)	5.5
Agricultural Utilized Area (ha)	191095300
Agriculture, hunting and fishing (% of total GVA)	3.76

Source: Rosstat

From north to south, the East European Plain, also known as Russian Plain, is clad sequentially in Arctic tundra, coniferous forest (taiga), mixed and broad-leaf forests, grassland (steppe), and semi-desert (fringing the Caspian Sea), as the changes in vegetation reflect the changes in climate. Siberia supports a similar sequence but largely consists of taiga. Russia has the world's largest forest reserves, second only after the Amazon Rainforest in amount of carbon dioxide absorbed.

1.2 Macroeconomic developments

As shown in Table 2, Population in Russia stabilized and started to show some signs of growing from 2008 after 15-year period of demographic fall caused by long-term economic stagnation, and specific demographic factors. The progress in demographic situation was achieved through declining of death rates, increasing fertility rates and positive migration balance. After the '2008-year world economic crash' Russian economy started to recover and GDP growth rates amount to 4.5%.

Table 2 Main macroeconomic indicators in Russia 2004–2013

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Population (1000 persons)	143821	143114	142487	142114	141956	142380	142861	142961	143202	143507
Real GDP growth rate (% change on previous year)	107	106	108	109	105	92	105	104	103	101
GDP at current prices (mill. RUB)	17027	21610	26917	33248	41277	38807	46309	55644	61811	66689
GDP per capita at current prices (thsd RUB)	118	151	189	234	291	273	324	389	432	465
GDP per capita at purchasing power (PPS; USD)	10251	11853	14949	16743	20276	19227	20770	22408	23504	24120
GVA at current prices (mill. RUB)	14859	18518	22977	28484	35183	33831	40040	47396	52620	57166
GDP deflator (%)	120	119	115	114	118	102	114	115	107	107
Inflation (annual average, % change on previous year)	112	111	109	112	113	109	109	106	107	107
Total employment (1000 persons)	67319	68339	69169	70770	71003	69410	69934	70857	71545	71391
Inflation (annual average, % change on previous year)	7,8	7,1	7,1	6,0	6,2	8,3	7,3	6,5	5,5	5,5
Total employment (1000 persons)	60	84	92	72	104	50	67	97	71	34
Unemployment rate (%)	1028	1947	2391	2245	2095	-2311	-1442	1044	486	201
Current account balance (bln. USD)	114	77	52	45	41	38	36	34	51	55
General government balance (mill. NC)	28,7	28,2	27,2	25,6	24,8	31,5	30,4	29,4	31,1	31,9
General government gross debt (bln. USD)	35,7	35,1	34,1	35,0	36,4	44,1	40,3	40,9	39,9	42,3
Exchange rate, annual average (NC/USD)	2699	3514	3766	5987	6730	8686	9055	10935	12890	13343

Sources: Rosstat (gks.ru), World Bank, minfin.ru

However in most recent years (2012–nowadays) the country started to experience new wave of economic difficulties, associated with “middle income countries syndrome” and mounting social and military budget expenditures. Inflation dynamic looks positive because it was reduced from 11.7% in 2004 year to 6.5 in 2013 year. The unemployment rate is decreasing to 5.5% by the end of 2013.

Despite of this progress on paper there was an economy slowdown in major sectors such as industries and agriculture. It also reflects international trade that was shortened by 10% with EU, for example. GDP growth rate forecasts at 2014 differ from zero growth to 1.0–1.2%, median estimation is about 0.5–0.7%. Russian economy downturn influence monetary sector in terms of rouble depreciation against major currencies. Current exchange rates for USD and EUR are 34.8 and 46.8 roubles per unit relatively.

1.3 Macro-economic and other general policies

First of all, it should be noted that macroeconomic and other general policies in Russia are defined by different interconnected authorities. We present their major goals, strategies, developments and forecasts.

The primary objective of the single state monetary policy developing by Bank of Russia is to ensure price stability, which implies the achievement of sustainable and low inflation. Price stability is needed to

raise and keep a high level of the living standards of Russian citizens, which is an ultimate objective of the state economic policy.

Starting from 2015, the monetary policy will be conducted under the inflation targeting regime. The Bank of Russia influences pricing processes with a certain time lag, therefore the inflation target should be set for a medium run. The monetary policy goal is to lower inflation to 4% in 2017 and keep it close to this level. The permanent target has been set with due consideration of the structural specifics of the Russian economy and price dynamics in the countries that are Russia's trading partners; and this target is regarded as feasible over a three-year horizon.

The inflation target is set for the consumer price index (CPI), which is measured for a month on the corresponding month of the previous year. This indicator reflects a change in the prices of a basket of goods and services consumed by an average household and helps assess the scale of inflation impact on public welfare. The CPI is the most easily perceived inflation measure widely used by economic agents. Therefore, its dynamics considerably influence inflation expectations. The Bank of Russia also uses other inflation indicators, e.g. core inflation, to conduct analysis of the economic situation and take monetary policy decisions.

Concerning the SME-business climate in Russia one should be noted that Russia improved the position in Doing Business ranking for 5 levels at the end of 2014. There are several reasons, developments, amendments affected for pretty good results. Starting a business Russia made starting a business easier by abolishing the requirement to have the bank signature card notarized before opening a company bank account. Dealing with construction permits Russia made dealing with construction permits easier by eliminating several requirements for project approvals from government agencies and by reducing the time required to register a new building. Getting electricity Russia made getting electricity simpler and less costly by setting standard connection tariffs and eliminating many procedures previously required. Registering property Russia made transferring property easier by streamlining procedures and implementing effective time limits for processing transfer applications. Trading across borders Russia made trading across borders easier by implementing an electronic system for submitting export and import documents and by reducing the number of physical inspections.

As of today, activities aimed at overcoming the crisis in the economy took on a strategic nature. In accordance with the instructions of the Government of the Russian Federation active work is being done on monitoring measures aimed at reviving the economy.

Effective functioning of the strategic management system is especially important in the context of a financial crisis and Federal budget deficit. Formation of the strategic management of the state will change the approach to the medium-term prognosis, link it to the prediction of long-term trends, will coordinate the development and implement the long-term development strategies and programs of the Russian Federation as a whole, as well as those of individual regions and sectors of the economy, and their mutual alignment of goals, deadlines and activities. In addition, this system involves the development of mechanisms of "performance management" or "result based management", providing a clear connection between performance of public authorities and the budget allocated to their achievement.

Table 3 FDI flows in Russia 2004–2013

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
FDI (mill. NC)	2865	3611	4730	6716	8782	7976	9152	11036	12586	13256
FDI in agricultural sector (mill. NC)	117	142	224	339	400	325	304	447	476	488
FDI in food-processing sector (mill. NC)	93	113	128	170	194	157	177	187	219	226

Source: Rosstat (gks.ru)

1.4 Institutional environment of the agro-food sector

Access to credits

Russian agricultural credit system is featured with very high importance of the small group of commercial banks (mainly state owned, such as Rosselkhozbank and Sberbank). It has transited in 2013 after adoption of the 2013-2020 Agricultural Program. Before then, in accordance with the 2008-2012 Agricultural Program, the agricultural lending was based on state interest subsidies against investment and working capital credits provided by the major commercial banks. It would not be exaggeration to say that an entire investment activity of domestic agricultural sector was based on federal subsidies of banking interest rates. The federal subsidies were broken down to the regional level for further distribution among agricultural producers, which met specific criteria. However from 2013 substantial part of working capital interest finance was abandoned for the benefit of direct area payments. As to interest subsidies of fixed capital finance, in 2014 the program was temporarily stopped, because the government suddenly discovered huge discrepancy between federal funds available and total amount of inherited commitments (issued by the regional authorities without proper fixing by the federal government). So the feds established a moratorium on releasing new funding before they cover "subsidy arrears" against previous commitments.

Meanwhile one should expect the emergence of new additional funding against the background of import substitution policies being introduced by the feds as a reaction on the Russian-Ukrainian tensions.

Access to market information

Russian agricultural market information system is still in its emergence. The Federal Ministry of Ag is gradually improving its market information system via publishing various statistical and market data bulletins. The federal network is being supported and rooted into the relevant regional market information systems. However official system is still considered as insufficient and reliable by the market participants. There are obvious gaps and insufficiencies. They are quite successfully filled in by the numerous private market information and analysis systems. As the result, most of market participants in key vertical production segments, such as grains, oilseeds, sugar, meats, dairy, and to a lesser extent fruits and vegetables have an adequate access to local and national wide pricing, balances, and other relevant market information and analytical materials.

The official standards are based on inherited (highly developed and sophisticated) Soviet standards, which were (partly) modified in accordance with modern Western practices. In some cases peculiar double system of standards is applied: for domestic and export markets. As an example, domestic wheat markets are traditionally based on gluten, while export requirements are based on protein. Falling number was added and widely used both in domestic and export trade.

Agricultural land ownership issues

The primary privatization of the Russian farmlands was mostly finished by the end of 90-s and resulted in privatization of about 130 MHA out of about 220 MHA of official agricultural areas, or about 60% of total agricultural lands. However if to disengage from about 30 MHA of non-suitable for utilization lands, the share of privatized lands in total agricultural lands could be estimated at almost 70%. The predominant form of privatization was distribution of lands among former state and collective farm employees in the form of ("virtual") land shares.

Since 2001, after adopting the land sales legislation, the process of land sales and purchase was galvanized. In parallel the re-registration of ("virtual") land shares into officially owned land plots with official cadastre numbers and other signs of official land title has been expedited, especially in most productive South Russian regions. As of nowadays, the key massive of the South Russian private farmlands is officially fixed in the form of private ownership. However most of these lands are still in collective ownership of primary land share owners, new individual entrants, and corporations.

The land may be leased out for up to 49 years. To be officially recognized, the land lease agreement must be officially registered in the local registration chamber.

Foreigners have the right to lease Russian farmland. Direct foreign ownership is prohibited. However nothing prevents so far the foreign company or individual to register the company in Russia, which would have the right then to buy the Russian farmland. In total, we are aware about at least 2.7 MHA of the Russian farmland, which is under control of foreign entities. It includes about 1 MHA in ownership of Russian companies, which in the end of end belong to the foreign companies or individuals.

Provision and access to other public goods such as infrastructure, education, research

Russia has highly developed inherited from the Soviet times agricultural education system. Dozens of state owned and budget financed agricultural academies, universities, and colleges are opened in almost every major Russian city. Unfortunately the system is not well adapted yet to the modern practices, so that the share of graduates who prefer to work outside of agriculture and agribusiness is extremely high. Russia has developed system of agricultural and food inspection services, which belong to Rosselkhnadzor, or Rospotrebnadzor federal Agencies. Besides, an accredited network of private labs and testing centres is functioning across the country.

2. SITUATION AND DEVELOPMENT OF THE AGRICULTURAL SECTOR

2.1 Role of agricultural sector in the economy

Russian agriculture (including hunting and forestry) occupies 3.1% in domestic GDP (2013, Rosstat). Its share in GDP is steadily declining: in 2004 it was 5.9%.

During recent decade the agricultural output was steadily growing at %: CAGR. According to the Agricultural Program (2013-2020), during 2013-2020, domestic agricultural output should grow rather modestly, at 2% per year. However we believe that agricultural authorities tend to put low targets and underestimate potential growth rates, to be able to more easily report about “goals fulfilment”.

As of January 2013, rural population amounted to 37.2 Mln, in comparison with 38.3 Mln in 2004. The share of rural in total domestic population has steadily declined to 25.9% in 2013 from 26.5% in 2004.

The number of agricultural employees (including hunting and forestry) is 6.5 Mln (Rosstat, 2012). The number of agricultural employees is steadily declining: in 2004 the relevant figure was 7.4 Mln. The share of agricultural labour in the annual country workforce is also steadily declining: 9.6% in 2012, in comparison with 11.1% in 2004 (Rosstat, 2013).

We forecast all above given rural; population and rural employment trends will be real in foreseeable future.

2.2 Land use

Nominal agricultural land area remains stable and accounts for about 190 MHA. Nominal arable land is gradually shrinking to about 115 MHA (2012). The best indicator on the utilization of domestic farmlands is the estimate of sowing areas, which shows what land is really cultivated. According to the official data, the sowing areas shrank dramatically from 118 MHA in 1990 to less than 75 MHA in second half of 2000's. Meanwhile due to such factors as agflation, and increased government spending on agriculture, one can observe stabilization, and even some gain of sowing areas since 2009.

Table 4 Agricultural land use in Russia 1989–2013, 1000 ha

	1990	2004	2007	2010	2012
Land area, total		543 094	548 552	519 372	522 067
Agricultural land, total		192 617	190 517	190 752	191 024
Arable land		116 796	115 338	115 298	115 413
Kitchen gardens					
Set-Aside land		3 164	3 506	3 642	3 616
Land under permanent crops		1 761	1 734	1 725	1 728
Orchards			445	428	422
Vineyards			43	43	46
Other permanent crops					
Permanent grassland		70 940	70 111	70 101	70 274
Meadows					
Pastures					
Other permanent grassland					
Other agricultural land					
Sowing areas*	117 705	79 378	74 759	75 187	76 325

*Include permanent crops, and perennial crops.

Sources: Rosstat, Ministry of Agriculture

2.3 Farm structures (including land properties)

Russian farm structure analysis is quite complicated and tricky, because of combination of several factors. First, there are no reliable official stats regarding the sizes of land plots. The only more or less reliable source is results of 2006 Farm Census. Second, official stats do not distinguish among various newly emerged farming formats, such as agro-holdings.

Table 5 Agricultural holdings by size classes by TGAA (Total Grand Agricultural Area)

	2006		2013	
	Area (ha)	No of agricultural holdings	Area (ha)	No of agricultural holdings
TOTAL	410 262 200	59212		
0 ha		7226		
> 0-< 3 ha	5 700	3311		
4-<10 ha	14 800	2231		
11-<20 ha	24 500	1564		
21-<50 ha	94 600	2694		
51-<100 ha	187 000	2471		
101-<200 ha	397 800	2719		
201-<500 ha	1 598 700	4756		
501-<1000 ha	3 370 000	4625		
1001-<1500 ha	3 881 200	3 132		
1501-<2000 ha	4 399 500	2 515		
2001-<3000 ha	10 675 100	4 290		
3001-<4000 ha	12 237 300	3 508		
4001-<6000 ha	24 293 200	4 943		
6001-<10000 ha	34 344 800	4 495		
> 10000 ha	314 738 000	4 732		

Sources: 2006 – Agricultural Census. 2013: IKAR estimates

Above given break-downs are partially misleading, as they do not reflect the fact that many individual legal entities are in reality parts of much bigger formal and informal holding groups. According to IKAR's agro-holdings database, in the year 2014 we count about 150 big holding companies (mega-multi agricultural production projects, originated and run mainly by non-agricultural investors), which control about 16 MHA of arable lands, or, roughly, about 14 MHA of domestic sowing areas.

As one can see from the table below given, there are two gradually growing formats: agro-holdings, and private farmers. At the same time, such "traditional", or post-privatization categories of farms, as independent collective farms, and subsistence plots are gradually losing their grounds.

Table 6 Breakdown of Russian farm structures per sowing areas, THA

	2000	2007	2012
Ag enterprises, incl.	74198	57472	55665
Agro-holdings*	1700	9000	14000
Farmers	6513	14213	17155
Subsistence plots	4708	4678	3505
Total	85419	76363	76325

Sources: Rosstat, IKAR (agro-holdings)

Many private farmers are registered as individual entrepreneurs, which gave them some tax benefits.

As to agricultural enterprises, at the end of 2012 the structure of agricultural companies in Russia was as follows:

1. Joint-stock companies (13.1%)
2. LLC's (52.3%)
3. Agricultural cooperatives (25.4%)
4. State-run companies (2.7%)
5. Others (6.5%)

2.4 Production and output (including major sectors and yields)

The share of crop and animal output in the total agriculture GDP remains rather stable, as growth of poultry and livestock is type of “offset” by the growth of export orientation of domestic grains and oilseeds.

No definite trend in the relative importance of crop and animal output: they have been almost equal in terms of gross value of the output (without having in mind a double counting of crop feedstuffs in animal production). High 2010 animal products share is associated with a big drought this year. Quite aggressive growth of animal products sector from 2007 to 2013 was type of compensated by growing export orientation and relevant output of domestic crop production (grains and oilseeds), and import substitution in sugar industry.

The general agricultural output CAGR over the reported period has been quite impressive at 3.3%, including 3.4% for crops, and 2.7% for livestock products. Crops production was growing more dynamically mainly because of growing grains and oilseeds export orientation. Meanwhile, as it will be shown below given, two animal protein industries were growing at exceptionally high rates: poultry meat and swine.

Table 7 Agricultural output (mill. RUB, at current prices)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
CROP OUTPUT	650,5	669,8	764,8	1002,4	1306,4	1238,9	1191,5	1703,5	1636,4	2016,7
:										
:										
ANIMAL OUTPUT	602,7	711,1	805,8	929,2	1155	1277	1396,3	1558,2	1704,1	1774,1
:										
:										
AGRICULTURAL GOODS OUTPUT	1253,2	1380,9	1570,6	1931,6	2461,4	2515,9	2587,8	3261,7	3340,5	3790,8

Source: Rosstat (www.gks.ru)

Table 8 Share of individual products in agricultural output (%)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
CROP OUTPUT	52%	49%	49%	52%	53%	49%	46%	52%	49%	53%
:										
:										
ANIMAL OUTPUT	48%	51%	51%	48%	47%	51%	54%	48%	51%	47%
:										
:										
AGRICULTURAL GOODS OUTPUT										

Source: Rosstat (www.gks.ru)

Table 9 Gross Agricultural Output volume changes (current prices)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
CROP OUTPUT										
(% change from previous year)	117	103	114	131	130	95	96	143	96	117
(% change from 2004 year)	100	103	118	154	201	190	183	262	252	295
ANIMAL OUTPUT										
(% change from previous year)	116	118	113	115	124	111	109	112	109	104
(% change from 2004 year)	100	118	134	154	192	212	232	259	283	293
:										
AGRICULTURAL GOODS OUTPUT										
(% change from previous year)	116	110	114	123	127	102	103	126	102	110
(% change from 2004 year)	110	125	154	196	201	206	260	266	294	337

Source: Rosstat (www.gks.ru)

Table 10 Gross Agricultural Output volume changes (constant prices)

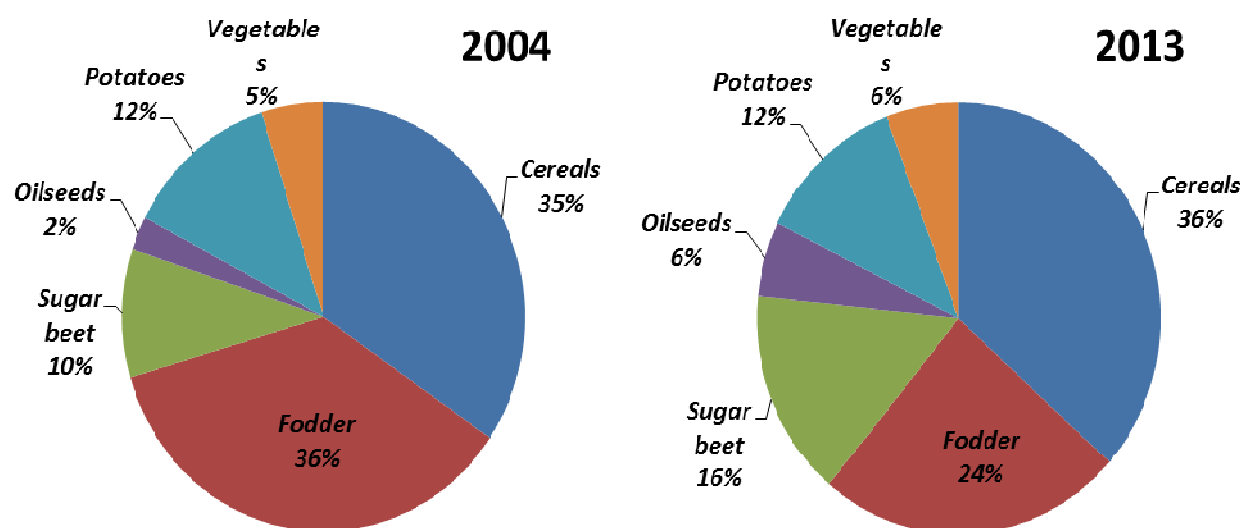
CROP OUTPUT	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
(% change from previous year)	106	103	100	102	118	99	76	147	88	111
(% change from 2004 year)	100	103	103	105	124	123	93	137	121	135
ANIMAL OUTPUT										
(% change from previous year)	98	100	106	104	103	105	101	102	103	101
(% change from 2004 year)	100	100	106	111	114	119	120	123	126	127
AGRICULTURAL GOODS OUTPUT										
(% change from previous year)	102	102	103	103	111	101	89	123	95	106
(% change from 2004 year)	100	102	105	108	120	121	108	133	126	133

Source: Rosstat (www.gks.ru)

2.4.1 Crop production and yields

In Russia, the main key trend consists in a growing share of oilseeds and sugar beets in total sowing areas, mainly at the expense of fodder crops.

Figure 2 Crop production structure in Russia in 2004 and 2013



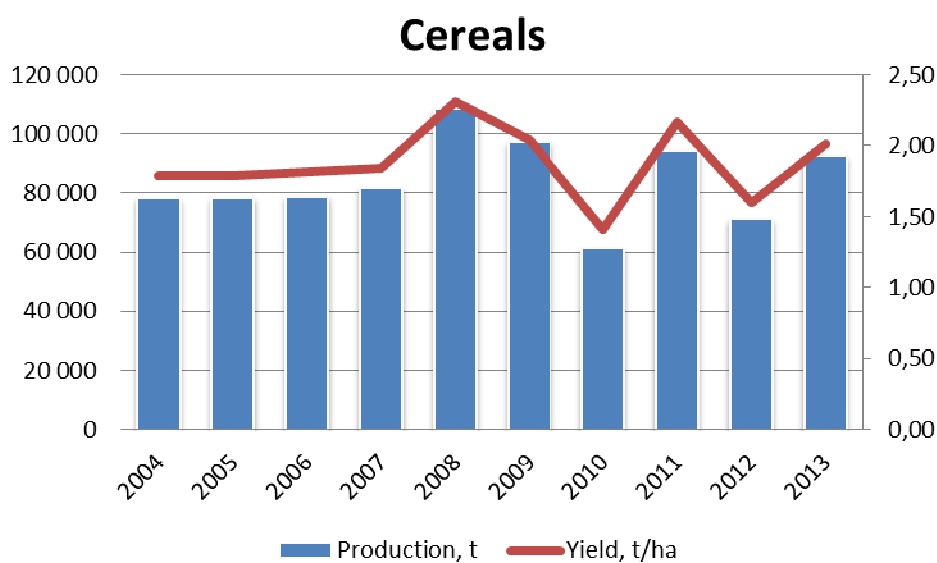
Sources: Rosstat (www.gks.ru)

Cereals

The Key Russian cereals trends are as follows:

- General shift from area under grains to oilseeds;
- Shift from spring to winter wheat;
- In most recent years substantial growth of area under corn at the expense of less intensive and less technological grains, such as oats, barley, rye, etc.;
- Dramatic progress in wheat and corn productivity. The closer to South Russian Export Plate, the higher productivity growth;
- Shift of production from remote continental to more export oriented South Russian regions, as well as to Central Black Soil, where they develop animal protein projects.

Figure 3 Production and yield of cereals in Russia 2004-13



Sources: Rosstat (www.gks.ru)

Table 11 Cereals production in Russia's regions 2004–2013, t

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Russian Federation	78 092	78 187	78 625	81 472	108 179	97 111	60 960	94 213	70 908	92 385
Central Federal District	13 438	14 709	13 064	14 020	23 853	21 551	9 704	17 069	18 195	22 514
Belgorod	1 698	2 031	1 646	1 911	3 263	2 385	1 032	2 354	2 498	3 015
Bryansk	492	492	340	418	552	609	381	539	586	673
Vladimir	172	172	167	173	178	194	110	164	180	106
Voronezh	2 356	2 414	2 055	2 178	4 529	3 474	854	3 047	3 111	3 815
Ivanovo	103	93	80	111	101	130	82	103	125	87
Kaluga	145	121	102	134	191	197	139	148	166	105
Kostroma	70	74	71	92	83	84	49	68	60	46
Kursk	1 599	1 900	1 732	1 926	3 352	3 054	1 526	2 649	2 844	3 603
Lipetsk	1 498	1 908	1 721	1 794	2 913	2 725	1 215	1 972	1 867	2 541
Moscow Region	285	210	203	191	244	237	172	222	242	181
Orel	1 577	1 664	1 268	1 354	2 282	2 393	1 508	1 677	2 072	2 559
Ryazan	812	874	936	945	1 554	1 570	655	938	1 059	1 255
Smolensk	195	149	88	119	158	166	86	207	217	188
Tambov	1 315	1 581	1 701	1 581	2 870	2 633	926	1 920	1 866	2 993
Tver	170	129	129	139	147	121	62	90	82	86
Tula	862	828	743	863	1 333	1 476	856	891	1 141	1 200
Yaroslavl	91	70	81	92	103	103	51	79	79	61
North-West Federal District	595	551	453	514	619	664	461	569	620	692
Karelia	1	1	1	1	0	0	0	0	0	0
Komi	1	1	1	1	1	0	0	0	0	0
Arkhangelsk	4	4	4	5	2	3	3	7	4	4
Vologda	182	195	195	224	242	238	154	245	212	166
Kaliningrad	287	246	143	161	227	266	186	156	222	332
Leningrad Region	55	58	72	85	98	106	79	94	100	109
Murmansk			0	0	0	0	0	0	0	0
Novgorod	12	9	10	12	17	16	16	28	29	24
Pskov	53	38	27	25	31	35	23	37	54	58
South Federal District + North Caucasus	27 526	26 779	26 047	23 791	36 978	28 908	27 254	32 816	24 608	32 068
Adyghe Republic	335	301	304	384	543	472	438	427	323	510
Republic of Dagestan	327	318	254	201	282	207	210	244	157	270
Ingush Republic	68	39	41	32	58	69	44	73	55	95
Kabardian-Balkar Republic	641	419	435	439	672	582	645	740	817	1 078
Kalmuck Republic	393	344	360	170	437	402	275	357	160	195

Karachaevo-Cherkessya Republic	92	87	91	126	142	162	141	198	194	346
Republic of Horth Ossetia-Alania	310	251	230	299	520	458	401	495	518	649
Chechen Republic	130	127	129	124	182	172	125	185	92	194
Krasnodar	8 166	8 298	8 239	8 104	11 634	9 486	9 943	11 455	8 839	12 038
Stavropol	6 201	6 705	6 281	7 015	8 413	6 935	6 870	8 186	4 839	6 962
Astrakhan	32	43	39	30	40	48	44	46	32	25
Volgograd	3 737	3 581	3 335	2 774	5 183	3 317	1 499	2 675	2 423	3 088
Rostov-on-Don	7 093	6 265	6 310	4 095	8 871	6 598	6 621	7 736	6 159	6 617
Volga Federal District	19 815	19 194	20 915	22 323	27 151	21 732	6 550	21 242	14 530	17 038
Bashkir Republic	3 236	2 884	3 883	4 069	4 533	2 931	781	3 003	1 672	2 039
Mari El Republic	234	249	210	177	250	280	102	290	184	158
Republic of Mordovia	631	768	945	909	1 168	1 308	292	1 035	797	849
Republic of Tatarstan	3 842	4 129	4 158	4 745	5 743	4 442	661	4 868	2 990	2 612
Udmurt Republic	490	570	568	556	646	655	313	641	482	306
Chuvash Republic	323	397	426	362	523	573	128	555	412	396
Kirov	607	664	571	491	607	706	460	736	555	420
Nizhny Novgorod	853	1 011	1 167	1 043	1 299	1 432	541	1 302	933	919
Orenburg	2 221	1 813	2 022	3 155	3 718	2 446	740	2 918	1 471	2 049
Penza	907	995	1 110	932	1 422	1 461	407	875	750	1 291
Perm	458	466	443	398	436	451	331	444	322	275
Samara	1 408	1 102	1 251	1 402	1 824	1 128	489	1 213	1 107	1 629
Saratov	3 912	3 491	3 436	3 316	3 854	2 775	1 032	2 066	2 203	3 192
Ulianovsk	693	656	724	766	1 129	1 144	273	1 298	651	903
Ural Federal District	3 304	4 893	5 697	5 257	5 152	5 327	3 339	7 302	3 412	4 319
Kurgan	834	1 360	1 509	1 522	1 595	1 673	866	2 401	933	1 344
Sverdlovsk	490	724	720	586	630	676	549	762	521	611
Chelyabinsk	811	1 474	2 115	1 886	1 688	1 453	692	2 219	689	1 031
Tyumen	1 168	1 335	1 353	1 264	1 238	1 525	1 232	1 920	1 269	1 333
Siberian Federal District	13 144	11 676	12 016	15 005	13 921	18 347	13 355	14 602	8 997	15 325
Altai Republic	16	20	13	22	8	16	10	9	6	10
Republic of Buryatia	106	83	91	82	101	79	72	98	126	113
Republic of Tuva	26	16	12	7	12	13	18	19	14	17
Khakass Republic	86	40	65	80	85	112	129	174	137	131
Altai	3 607	2 953	3 518	4 701	3 857	5 628	4 241	3 920	2 517	4 926
Krasnoyarsk	1 992	1 595	1 485	1 811	2 155	2 378	2 071	2 359	1 787	2 215
Irkutsk	561	644	571	754	758	688	554	573	630	794
Kemerovo	1 111	1 041	1 109	1 455	1 467	1 571	1 180	1 136	491	913
Novosibirsk	2 282	1 803	1 767	2 503	2 567	3 193	2 350	2 503	1 240	2 293
Omsk	2 872	2 871	2 917	3 082	2 290	4 003	2 232	3 379	1 690	3 428
Tomsk	370	319	282	340	409	397	359	318	147	320
Transbaikali Territory	116	292	185	168	212	269	138	114	213	167
Far Eastern Federal District	269	385	434	560	504	581	297	613	547	428
Yakytia	16	14	13	13	6	8	10	8	6	12
Jewish Autonomous Region	19	23	29	30	34	26	6	26	21	5
Chukchi Autonomous District	0	0	0	0	0	0	0	0	0	0
Primorye Territory	116	124	140	133	164	193	145	231	235	229
Khabarovsk Territory	19	9	18	23	27	17	6	10	14	10
Amur Region	98	214	234	362	273	338	130	338	271	172
Kamchatka Region	1	0	0	0	0	0	0	0	0	0
Magadan	0	0	0	0	0	0	0	0	0	0
Sakhalin	0	0	0	0	0	0	0	0	0	0

Sources: Rosstat

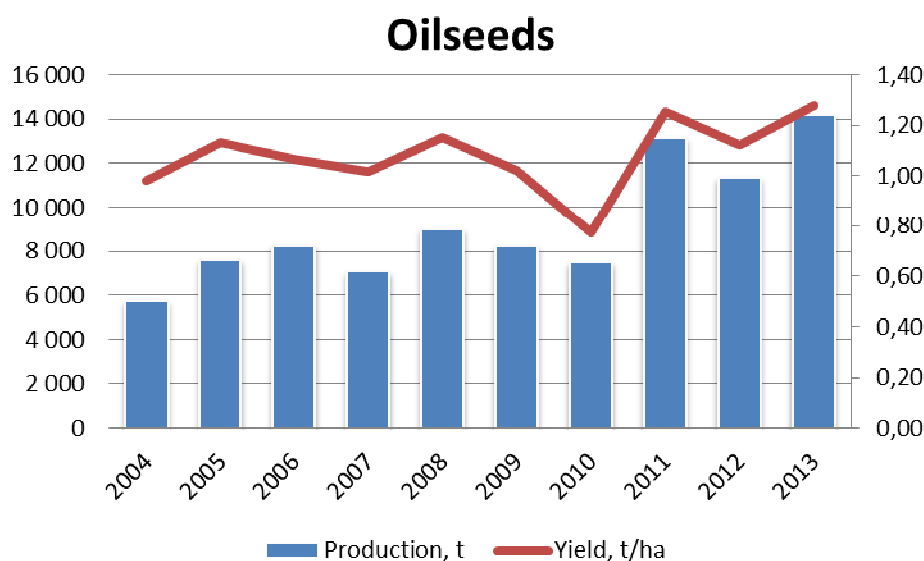
Oilseeds

In Russia, the following trends are observed:

- General up-ward trend of areas under oilseeds (at the expense of fodder, grains and other crops);

- General trend towards gradual area increase under main oilseed crop: sunseeds. It happens at the expense of involvement of marginal Northern and Eastern areas (North of European Russia, Urals, and Western Siberia). However one can observe flat or even diminishing area patters under sunseeds in most recent years, especially in South of Russia: administrative struggle with “monoculture”, and against broomrape;
- Dramatic area increase under soybeans, and spring rapeseeds;
- Dramatic increase of area under non-traditional oilseeds, such as flaxseeds, and false flaxseeds.
- Quite substantial productivity gain of sunseeds: technology, Western hybrids.

Figure 4 Production and yield of oilseeds in Russia 2004-13



Sources: Rosstat (www.gks.ru)

Table 12 Oilseeds production in Russia's regions 2004–2013, t

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Russian Federation	5 726	7 557	8 218	7 037	8 972	8 186	7 457	13 115	11 313	14 151
Central Federal District	763	1 079	1 101	1 233	1 580	1 792	1 379	3 198	3 140	3 919
Belgorod	138	166	206	209	249	297	289	563	522	637
Bryansk	0	0	0	1	1	3	15	22	24	32
Vladimir	1	0	0	1	1	0	1	1	4	2
Voronezh	391	534	545	598	753	786	433	1 026	928	1 115
Ivanovo	1	0	0	0	1	1	1	0	0	0
Kaluga	0	1	0	1	2	1	1	2	1	1
Kostroma	0	0	0	0	0	0	0	0	0	0
Kursk	12	12	17	29	48	84	114	328	362	467
Lipetsk	33	58	82	90	135	142	131	311	351	462
Moscow Region	1	1	2	1	2	1	1	1	1	5
Orel	25	40	38	30	38	42	48	163	163	197
Ryazan	1	3	6	6	11	8	9	56	88	108
Smolensk	0	0	0	1	6	4	3	8	9	10
Tambov	153	253	184	250	312	402	306	650	573	768
Tver	0	1	0	0	0	0	0	0	0	0
Tula	6	11	20	17	22	20	27	66	112	114
Yaroslavl	0	0	0	0	0	0	0	0	0	0
North-West Federal District	47	62	50	74	69	105	64	59	85	78
Karelia	0	0	0	0	0	0	0	0	0	0
Komi	0	0	0	0	0	0	0	0	0	0
Arkhangelsk	0	0	0	0	0	0	0	0	0	0
Vologda	0	0	0	0	0	0	2	0	0	0
Kaliningrad	47	62	50	74	68	104	62	58	85	76

Leningrad Region	0	0	0	0	0	0	0	0	0	0
Murmansk	0	0	0	0	0	0	0	0	0	0
Novgorod	0	0	0	0	0	0	0	0	0	1
Pskov	0	0	0	1	0	1	0	0	0	1
South Federal District +										
North Caucasus District	3 330	4 445	4 670	3 467	4 535	3 641	3 586	4 464	3 862	4 424
Adyghe Republic	47	78	99	86	103	136	114	116	140	141
Republic of Dagestan	5	2	3	4	4	3	4	8	10	10
Ingush Republic	3	2	1	1	2	2	4	7	7	7
Kabardian-Balkar Republic	32	25	34	18	37	33	58	62	46	51
Kalmuck Republic	19	27	30	5	15	6	9	12	5	4
Karachaevo-Cherkessya Republic	6	10	9	6	10	12	16	25	19	29
Republic of North Ossetia- Alania	8	7	8	3	6	6	11	13	8	10
Chechen Republic	2	1	1	1	2	3	6	8	4	9
Krasnodar	1 023	1 392	1 423	1 040	1 444	1 370	1 300	1 367	1 457	1 574
Stavropol	451	548	573	416	564	463	599	734	610	714
Astrakhan	0	0	0	0	0	0	0	0	0	0
Volgograd	506	708	733	646	783	590	433	863	518	851
Rostov-on-Don	1 227	1 644	1 757	1 241	1 564	1 018	1 033	1 248	1 039	1 024
Volga Federal District	1 076	1 326	1 577	1 445	1 893	1 617	1 107	3 589	2 629	4 029
Bashkir Republic	137	130	147	115	144	136	60	313	153	295
Mari El Republic	4	2	1	2	4	1	0	1	2	2
Republic of Mordovia	2	2	1	2	3	5	3	21	19	30
Republic of Tatarstan	51	51	124	116	124	80	15	140	151	148
Udmurt Republic	0	0	0	0	0	0	0	1	1	0
Chuvash Republic	0	0	0	0	2	1	0	1	3	4
Kirov	0	0	0	0	2	0	1	3	7	8
Nizhny Novgorod	1	2	38	30	46	25	6	27	77	37
Orenburg	220	270	303	254	430	346	264	640	387	758
Penza	29	43	40	40	52	76	61	241	224	320
Perm	0	1	0	3	2	1	1	3	2	2
Samara	203	253	258	227	342	262	198	654	586	796
Saratov	399	535	627	612	670	624	447	1 373	864	1 398
Ulianovsk	28	36	37	41	72	60	49	171	154	230
Ural Federal District	9	19	25	23	25	21	37	138	98	197
Kurgan	4	13	14	6	9	5	7	33	19	45
Sverdlovsk	0	1	0	1	3	4	6	13	9	23
Chelyabinsk	2	5	7	7	6	5	13	37	14	48
Tyumen	2	1	4	9	7	8	12	55	56	81
Siberian Federal District	166	233	347	379	360	383	466	557	469	855
Altai Republic	0	0	0	0	0	0	0	0	0	0
Republic of Buryatia	1	0	1	1	0	2	1	1	1	0
Republic of Tuva	0	0	0	0	0	0	0	0	0	0
Khakass Republic	0	0	0	0	1	0	1	2	2	2
Altai	127	167	253	264	237	297	357	386	336	534
Krasnoyarsk	4	5	4	5	5	4	3	6	15	28
Irkutsk	0	1	1	1	3	3	2	3	3	3
Kemerovo	4	5	8	16	29	19	35	44	29	66
Novosibirsk	11	12	14	17	19	8	15	14	21	54
Omsk	15	37	61	69	63	46	48	96	56	155
Tomsk	1	2	3	3	2	2	1	2	4	9
Transbaikal Territory	2	3	1	1	2	2	2	3	3	2
Far Eastern Federal District	335	393	449	417	510	627	817	1 110	1 030	649
Yakytia	0	0	0	0	0	0	0	0	0	0
Jewish Autonomous Region	34	59	64	62	66	46	80	100	65	61
Chukchi Autonomous District	0	0	0	0	0	0	0	0	0	0
Primorye Territory	114	131	133	83	110	134	152	168	170	170
Khabarovsk Territory	9	11	11	11	9	12	15	14	17	19
Amur Region	179	192	240	262	324	436	570	827	778	399

Fruits and vegetables

Formally and officially, 5/6th of domestic production is attributed to small subsistence plots of rural and urban population. For fruits, although we observe growing investments in new commercial orchards, which will start showing results in next few years, we continue to observe retirement of old Soviet assets against the background of Russia being biggest world importer of apples, pears, and other fruits. Regarding vegetables, in the most recent years we observe booming investments into new commercial projects, especially greenhouses. Areas under commercial field vegetables are also growing quite steadily.

Figure 5 Production and yield of vegetables in Russia 2004-13

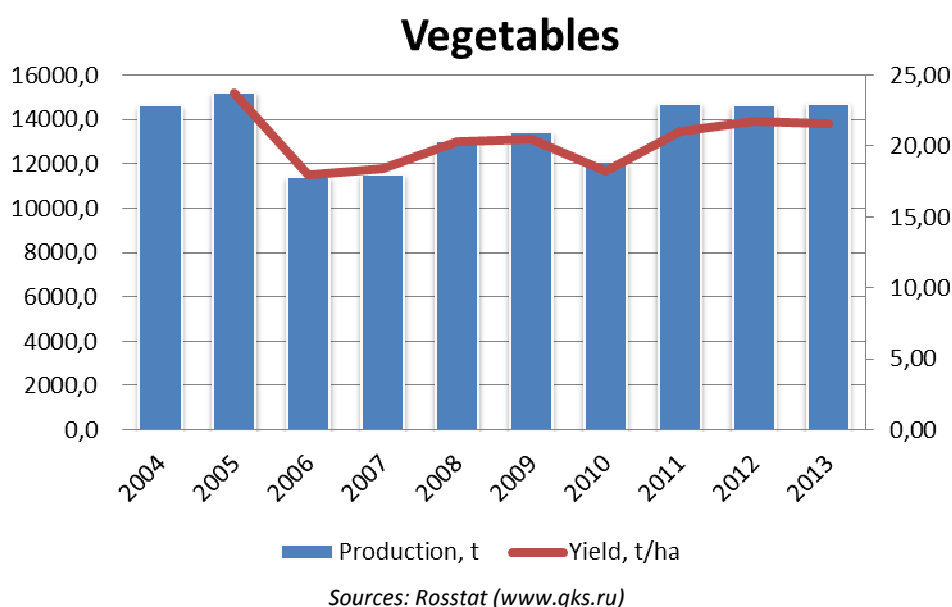


Table 13 Vegetables production in Russia's regions 2004–2013, t

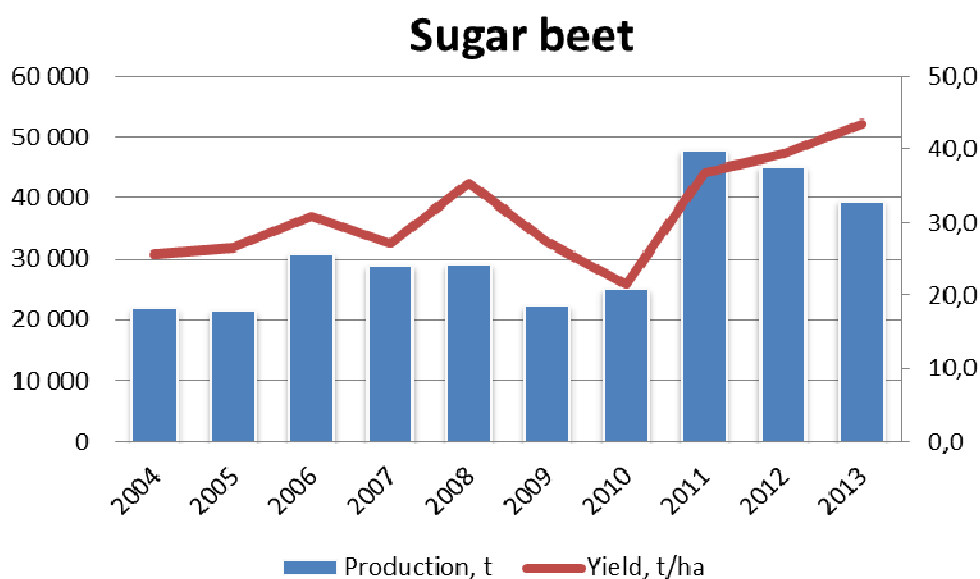
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Russian Federation (only here in mln. Tonnes)	14,6	15,2	11,4	11,5	13,0	13,4	12,1	14,7	14,6	14,7
Central Federal District	3406	3414	2559	2600	2756	2823	2245	2937	2944	2913
Belgorod	180	187	182	170	174	173	146	178	181	188
Bryansk	201	190	99	106	123	124	112	146	123	124
Vladimir	152	180	164	176	171	189	121	167	172	178
Voronezh	207	246	273	308	371	368	240	379	402	476
Ivanovo	104	106	94	92	88	89	80	89	81	84
Kaluga	129	117	105	101	106	107	92	103	105	98
Kostroma	170	173	101	104	105	107	102	111	110	111
Kursk	170	148	97	113	124	127	99	139	154	141
Lipetsk	153	157	113	126	126	139	111	156	158	153
Moscow Region	635	644	619	586	610	615	493	649	633	560
Orel	110	117	84	79	87	78	52	86	80	77
Ryazan	177	158	109	113	121	124	91	108	106	105
Smolensk	128	128	58	67	66	67	67	81	75	77
Tambov	220	219	155	150	139	149	131	149	145	140
Tver	218	200	65	65	67	78	76	109	99	107
Tula	217	216	113	123	152	161	135	169	167	152
Yaroslavl	235	229	129	122	127	129	99	118	152	140
North-West Federal District	952	932	547	534	571	575	554	633	596	590
Karelia	30	26	21	20	23	23	22	22	17	21
Komi	36	38	21	20	20	19	21	22	23	22
Arkhangelsk	93	84	34	33	33	33	35	32	35	35
Vologda	201	218	61	59	62	60	52	61	60	62
Kaliningrad	82	82	51	48	52	62	73	73	62	64
Leningrad Region	255	249	247	240	261	259	230	285	267	253

Murmansk	4	3	2	2	1	1	1	1	0	1
Novgorod	135	138	73	74	74	73	80	87	88	88
Pskov	117	93	37	37	45	45	41	50	43	45
South Federal District +										
North Caucasus District	3121	3358	3102	3152	3933	4147	4256	4932	5149	5151
Adyghe Republic	39	60	54	83	81	89	87	67	71	67
Republic of Dagestan	716	818	784	796	871	904	949	994	1063	1117
Ingush Republic	9	7	3	2	2	2	2	5	6	3
Kabardian-Balkar Republic	301	289	274	277	296	313	339	346	346	343
Kalmuck Republic	15	16	16	19	18	22	17	27	19	20
Karachaevo-Cherkessya										
Republic	70	65	58	59	52	63	58	68	68	65
Republic of North Ossetia-										
Alania	36	34	18	26	33	40	41	46	43	37
Chechen Republic	37	36	18	20	21	24	26	27	28	34
Krasnodar	494	535	506	474	614	672	668	760	754	716
Stavropol	156	171	142	154	200	213	248	334	426	508
Astrakhan	263	328	349	371	479	603	609	779	811	832
Volgograd	439	473	497	532	714	726	726	841	829	798
Rostov-on-Don	548	527	384	341	553	477	488	640	683	611
Volga Federal District	3542	3657	2610	2575	2866	2927	2358	3150	3172	3221
Bashkir Republic	413	429	336	322	335	385	254	338	281	357
Mari El Republic	116	119	93	90	150	176	141	184	196	178
Republic of Mordovia	89	100	83	94	88	91	70	86	92	85
Republic of Tatarstan	323	324	275	275	288	305	246	319	328	329
Udmurt Republic	173	199	161	159	172	163	146	179	172	177
Chuvash Republic	201	221	99	92	109	110	99	175	168	141
Kirov	293	255	117	107	118	115	106	112	113	107
Nizhny Novgorod	323	381	290	288	324	313	279	314	359	358
Orenburg	352	319	174	194	231	226	166	230	221	216
Penza	173	179	133	130	139	152	118	161	181	193
Perm	388	391	166	152	180	177	177	234	227	236
Samara	276	306	329	318	294	281	175	292	343	323
Saratov	311	319	274	291	365	356	305	405	392	421
Ulianovsk	112	116	81	63	73	78	76	121	99	100
Ural Federal District	988	1149	779	790	825	867	752	920	732	826
Kurgan	170	209	129	133	157	168	137	187	129	187
Sverdlovsk	340	354	194	183	167	178	157	200	167	188
Chelyabinsk	232	287	238	266	276	311	259	297	249	269
Tyumen	246	299	218	208	226	210	199	236	188	181
Siberian Federal District	2004	2095	1400	1505	1617	1674	1560	1695	1600	1598
Altai Republic	13	13	9	11	12	12	12	14	13	15
Republic of Buryatia	94	104	41	44	46	47	47	52	56	56
Republic of Tuva	11	12	3	3	3	3	4	4	4	3
Khakass Republic	105	89	60	57	57	66	63	60	66	62
Altai	246	248	217	218	225	229	229	243	241	232
Krasnoyarsk	256	316	218	254	263	290	272	262	248	229
Irkutsk	218	219	120	148	148	150	153	154	158	148
Kemerovo	169	180	171	184	222	225	214	245	226	223
Novosibirsk	417	409	177	198	221	240	196	236	243	223
Omsk	329	350	255	275	286	283	253	302	222	282
Tomsk	98	104	107	92	107	101	88	93	31	32
Transbaikal Territory	49	52	22	21	26	29	30	31	92	94
Far Eastern Federal										
District	572	552	372	352	393	389	401	430	434	391
Yakytia	31	37	27	24	31	30	34	32	33	37
Jewish Autonomous										
Region	42	46	31	31	36	31	34	36	32	20
Chukchi Autonomous										
District	0	0	0	0	0	0	0	0	0	0
Primorye Territory	173	159	127	116	125	154	161	182	176	185
Khabarovsk Territory	145	139	71	67	70	60	58	61	65	57
Amur Region	75	63	56	57	67	59	59	61	69	35
Kamchatka Region	44	48	17	14	18	16	16	17	15	13
Magadan	4	4	4	4	5	5	5	4	5	4
Sakhalin	58	55	40	39	41	33	34	37	37	41

Other crops

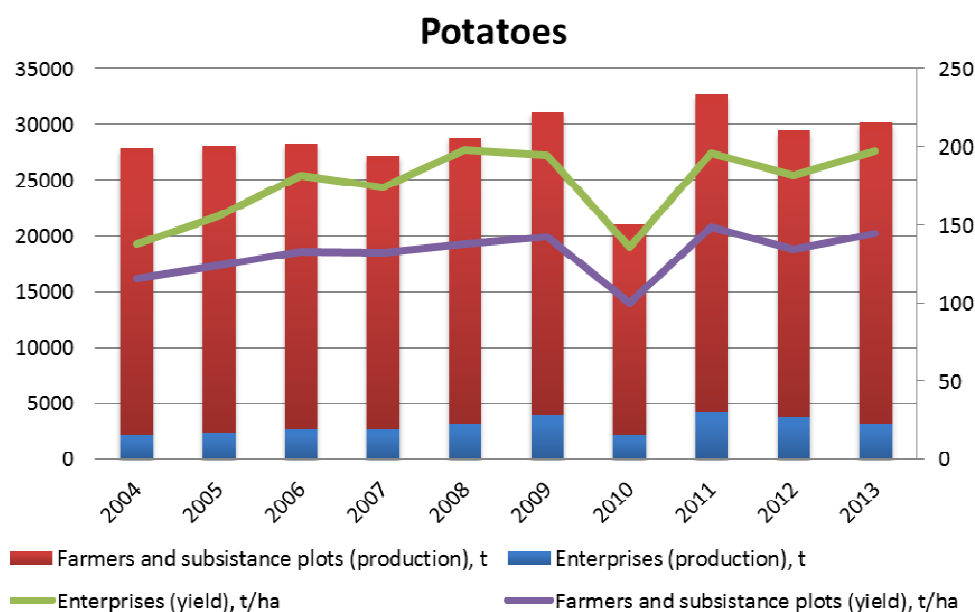
Dramatic progress of sugar beet yields in Russia over most recent decade: invasion of agro-holdings, technology, Western hybrids.

Figure 6 Production and yield of sugar beet in Russia 2004-13



More than 4/5 of potatoes is officially grown at subsistence plots. However the industry considers real figures for subsistence plots production are much more modest. We have seen quite a steady progress of large scale commercial potato production. It has been accompanied by heavy investments into irrigation and post-harvest storage and handling.

Figure 7 Production and yield of potatoes in Russia 2004-13



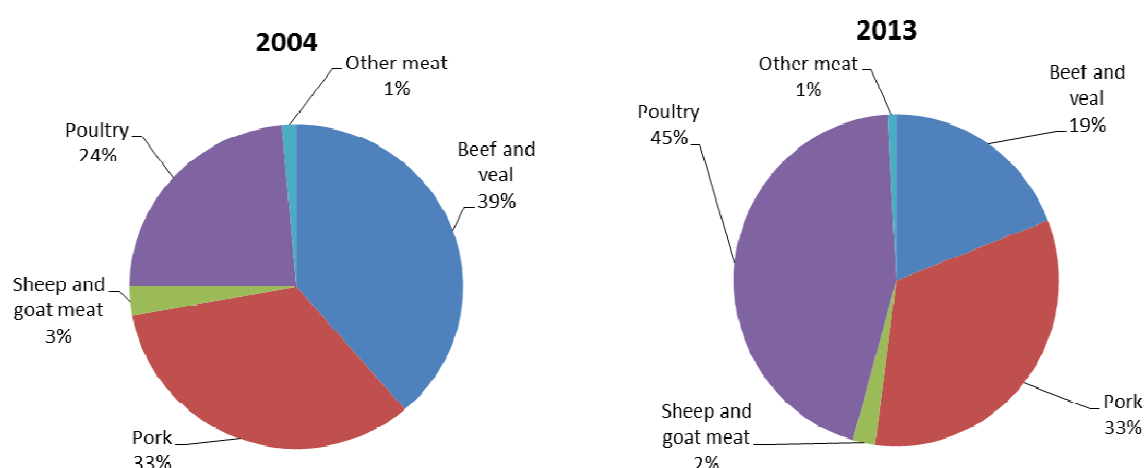
2.4.2 Animal production

Table 14 Livestock number in Russia 2004–2013

Number of animals (1000)	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Cattle (total)	23153,8	21625,0	21561,6	21546,0	21038,0	20671,3	19967,9	20133,8	19981,2	19564,4
of which cows	10244,1	9522,2	9359,7	9320,2	9125,6	9025,8	8843,5	8988,0	8883,0	8660,8
of which dairy cows										
Pigs (total)	13717,2	13811,7	16184,9	16340,0	16161,9	17231,0	17217,9	17258,3	18816,4	19081,1
of which sows										
Sheep	15774,7	16417,7	17997,9	19290,4	19602,3	19849,7	19761,3	20766,8	22061,3	22246,8
of which ewes										
Goats	2303,0	2163,7	2196,6	2212,9	2167,9	2136,6	2058,5	2091,2	2118,7	2090,6
of which she-goats										
Horses	1407,7	1316,6	1300,6	1321,3	1353,2	1375,0	1340,6	1362,1	1378,5	1374,8
of which she-horses										
Poultry	341581	357467	374686	388964,1	404549	433702	449296	473388	495852	494578
Other animals										
Rabbits	1565,4	1584,4	1900,6	1987,3	2091,8	2407,8	2653,1	2847,2	2989,5	3019,9
Reindeers	1272,6	1298,5	1445,6	1475,3	1520,8	1553,4	1571,0	1583,0	1596,4	1642,2
Bee-hives	3296,9	3228,4	3060,4	3097,1	2975,6	3047,2	3049,3	3250,1	3284,3	3341,5

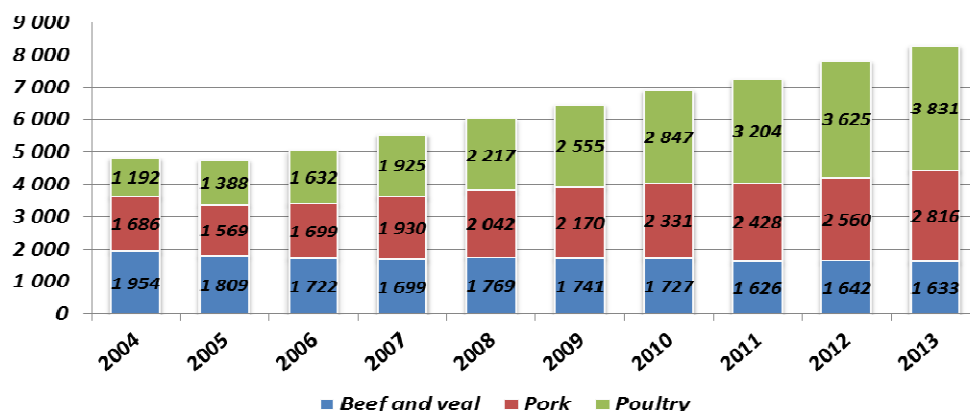
Sources: Rosstat (www.gks.ru)

Figure 8 Livestock production structure in Russia in 2004 and 2013



Russian meats production made a significant breakthrough during last 10 years. Total meat production increased at 70% to 8.5 mln. Tonnes in 2013. Russia was the world biggest meat importer in 2008 when the share of import amounts to 40% (about 3.9 mln. Tonnes). The most advanced sectors have been poultry meat followed by swine growing, as investment in these sectors have relatively short pay back investment cycle.

Figure 9 Livestock production progress in Russia 2004-13, TMT



Source: Rosstat (www.gks.ru)

Pork

Table 15 Pork production in Russia's regions 2004–2013, 1000 t

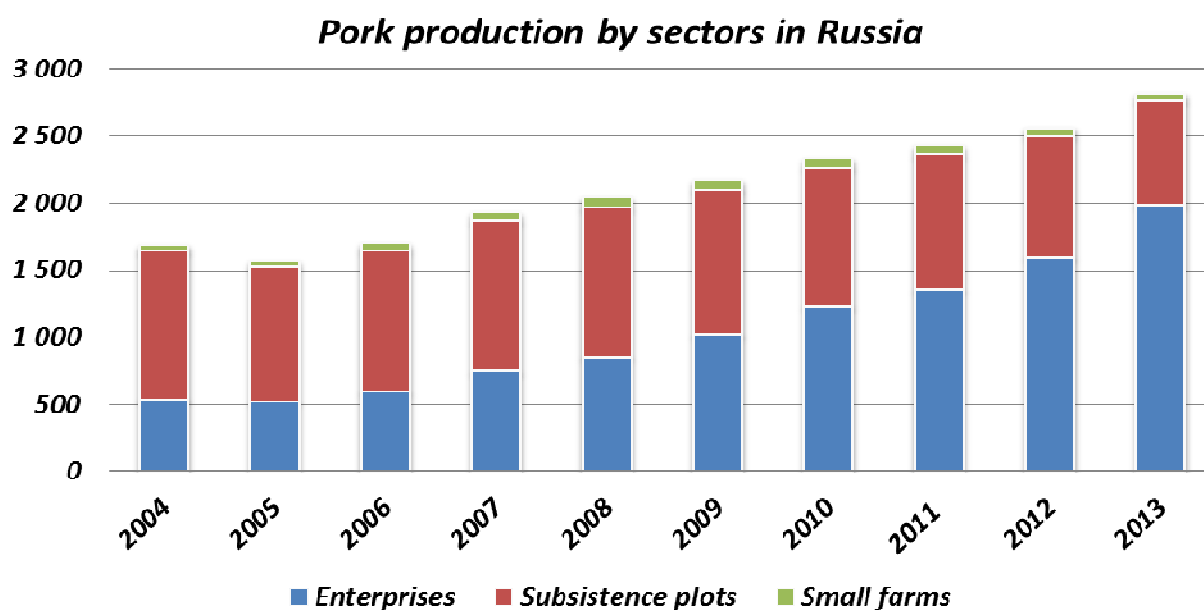
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
PORK										
RUSSIA	2197	2024	2197	2507	2692	2899	3086	3198	3286	3611
CENTRAL FD	427	400	443	546	646	803	941	1034	1226	1586
NORTHWESTERN FD	75	67	68	76	86	95	110	127	144	174
SOUTHERN FD	450	426	465	536	483	479	455	429	349	212
NORTH CAUCASIAN FD	Included to Southern FD till 2008 year				79	80	73	74	70	83
VOLGA FD	608	582	632	687	685	717	736	728	690	691
URAL FD	148	133	141	158	165	172	199	213	212	240
SIBERIAN FD	449	379	411	466	505	508	528	550	546	574
FAR EASTERN FD	40	38	37	38	43	45	43	46	49	52

Sources: Rosstat (www.gks.ru)

Since 2004, due to introduction of TRQs, followed by National Priority Project (2006-2007), followed by Agricultural Program (2008-2012, and 2013-2020) commercial pork production has grown very rapidly. The main direct domestic support tool has been interest rate subsidies against banking investment credits to rapidly emerging private animal protein powerhouses. As of the end of 2014 out of 2.7 MMT live weight corporate farms production about 1.7 MMT was produced by newly emerged modern, mostly mega, farms.

As to the subsistence plots operations, they traditionally have played very important role in domestic pork supplies. Initially (during implementation of National Priority Project) swine growing subsistence plots operations were strongly supported with interest rate credits specially meant to small-scale farming. But during later stages, the government relation to this sector has changed quite dramatically to the negative, as small scale swine production has been considered as unnecessary competitor to large commercial farming, and source of bad diseases, such as swine fever. So starting from end of first decade, the sector started shrinking at an increasing rate.

Figure 10 Pork production by sectors in Russia 2004-13, TMT



Source: Rosstat (www.gks.ru)

Poultry

Table 16 Poultry meat production in Russia's regions 2004–2013, 1000 t

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
POULTRY										
RUSSIA	1709	1961	2257	2638	3022	3475	3867	4325	4864	5141
CENTRAL FD	477	620	764	938	1106	1275	1397	1547	1748	1871
NORTHWESTERN FD	194	195	214	211	257	306	368	443	481	465
SOUTHERN FD	293	336	370	435	316	360	428	506	532	504
NORTH CAUCASIAN FD	Included to Southern FD till 2008 year				168	192	222	261	310	347
VOLGA FD	356	383	430	490	530	597	634	689	825	930
URAL FD	168	184	209	255	294	319	343	372	425	477
SIBERIAN FD	192	207	231	263	297	365	401	430	467	473
FAR EASTERN FD	29	36	39	44	54	62	74	78	77	75

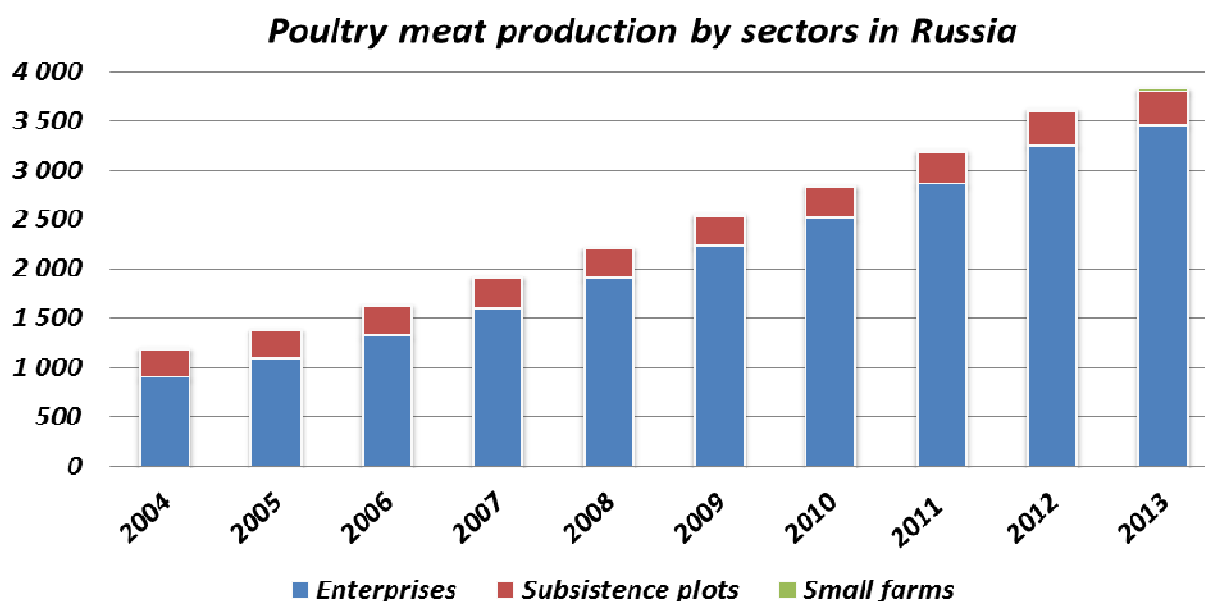
Sources: Rosstat (www.gks.ru)

Since 2004, due to introduction of TRQs, followed by National Priority Project (2006-2007), followed by Agricultural Program (2008-2012, and 2013-2020) commercial poultry meat production has grown very rapidly. The main direct domestic support tool has been interest rate subsidies against banking investment credits to rapidly emerging private animal protein powerhouses. However, by the middle of 2010's the country's poultry market started to show signs of saturation, production margins have fallen, and investment activities have been slowing down.

As to the subsistence plots, they have not played a vital role on domestic poultry market, and output at this sector has been gradually declining.

Most recent trend is associated with quick development of domestic commercial turkey and ducks production. Both are supported by the federal government subsidies.

Figure 11 Poultry meat production by sectors in Russia 2004-13, TMT



Source: Rosstat (www.gks.ru)

Beef and Veal

Table 17 Beef production in Russia's regions 2004–2013, 1000 t

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
BEEF AND VEAL										
RUSSIA	3386	3148	3025	3003	3115	3070	3053	2888	2913	2910
CENTRAL FD	669	602	560	539	546	508	495	457	451	461
NORTHWESTERN FD	145	125	117	114	113	105	101	96	97	95
SOUTHERN FD	557	528	545	564	319	336	341	343	363	371
NORTH CAUCASIAN FD	Included to Southern FD till 2008 year				274	280	275	276	269	270
VOLGA FD	1077	1024	1008	1006	1039	1030	1045	944	927	926
URAL FD	238	210	183	185	187	184	178	170	171	171
SIBERIAN FD	627	592	545	532	574	565	558	547	577	556
FAR EASTERN FD	73	67	68	64	64	62	60	57	57	59

Sources: Rosstat (www.gks.ru)

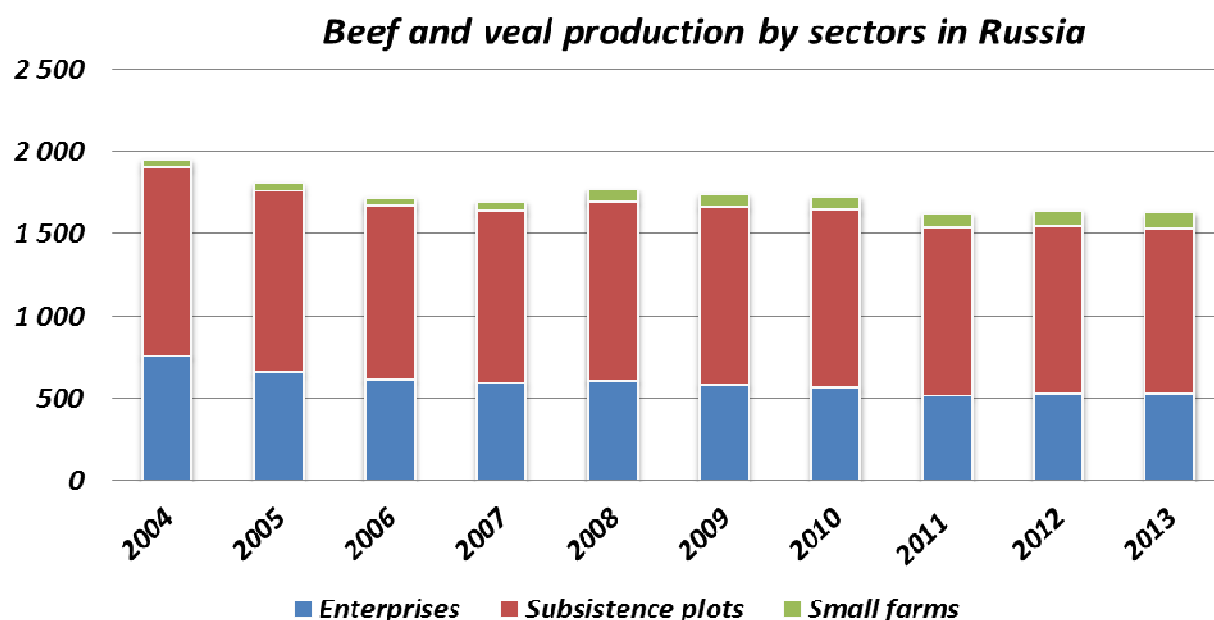
Russian beef output is traditionally dominated by derivative of dairy cattle industry activities, and only in most recent years beef cattle production is getting off the ground.

According to official statistics, subsistence plots sector is the main source of beef. However experts are quite doubtful about it. Most probably, the subsistence plots production stats is inflated.

Anyway, beef and veal output has been steadily declining because of steady shrinkage of domestic dairy cow population.

In most recent years, due to combination of private industry efforts, and newly emerged government subsidies, private beef cattle projects started to emerge in Russia, and first prime quality beef has entered supermarket shelves.

Figure 12 Beef and veal production by sectors in Russia 2004-13, TMT



Source: Rosstat (www.gks.ru)

Milk production

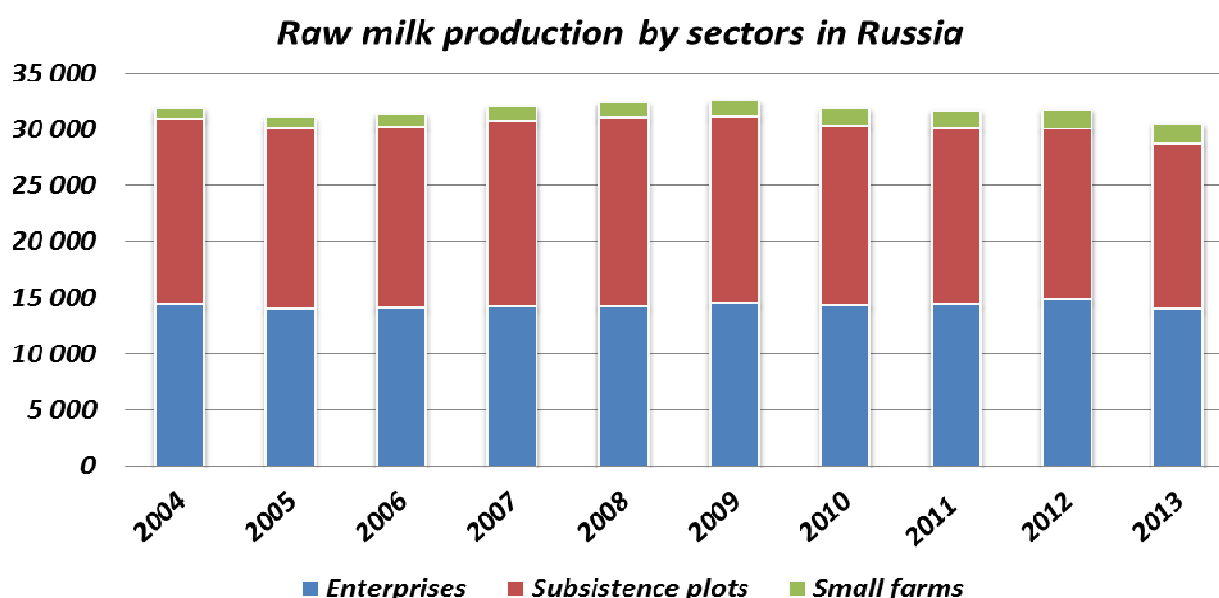
Table 18 Raw milk production in Russia's regions 2004–2013, 1000 t

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
MILK	31935	30907	31441	32181	32363	32570	31847	31646	31756	30529
RUSSIA	6867	6442	6356	6256	6172	6004	5753	5708	5784	5494
CENTRAL FD	2016	1932	1905	1851	1808	1791	1747	1746	1776	1685
NORTHWESTERN FD	4593	4523	4917	5260	3258	3304	3264	3281	3374	3305
SOUTHERN FD	31935	30907	31441	32181	32363	32570	31847	31646	31756	30529
NORTH CAUCASIAN FD	Included to Southern FD till 2008 year				2184	2271	2358	2494	2640	2676
VOLGA FD	10219	10009	10226	10610	10631	10843	10409	10023	9950	9481
URAL FD	2120	1963	2028	2067	2055	2105	2096	2087	2078	2024
SIBERIAN FD	5511	5454	5435	5553	5671	5656	5629	5726	5583	5299
FAR EASTERN FD	609	584	575	583	584	596	591	583	572	565

Over most recent decade domestic official milk production has been rather stable. However experts are very sceptical regarding subsistence plots milk production, guessing that it is highly inflated. We agree with this general view: subsistence plots production is gradually diminishing because of combination of factors, such as growing opportunity cost of labour, urbanization, ageing, and declining of rural population. As to the corporate sector production, the official figures are more reliable.

The federal government has tried to keep domestic dairy output at upward trend with using various subsidies (including interest rate subsidy, fresh milk sales subsidy, and others), but so far these efforts have not resulted in any sustainable results. At the same time one can observe quite substantial structural change inside corporate sector: the volume and share of modern mega-farm complexes is growing quite fast, as the expense of less sophisticated smaller partly modernized Soviet farms and complexes.

Figure 13 Raw milk production by sectors in Russia 2004-13, TMT

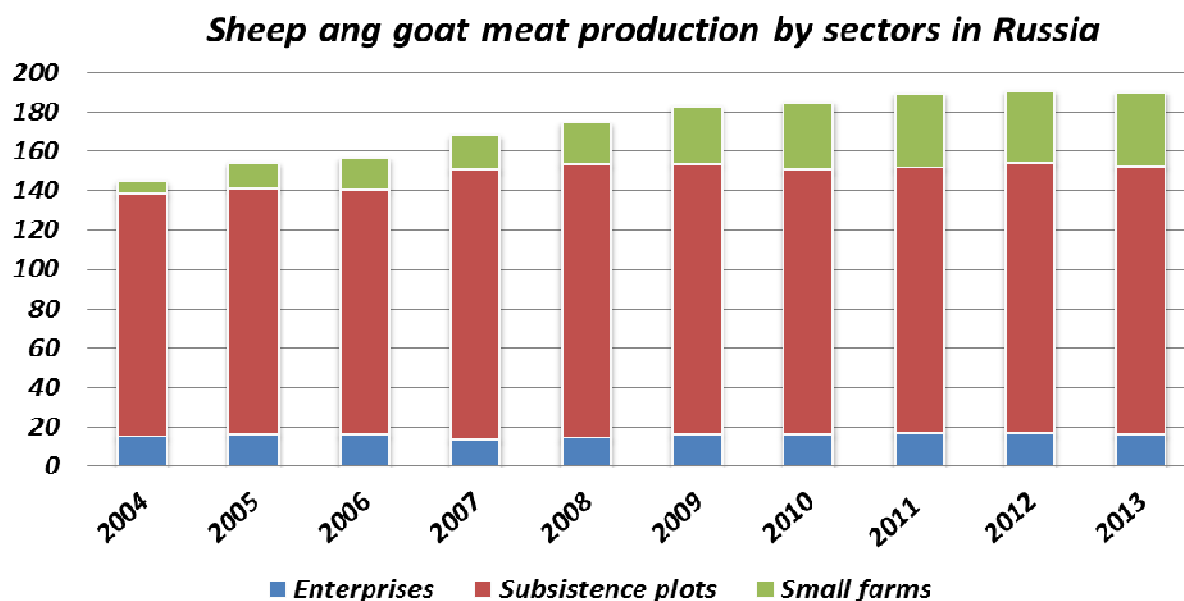


Source: Rosstat (www.gks.ru)

Sheep and goats

The sheep population in Russia is steadily growing, mostly due to the efforts of small-scale producers, including subsistence plots and farmers. There occurred a transfer from wool sheep specialization to meat breeding specialization.

Figure 14 Sheep and goat meat production by sectors in Russia 2004-13, TMT



2.4.3 Organic production

Russian organic production is very modest by size, although has its traditions rooted in middle 90-es. The association of Russian organic farmers counts total certified area at about 200 THA. However, not all these lands are deployed for production.

According to our interviews, Russian certified organic farmers are growing mostly specialty grains, and a little bit oilseeds. There is almost no any organic animal production.

The organic producers put together the draft Law on organic production, which was recently submitted to the State Duma. The draft legitimizes the very concept, shape exact definition, and establishes the framework of organic production. It helps organic producers avoid and bypass numerous obstacles during production, and handling of organic produce. As an example, they may not etch the organic products before moving them to the marketing pipeline, while it may be obligatory for other products.

2.5 Prices, costs and income

2.5.1 Prices

Over recent decade, domestic agricultural price index has risen by about 2 times (about 200% in comparison with 2004), which was lower or much lower than for other goods and services. Thus, index of industrial goods has been 236%, for transportation 310%, consumer services 275%, and consumer food index is 230%. Such a trend may be explained by both surpassing agriculture productivity growth, and cost-price squeeze conditions for domestic agriculture. It is not by chance that domestic agriculture is becoming more dependent on the government subsidies (see below).

Meanwhile during the reporting period, domestic chief grain and oilseed prices have generally performed according to world parity prices, as Russia has gradually got into perpetual wheat and barley, sunseeds, rapeseeds, flaxseeds (and most recently corn) surplus situation.

No definite easily explainable trends in vegetable and fruits price, which may partly be explained by bad price data series. Russia is substantial commercial fruits and vegetables importer, with very high seasonal price fluctuations.

As to livestock products, one should distinguish three key trends: relatively modest poultry (chicken) meat price index growth, neutral price index increase for pigs and poultry eggs, and surpassing price rise for products associated with livestock and sheep and goat sectors. Such trends are related with sectoral investment activities, which were highest in poultry meat sector, ongoing in swine industry, while cattle sector has remained relatively unadjusted, and only recently it has received an attention of investors (mainly in beef cattle).

Table 19 Agricultural output price indices; nominal

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
CROP PRODUCTS										
(previous year=100)	112,5	93,9	121,0	137,3	97,4	93,4	138,3	85,3	122,7	96,6
(2004 year=100)	100,0	93,9	113,6	156,0	151,9	141,9	196,3	167,3	205,3	198,3
: ANIMALS AND LIVESTOCK PRODUCTS										
(previous year=100)	121,1	109,0	104,2	125,5	106,1	101,5	114,9	102,6	105,3	105,7
(2004 year=100)	100,0	109,0	113,6	142,5	151,2	153,5	176,4	181,0	190,6	201,4
:										
AGRICULTURAL GOODS										
(previous year=100)	117,7	103,0	110,4	130,2	102,5	98,2	123,6	94,9	110,8	102,7
(2004 year=100)	100,0	103,0	113,7	148,1	151,8	149,0	184,2	174,8	193,6	198,8
:										

Sources: Rosstat (www.gks.ru)

Table 20 Average producer (selling) prices for certain agricultural products (RUB/kg)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Soft wheat	3242	2508	3060	4653	5103	4260	3867	5108	6409	6715
Rye	2509	2346	2474	3586	4382	3810	3411	3924	4519	4912
Grain maize	3632	2388	3412	5165	5758	4361	4681	5917	6751	6581
Barley	2514	2560	2805	4398	4835	3812	3395	4986	5903	6376
Oats	2444	2488	2517	2987	3798	3957	3596	4495	4597	5782
Rice										
Buckwheat	5192	4581	5352	5927	6197	5771	8153	15676	10537	7205
Triticale										
Rape and turnip rape seed										
Sunflower seed	6028	5672	4957	9342	9699	8321	10605	11364	12458	12024
Soya bean										
Raw tobacco										
Sugar beet										
Cotton fibre										
Fibre flax										
Potatoes	4708	5234	5568	6346	8203	8310	9501	10308	7642	9447
Tomato	23762	25902	28740	38909	44050	48485	52599	46982	47677	50594
Pepper										
Cucumber	24321	26972	31383	36857	46893	51863	58163	53907	54392	56249
Carrots	8541	6887	7343	7613	9527	10189	11309	12232	7503	9812
Onions	5479	4873	7555	8357	6700	6192	9719	9101	5730	7306
Cabbage	3943	5404	5280	6925	7971	6912	11029	10842	6503	8227
Grapes										
Hazelnuts (in a shell)										
Wine										
Olives										
Olive oil										
Cattle	25803	34003	39235	41762	45641	54371	55951	64989	73097	72128
Pigs	39123	50420	51821	49051	60988	69263	69748	76386	83243	71675
Sheep & Goats	21741	29199	30356	33647	37571	42043	45174	50902	62902	74286
Poultry	35897	40813	39822	43350	45075	54230	52966	54547	55173	54358
Cow's milk	5818	6680	7214	8409	11016	10410	12370	14135	13604	15875
Eggs (in a shell), thousand p	1660	1712	1651	1974	2471	2375	2341	2537	2704	3197

Source: Rosstat (www.gks.ru)

2.5.2 Costs

Over the evaluated period agricultural costs of production have grown much stronger than agricultural prices. If to take farm costs in 2004 at 100%, by 2013 they have risen to 353%. It is in comparison with 199% of agricultural output prices. Crop production costs growth amounted to 333%, while livestock costs increased to 364%.

Table 21 Costs of agricultural activities, bln. RUB

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total farm costs	360	404	458	560	704	792	874	1006	1176	1272
Crop production costs	127	151	172	212	252	298	299	347	428	424
Livestock production costs	233	253	287	348	453	494	575	659	747	848

Sources: MOA, agriculture enterprises only

Crops

Russian crop production costs are, generally, highly competitive in comparison with other major producers located in the same climatic zones. The reasons are associated with several factors. As to fixed costs, modern domestic farmers are using the same machinery, as their western colleagues. The in-land and ocean freights and administrative costs of delivery such machinery down to the farm are rather modest in comparison with the very cost of machinery. In addition, for most of tools, Russia deploys farm machinery import tariffs, which are ranging in between of 5 to 15% of the basic price. Finally, traditionally in Russia cost of spare parts is much higher than in Western countries, as manufacturers have to keep dealership network in rather thin market conditions.

Meanwhile, Russian producers enjoy three strategic advantages: first, being part of agricultural holdings, many of them are able to beat out substantial price discounts, as they actually buy at farm machinery wholesale market. Second, they often buy large or largest possible size of machines, which reflects the size of fields in Russia. Third, on some operations they are using still cheaper Russian or Belarus' machinery. It also helps to economize of fixed costs.

So, *ceteris paribus*, fixed costs in form of depreciation is close to be the same as in Western farms.

Cost of seeds is comparable: seeds are typically priced according to the formula, linked to commodity prices, which are close in Russia to the world parity levels.

Cost of pesticides in Russia is also comparable to Western countries, as Russian farmers are using both imported brands, and cheap imported generics. Domestic bottling occupies about half of the market.

Cost of fertilizers is basically close to “*net back*” equivalent, or even lower, as domestic farmers are part of strategic agreement in a triangle of government – farmers associations – fertilizer manufacturers association. As the result, farmers enjoy highly discounted prices on some key fertilizers, such as ammonia nitrite. As an example, for spring 2015 Russian farmers bought ammonia nitrite at \$250 per ton, while for western colleagues the price was in a range of \$320-400. Of course, bulk of “less visible” and less widespread popular fertilizers has been acquired by much to the world price.

Russia apparently has two strategic cost advantages: cost of labour and cost of land. Even highly qualified labour is relatively inexpensive (although not easily available). As to the land cost, due to some historical issues, including privatization peculiarities, it remains relatively inexpensive relative to potential operators' profits. As an example, land lease prices of high quality land with typical yield of 4.0 tons/ha for small grains and 7.0 tons/ha of corn in Central Black Soil are still below \$50 per hectare.

Animal production

Meat animals raising cost in Russia is highly different depending on the farm format. It is most costly across old Soviet-type partly renovated farms. The justification for existence of these outdated farm structures is typically associated with two factors: 1. Integration into highly diversified farm production portfolio (so that inefficient livestock operations are more than offset by other profitable activities), 2.

Geographically remote location and dominant positioning on the local market, so that technical inefficiency is type of offset by high entry barriers.

As to the modern advanced meat raising farms, their cost of production is close to the international benchmarks: key productivity indicators are close to modern world ones, while all key equipment and genetics have been originated in Western countries.

Again, like in case of crop production costs, some important drawbacks are type of offset by important advantages. Russian animal farm production has important disadvantages in comparison with key competitors regarding cost of finance, costs of getting permissions, and costs of construction works. Contrary, domestic animal farmsteads have strategic advantages in terms of size of operations (typically, these are mega-multi farming units) and scope of vertical integration back to full-size crop production and up to further processing and even retail.

2.5.3 Farm income

Table 22 Revenues from agricultural activities, bln. RUB

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total farm revenues	389	443	511	667	810	885	993	1149	1384	1404
Revenues from crop production	163	171	206	298	332	351	368	435	556	527
Revenues from livestock production	226	272	306	370	478	534	625	714	828	877

Sources: MOA, agriculture enterprises only

Table 23 Net farm income with and without subsidies

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total net farm incomes (with subsidies)	29	39	53	108	106	94	119	142	208	132
Net incomes from livestock production	37	21	34	85	80	53	69	88	128	104
Net incomes from crop production	-7	18	19	22	25	41	49	54	81	29
Total subsidies	20	26	37	56	100	112	135	138	138	177
Total net farm incomes (without subsidies)	9	14	16	51	6	-18	-16	4	70	-45

From middle 2000s, or start of realization of the National Priority Project in the field of agriculture, accompanied with growing subsidies' injections, domestic agriculture has become more and more dependent on the government support. In most recent years the agricultural enterprises have been quite profitable, but this profit is fully at the expense of various subsidies (see the table).

Figures for Farm income in different farm size are not available.

2.6 Future perspective for the agricultural sector

Strengths and weaknesses of the primary agricultural sector

Main strengths

- Sizable non-tackled efficiency gap and relevant growth potential
- Strong geo location and strong import substitution opportunities
- Improving of domestic products competitiveness and strong output growth opportunity window

Main weaknesses

- Aggravated terms of domestic farm and agribusiness finance
- Outdated infrastructure and state monopolies
- General investment climate and rule of law need substantial improvements

Factors influencing future developments

- Macroeconomic destabilization may affect future investment and business climate
- “Governmentalization” of the main national economy industries
- Speed of localization (if any) of major multinational ag machinery, ag chemicals, and genetic brands
- The development of Eurasian Economic Union and its common ag market

Production and yields potentials and bottlenecks to address

To combine both the support of most advanced export oriented industries, such as grains, and oilseeds, as well as address import substitution potential in most promising vertical subsectors

The rule of law and private ownership institutional building must become the priorities for the domestic agricultural economics agenda

The state must concentrate its support on green box type of measures rather than on quite distorting and contradictory direct farm support

3. SITUATION AND DEVELOPMENT OF UPSTREAM AND DOWNSTREAM SECTORS

3.1 Input production and use

3.1.1 Input production

Russia has highly developed commercial agricultural inputs sector. The fuel supplies are provided by major domestic multinational giants, such as Rosneft, Gazpromneft, Lukoil, and others. All major corporations have in-house network of gasoline stations across the country. There is also a network of independent gasoline companies. In some regions there are signs of dominant positioning of some major companies on the retail farmers markets.

Fertilizers are provided by domestic multinational giants, such as Fosagro, Eurochem, Acron, UralKali, and others. However, these corporations consider Russian agriculture as a secondary market in comparison with their foreign operations.

Domestic pesticides market is broken down into two major segments: import of branded final products and domestic bottling of generics. In a latter case the companies import active matter anyway. The shares of both segments are estimated as 50-50%.

Practically all multinational pesticide brands are well established on the domestic market. Among them are Syngenta, BASF, Bayer, Dupont, Monsanto (although quite modest in Russia), and other companies.

Seed industry is very different, depending on the product. Such industries, as wheat, oats, peas, millet, and some others are dominated by domestic seed breeders. In such industries, as malting barley, corn, sugar beets, sunseeds, almost all commercial vegetables and potatoes, horticultural products, etc. foreign varieties and hybrids are very well established or even dominant.

During recent wave of reindustrialization in modern commercial poultry and livestock farming, foreign genetic material and equipment have occupied a dominant position. Practically all major multinational brands are present. Among them are big Dutchman, Hypor, and others.

Russian farmers banking finance is dominated by a group of major diversified commercial banks. Ag finance is highly linked with interest rate subsidies, provided by the government. Two banks dominated in these kinds of deals: Sberbank, and Rosselkhozbank, which have about 85-90% cumulative market share. Other banks, such as VEB, VTB, Alfa, Gazprombank, and others, are rather modest in agriculture finance.

3.1.2 Input use

For the last 4 years the fertilizer use in Russia decreased while fertilized area increased. Tractor's availability per 1000 hectares of arable land is decreasing from 4.4 in 2009 to 3.9 in 2012 year (2013 year data is not available yet). The number of harvesters per 1000 hectares of cereals land is also falling from 3.0 to 2.7 pcs for the same period.

Table 24 Fertilisation in Russia 2010-2013

	2010	2011	2012	2013
Fertiliser use, total (1000 centres)	19020	19577	18659	18468
Pure nutrients use, total				
<i>N, total</i>	11875	12572	11744	11597
<i>P₂O₅, total</i>	4352	4253	4203	4358
<i>K₂O, total</i>	1355	1260	1326	1375
Fertilised area, '000 ha total	21189	23018	22157	22626

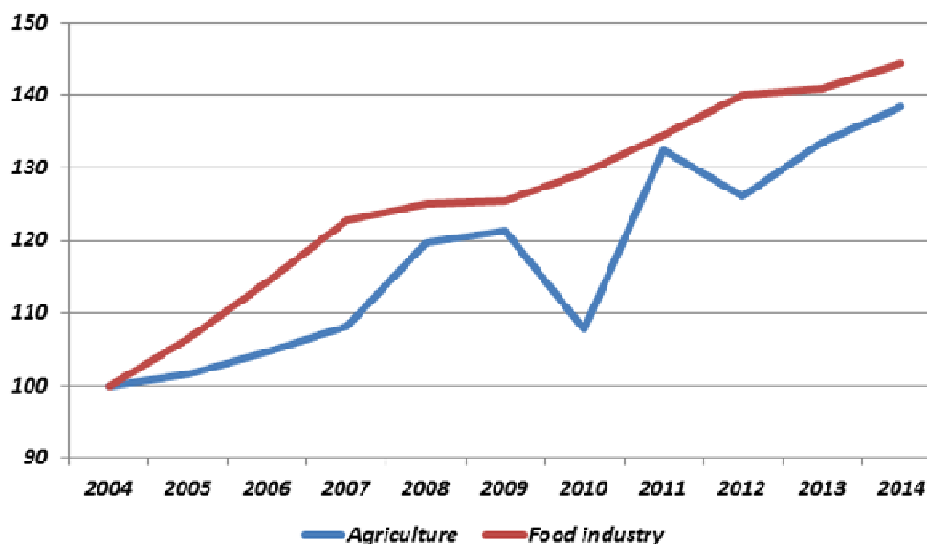
Sources: Rosstat

3.2 Food industry

3.2.1 Food production

Domestic food industry has been steadily growing over the past decade, surpassing relevant growth of agricultural output.

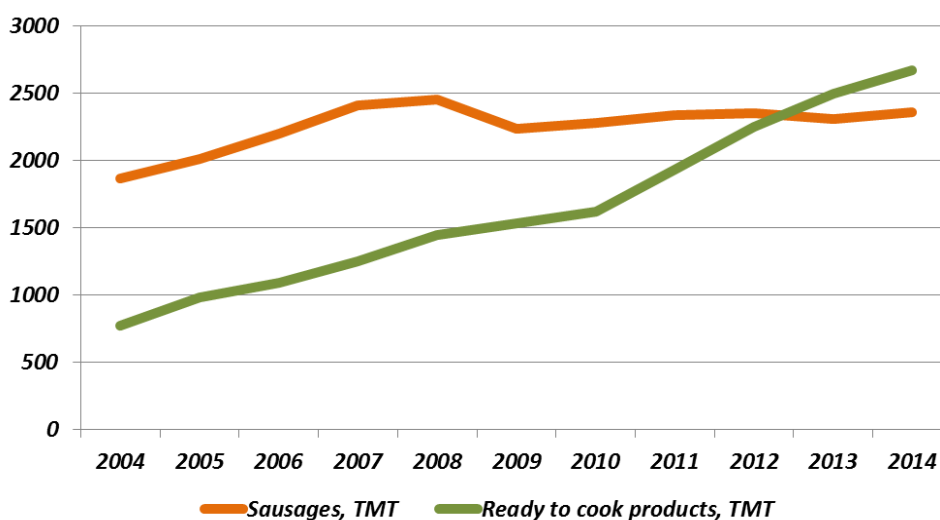
Figure 15 Agricultural and food industry output in Russia 2004-14 (index), 2004=100



Source: Rosstat

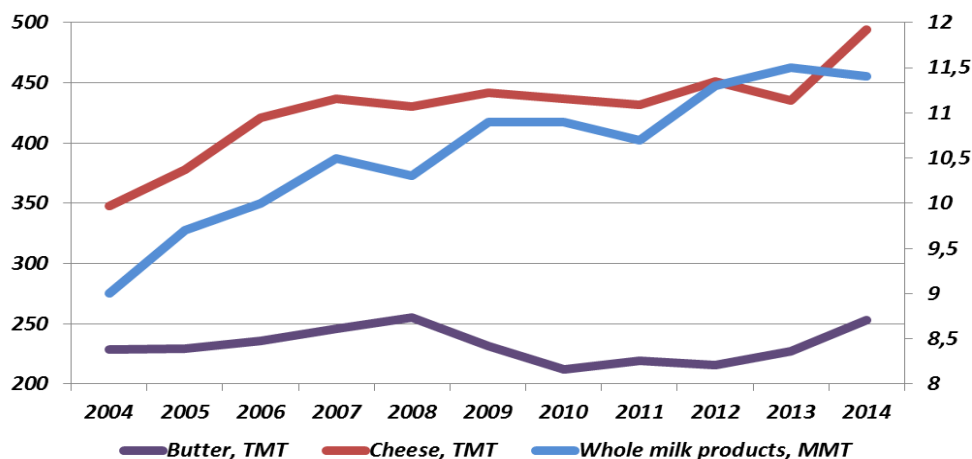
Against the background of this steady growth, some categories are rather flat or declining, while others are booming. One should say that in each and every food industries there, deep structural changes occur (see below given).

Figure 16 Meat products production in Russia 2004-14, TMT



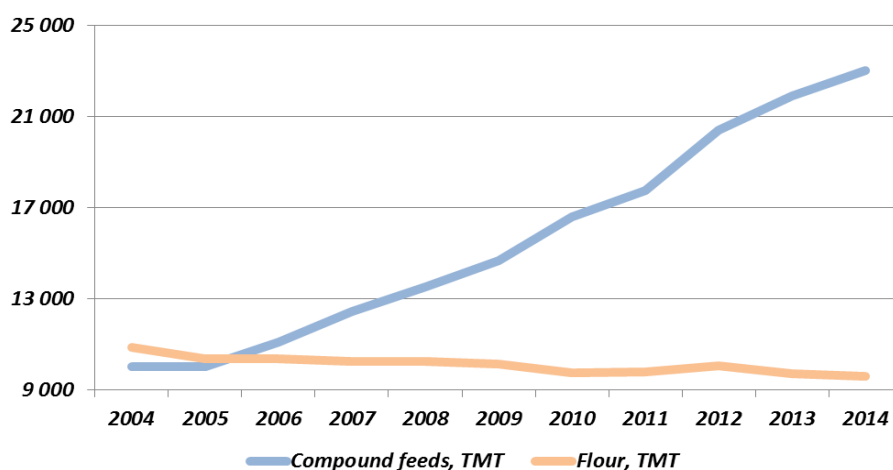
Source: Rosstat

Figure 17 Major dairy products production in Russia 2004-14, TMT



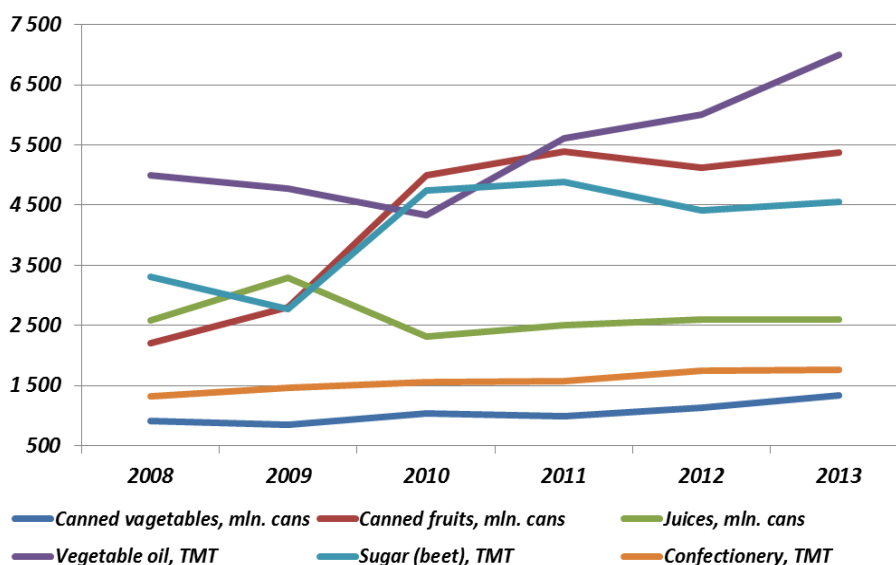
Source: Rosstat

Figure 18 Flour and feedstuffs production in Russia 2004-14, TMT



Source: Rosstat

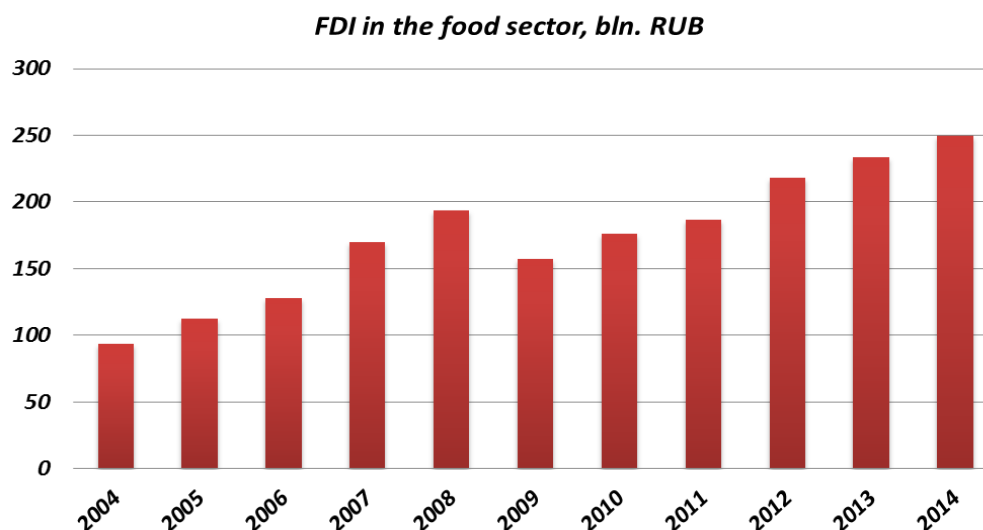
Figure 19 Other key agricultural products production in Russia 2004-14, TMT



Source: Rosstat

3.2.2 Structure of the food sector

Figure 20 FDI in the food industry in Russia 2004-14, bln. RUB



Source: Rosstat

Unlike agriculture, which remains the field of predominantly home-rooted investments, most of the domestic food industry has been the object of heavy FDIs.

Domestic dairy processing industry is dominated by two multinational giants – Pepsico and Danone with cumulative market share of raw milk processing exceeding 2/3. Besides, there are other foreign players, such as Ermann, Campina, and some others.

Domestic beer and malting industries are highly consolidated with dominant market shares of two multinational companies: SunInBev and Carlsberg. Both control more than 2/3 of the industry. In malting industry domestic Bank Avanguard and multinational Cargill.

Cargill plays a key role in the domestic wet corn and wet wheat milling with cumulative market share about 1/2. There is a bunch of competing Russian companies.

In domestic vegoil crushing industry multinational Bunge, and Cargill, and Ukrainian Kernel are present. Cargill finishes construction of its major crushing plant in Volgograd region.

In domestic potato chips industry Pepsico is the dominant player with market share exceeding 2/3 of total industry output.

In domestic sauces, ketchup, mayonnaise industries such multinationals as Unilever and Heinz are present, but they are not on dominant positions.

In domestic feed compound and complex feedstuffs Cargill (via acquisition of Provimi) is a very noticeable player. Other FDIs are presented by Raiffaisen-Agro, CP Foods, and some other companies.

In domestic sugar milling industry Sucden and A.D. and Man represent foreign blood of the industry.

In some domestic food industries FDIs are practically not present. These are mostly established low value added industries, such as flour milling.

Domestic slaughter and further meat processing are not well-consolidated and populated by domestic vertically integrated companies, mostly from forage production to animal growing to slaughter to further processing. For foreign companies it is difficult to compete in such operational environment.

Some food industries are not established yet in Russia. Among them there are many niche markets, such as further processing of by-products, etc., as well as such big industries, as fruits, vegetables, and potato processing.

3.2.3 Prices, costs and performance indicators

Table 25 Key operation indicators for relevant categories of economic activities (following the NACE classification)

01.1 Crop production		
	2012	2013
Number of companies	2 430	2 199
Gross operating surplus (profits), mln RUR	59 253	47 541
Gross margin, %	14,1	11,9
01.2 Animal production		
	2012	2013
Number of companies	3 004	2 859
Gross operating surplus (profits), mln RUR	72 081	24 494
Gross margin, %	10,0	3,3
10 Manufacture of food products (incl. beverages)		
	2012	2013
Number of companies	2 936	2 841
Gross operating surplus (profits), mln RUR	286 999	270 570
Gross margin, %	8,6	7,7
46.3 Wholesale of food, beverages and tobacco		
	2012	2013
Number of companies	1 348	1 426
Gross operating surplus (profits), mln RUR	148 815	163 989
Gross margin, %	4,5	4,4

3.2.4 Food law

Russian food legislation and enforcement procedures are built into a framework of general industrial legislation. One should distinguish two general dimensions of this legislation: 1. Technical Regulations; 2. State standards (GOSTs).

The legislation on Technical Regulations (TR) covers both Russia and Customs Union (nowadays Eurasian Economic Union) countries. The legislation focuses on safety issues of raw materials, technological processes, and final products.

The general TR of Customs Union on the safety of food products was adopted by the Commission of the Customs Union on December 9, 2011 No. 880, and got in force from July 2013.

The relevant chain of individual food products and processes' TRs have been adopted by the Commission in next few months and years. As an example, meat and meat products TRs were adopted in October 2013, and got in force from May 2014; dairy products' TRs were adopted in October 2013, and got in force from May 2014 as well, etc.

The experts' community is divided regarding different food TRs. Some experts argue that some TRs «conserve Russia's technological backwardness» in some fields, and, in addition, pave the way for massive food import. Contrary, others argue that TRs bring back the discipline to technological processes and make safer domestic food products vertical pipeline.

Some experts think some Russian TRs are too strict regarding tolerance thresholds, such as pesticides and heavy metal presence in fruits and vegetables. They suspect that it is made intentionally to be able to regulate a flow of imported products.

TRs are quite closely connected with second important ingredient of domestic food policy framework: state standards (GOSTs). Unlike TRs GOSTs do not deal with the issues of safety, but rather describe the qualitative parameters of technological processes and final products. TRs are obligatory for execution. GOSTs are voluntary to follow. If the company does not want to follow GOSTs, it should apply to the Russian Standards Agency for approval of new technical rules, and should mark the label accordingly.

In consumer nostalgic perceptions, GOSTs, typically, are associated with high quality «old Soviet» type of products, when «sausage was made of meat» (not of soybeans and starch), curd and cheese were

made of milk (not of palm oil); bread was made of high quality wheat, etc. That's why there is a high stimulus to label the main staple food products as produced according to the GOST, and not according to the technical rules (which automatically make consumers suspicious about the quality). Paradoxically, but as of today those companies and individuals, which falsify the labelling, bear very limited responsibility in form of very miserable administrative penalty, not comparable to the damage/incremental benefit. The new draft law on standardization, which went through three Duma hearings and which is at final stage of adoption, is meant to overcome this important drawback.

One important item of domestic food policies is associated with GMO issue. Russian public relation to GMO is highly negative, if not to say hysterically negative. Although some analysts argue that due to wide holes in safety inspection, Russians anyway consume a lot of GMO containing products via import channels.

Meanwhile, formally, according to the Ministry of Health Rules, which came in force from January 2008, all food products containing more than 0.9% GMO, must be obligatory labelled (although we have never seen such a labelling in Russia, while the label «without soybeans» (meaning «without GMO») is very widespread in domestic meat products industry).

Officially, up until most recently the commercial production of GMs was prohibited. Officially approved imported GMO traits have been allowed in animal feeding, although there exist some important regions, which announced themselves as "GMO-free" (such as Belgorod), which represents additional headaches to local animal feed companies.

In September 2013 the Russian government published (without making public noise, so to say) a Decree, which allowed, in theory, commercial production of GMs in Russia, of course with a lot of tests, and precautions. However when the Decree was made available to the public, it received such a negative reaction that made zero chances to any GM growing approvals in foreseeable future.

3.3 Bioenergy production

The government of Russia has established guidelines for support of "green energy" (renewable energy) industries. However, after some debating, agricultural industries were excluded from the list. The arguments were given in such a way that it is immoral to channel potential sources of food for energy production. As the result, the key issue of bioethanol production – spirit excises - remains unsolved, which makes production as unviable. As to the biodiesel, the price correspondence of vegoils and diesel fuel in Russia does not make it economically viable either.

As the net result, up-to-date there is practically no any sizable bioenergy production in Russia. We are aware only about some rather pilot biogas plants, and some wood pellets production plants in domestic timber industry.

Having said so, we can't fully deny a possibility of biofuel production: it may be part of fossil fuel vertically integrated complex, so that bioethanol is produced and added into the final product – gasoline – inside the plant as an ecologically clean additive. Or some farmers may use biodiesel based on on-farm oilseed crushing capacity. But such developments are rather of local nature.

3.4 Food retail and consumption patterns

3.4.1 Food retail sector

Over the recent decade the domestic food retail sector has been in very deep, if not to say, revolutionary restructuring. It was associated with emergence and deep rooting of modern supermarket formats, which represent by now more than 1/3 of total food turnover. Among major supermarket chains two Russian companies are dominant: Magnit, and X5 Retail. They are followed by two major multinationals: Auchan, and Metro, followed by a number of Russian companies.

Domestic supermarkets are transforming domestic vertical supply chain: they develop internal food distribution centres, form strategic alliances with food manufacturers, introduce new requirements to food packaging, etc. Some of them develop backward integration into food processing and even agricultural production. As an example, Magnit has recently launched a big greenhouse project in the South of Russia.

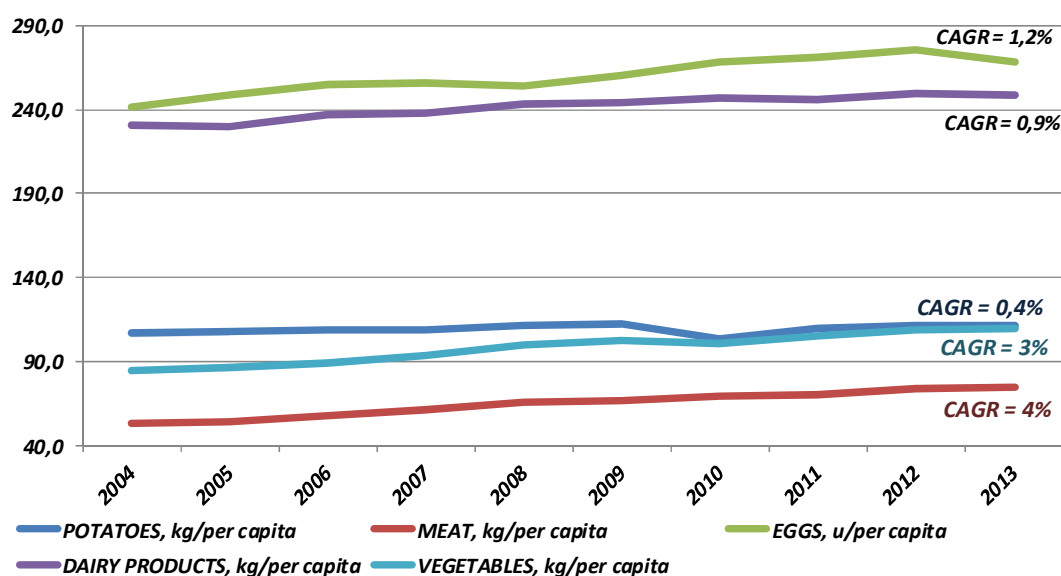
Table 26 Key figures for major retail market stores

	Gross revenues, bln. Rub	Number of stores
Magnit	579,5	8093
X5 Retail Group	532,7	4544
Auchan Group	300	79
Metro Cash&Carry	183,2	72
Dixy	180,5	1799
Lenta	144,3	87
O'key	137,7	94

Source: Expert journal ranking, 2013

3.4.2 Consumption

Figure 21 Major food products consumption per capita in Russia, 2004-2013



Source: Rosstat

Over the last ten years and up until most recently domestic consumption trends have been quite clear, and logical. They are driven by such factors, as quite steadily growing population's real disposable incomes, urbanization, increase of immigrants number, getting older population, development of fast food and modern supermarkets, etc.

Flour and bread consumption has been stable, or slightly declining. The decline is mostly driven by growing population incomes against the background of relatively high start-up consumption level. Contrary, such factors as finding new market uses (such as pizzas, flour-based confectionary, and other flour-containing value-added products), as well as invasion of low-paid workforce from former Soviet Union countries of Central Asia type of compensate decline of demand on wheat flour.

Official potato consumption has been rather stable, despite relatively high start-up consumption level. We would consider such figures are inflated by domestic statistics, which tends to inflate production and relevant consumption figures at population subsistence plots. Somehow the losses during ten-year period have increased almost two times, whereas, according to the experts, it has been vice versa. So unfortunately we can't count official potato balances as reliable.

Official domestic meat production and consumption statistics is more reliable. Over last ten years the per capita consumption of meats has increased quite substantially and reached almost official Soviet level (although we believe Soviet production and consumption levels were inflated). It has happened mostly at the expense of poultry and (to a lesser extent) pork consumption, while beef consumption has been steadily declining.

Despite the fact that Russia traditionally has had very high per capita table eggs consumption level, it has grown during recent decade. One of explanations is associated with increase of industrial consumption: Russia is one of biggest mayonnaise consuming nations.

Domestic dairy products production and consumption figures do not look reliable due to inflated production at subsistence plots (as most of experts believe). So we guess (per capita) consumption is inflated as well. What is undoubtful is the high level of dairy products import, and substantial structural changes, which are taking place in domestic dairy industry and relevant consumption.

We observe a substantial increase of consumption of such products, as cheese, yogurts, and other sour dairy products, low fat milk products, and decline of some other dairy products.

Vegetables consumption has increased mostly due to growth of domestic production (again, we think that production is highly inflated because of over-estimation of subsistence plots production). Anyway, two trends are definite in this sector: speedy growth of domestic greenhouse industry, and gradual re-emergence of domestic vegetables canning industry.

Table 27 CEREALS (total, wheat, maize, barley ...); grain equivalent, mln t

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Usable production	78	78	78	82	108	97	61	94	71	92
Imports	3	2	2	1	1	0	0	1	1	2
Opening (initial) stocks	37	44	44	44	43	66	70	52	59	43
Total supply	118	123	124	127	152	163	131	147	131	137
Total utilization										
Exports	6	12	11	17	14	22	14	18	23	19
Closing (final) stocks	44	44	44	43	66	70	52	59	43	51
Domestic uses, of which:										
Seed uses	11	11	10	10	11	11	10	10	11	10
Feed uses	12	11	11	11	11	11	10	11	10	10
Industrial and processing uses (alcohol, beer, oil...)	45	44	46	45	49	49	44	47	44	45
Losses	1	1	1	1	1	1	1	1	1	1
Consumption fund	0	0	0	0	0	0	0	0	0	0
Human consumption (food use)	n/a	n/a	n/a	24	24,4	25	25	24,1	24,3	23,7
Human consumption per capita (kg)	n/a	n/a	n/a	169	172	176	175	169	170	165
Self-sufficiency rate (%)	98	99	98	99	99	100	100	100	99	99

Source: Rosstat

Table 28 POTATOES; tuber weight, 1000 t

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Usable production	27856	28117	28242	27195	28846	31134	21141	32681	29533	30184
Imports	480	525	492	632	846	678	1122	1539	735	764
Opening (initial) stocks	16948	17144	17835	18619	18443	19178	20369	14691	19930	19846
Total supply	45284	45786	46569	46446	48135	50990	42632	48911	50198	50794
Total utilization	28109	27951	27961	28003	28957	30621	27941	28981	30352	30441
Exports	31	32	75	132	110	89	85	49	48	74
Closing (final) stocks	17144	17835	18608	18443	19178	20369	14691	19930	19846	20353
Domestic uses, of which:										
Losses	1048	1040	1127	1203	1235	1494	1299	1469	1752	1984
Industrial and processing uses (alcohol, beer, oil...)	11625	11390	11217	11177	11789	13001	11725	11743	12596	12394
Human consumption (food use)	15436	15489	15542	15491	15823	16037	14832	15720	15956	15989
Human consumption per capita (kg)	107,3	108,2	109,1	109,0	111,5	112,6	103,8	110,0	111,4	111,4
Self-sufficiency rate (%)	99%	99%	99%	99%	98%	99%	97%	97%	99%	98%

Source: Rosstat

Table 29 MEAT (total, beef and veal, pork, etc.); carcass weight equivalent, 1000 t

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Gross indigenous production										
Net production	4980	4899	5171	5637	6268	6688	7167	7460	8091	8522
Imports of meat	2704	2950	3175	3238	3248	3001	2856	2687	2710	2448
Opening (initial) stocks	643	592	650	675	733	744	804	802	791	838
Total supply	8327	8441	8997	9550	10249	10433	10826	10949	11591	11808
Total utilization	7735	7847	8322	8862	9506	9681	10024	10170	10753	10982
Exports of meat	43	67	57	61	85	74	97	75	128	127
Closing (final) stocks	592	594	675	688	744	752	802	780	838	826
Domestic uses, of which:										
Feed uses	60	70	52	55	46	45	37	37	57	55
Losses	15	14	13	12	18	17	19	16	23	22
Human consumption (food use)	7617	7697	8200	8734	9357	9545	9871	10041	10546	10778
Human consumption per capita (kg)	53,0	53,8	57,5	61,5	65,9	67,0	69,1	70,2	73,6	75,1

Table 30 EGGS, mln u

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Usable production	35901	37091	38108	38208	38058	39429	40600	41113	42033	41286
Imports	896	882	900	857	816	773	901	1191	1345	1206
Opening (initial) stocks	670	785	980	1062	959	1080	1082	1024	1116	1169
Total supply	37467	38758	39988	40127	39833	41282	42583	43328	44494	43661
Total utilization	36682	37778	38930	39168	38753	40200	41559	42212	43325	42522
Exports	208	197	395	411	285	300	244	278	418	400
Closing (final) stocks	785	980	1058	959	1080	1082	1024	1116	1169	1139
Domestic uses, of which:										
Eggs for hatching	32	50	59	79	67	66	102	99	90	86
Industrial and uses	1698	1883	2107	2253	2361	2706	2829	3052	3313	3451
Human consumption (food use)	34744	35648	36369	36425	36040	37128	38384	38783	39504	38585
Human consumption per capita (kg)	242	249	255	256	254	261	269	271	276	269
Self-sufficiency rate (%)	98%	98%	98%	98%	98%	98%	98%	97%	97%	97%

Table 31 WHOLE MILK AND MILK PRODUCTS, 1000 t

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Usable production	31935	31012	31199	31900	32363	32594	31847	31718	31831	30662
Imports	6304	6613	7293	6720	7315	6880	8159	7936	8517	9443
Opening (initial) stocks	1685	1693	1777	1860	1926	2097	1857	1866	1995	2032
Total supply	39923	39318	40268	40479	41604	41571	41863	41519	42342	42137
Total utilization	38231	37685	38408	38677	39507	39758	39997	39606	40310	40197
Exports	479	505	525	575	613	573	460	272	645	625
Closing (final) stocks	1693	1633	1860	1803	2097	1813	1866	1914	2032	1940
Domestic uses, of which:										
Feed uses	4533	4298	4111	4234	4309	4358	4271	4146	3928	3797
Losses	24	19	21	21	21	27	29	34	29	24
Human consumption (food use)	33195	32863	33752	33847	34563	34799	35238	35154	35708	35752
Human consumption per capita (kg)	230,8	229,6	236,9	238,2	243,5	244,4	246,7	245,9	249,4	249,1
Self-sufficiency rate (%)	84%	83%	82%	83%	82%	83%	81%	81%	80%	78%

Table 32 VEGETABLES (total, tomatoes, cucumbers, etc.); fresh weight equivalent; 1000 t

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Usable production	11967	12098	12123	12362	14342	14820	13278	16270	16079	16109
Imports	3066	3508	3896	3674	2650	2907	3158	3155	2806	2817
Opening (initial) stocks	6507	6647	7106	7491	7397	7117	7009	6402	7516	7375
Total supply	21540	22253	23125	23527	24389	24844	23445	25827	26401	26301
Total utilization										
Exports	879	898	1010	715	750	850	543	860	890	658
Closing (final) stocks	6647	7106	7476	7397	7117	7009	6402	7516	7375	7388
Domestic uses, of which:										
Feed uses	389	373	385	399	417	481	412	469	561	547
Losses	1504	1488	1537	1713	1904	1873	1662	1876	1975	1996
Human consumption (food use)	12121	12388	12717	13303	14201	14631	14426	15106	15600	15712
Human consumption per capita (kg)	84,3	86,6	89,3	93,6	100,0	102,8	101,0	105,7	108,9	109,5
Self-sufficiency rate (%)	86%	84%	83%	84%	89%	88%	87%	88%	89%	89%

Source: Rosstat

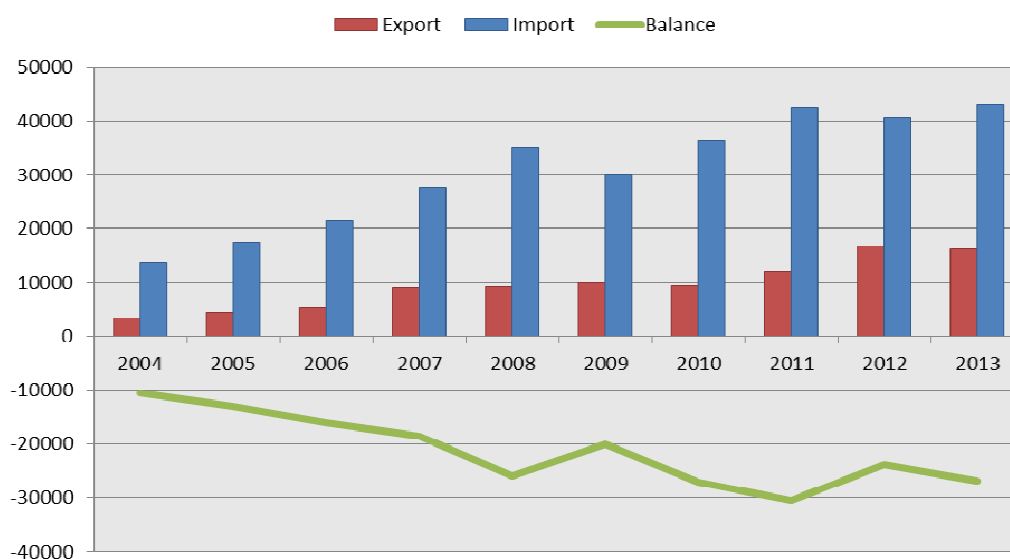
4. AGRI-FOOD TRADE AND TRADE RELATIONS

4.1 Agri-food trade

4.1.1 Overall agri-food trade

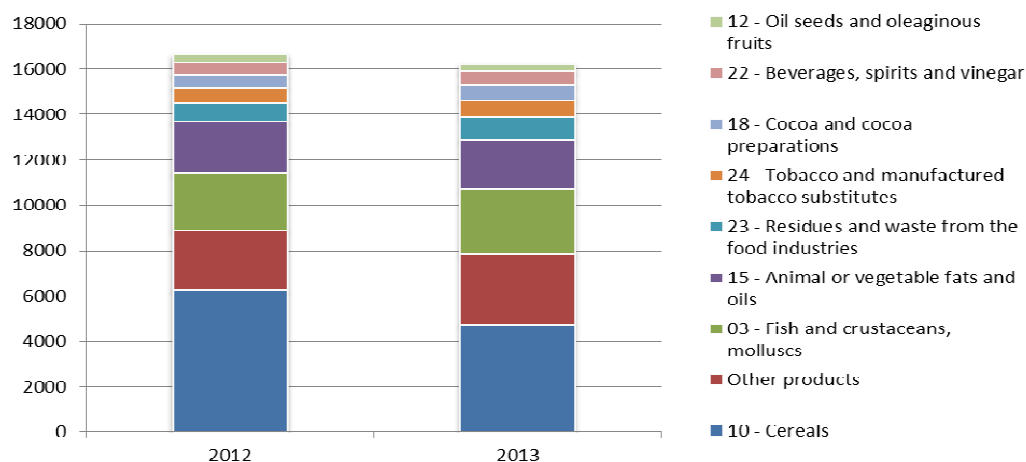
Russia is 7-8-th world biggest food importer, and in the middle of 20-es biggest world food exporters (although its export is quite steadily growing as well). Russian biggest food export items are grains, fishery, and vegoil products. Russia is also exporter of many other products, such as oilseed meals, molasses and sugar beet pulp, alcoholic beverages, etc., although the volumes and values are not significant. Russian biggest food import items are meats, fruits and vegetables, dairy products, as well as a huge category of numerous ready packaged food. Russia is also a significant importer of fish and fishery products, soybeans and soybean meal, rice, alcoholic beverages and tobacco, intermediate food, and other agriculture and food products.

Figure 22 Total agricultural trade in Russia 2004-2013, mln. USD



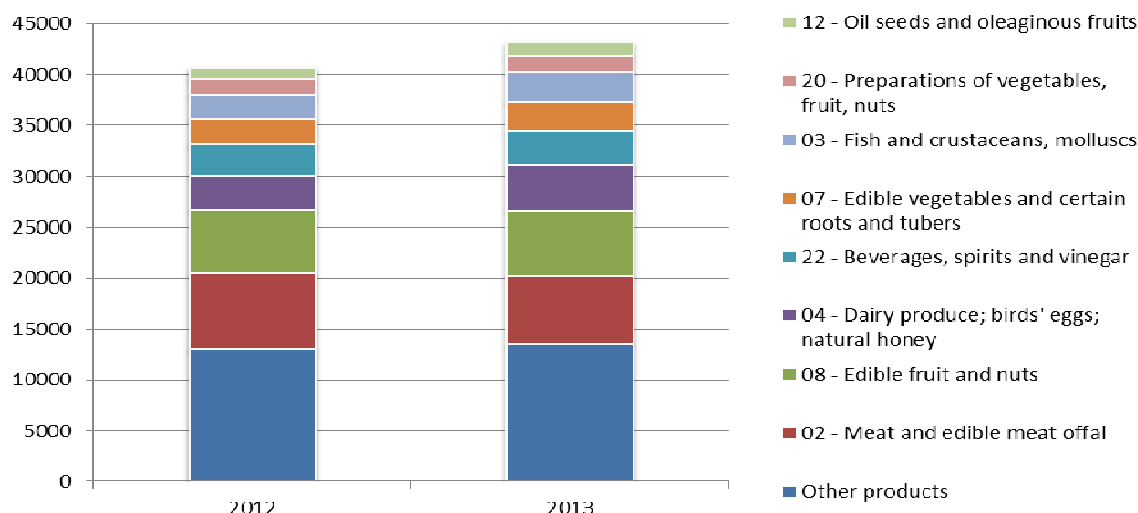
Source: Federal Customs Service

Figure 23 Most important exported products in Russia 2012-2013, mln. USD



Source: Federal Custom Service

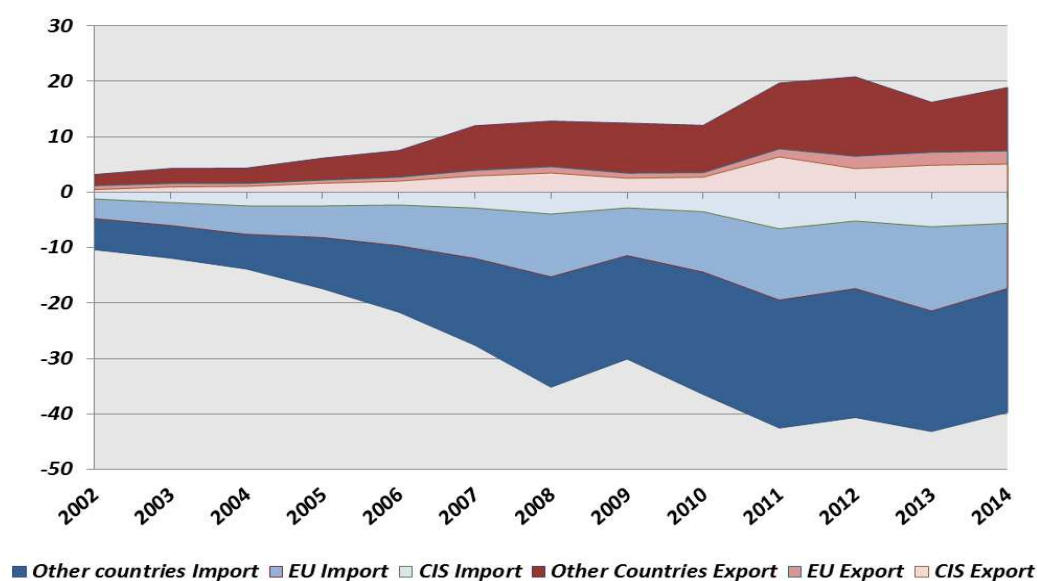
Figure 24 Most important imported products in Russia 2012-2013, mln. USD



Source: Federal Custom Service

4.1.2 Agri-food trade by trading partner

Figure 25 Key trading partners for Russia 2004-13, bln.USD

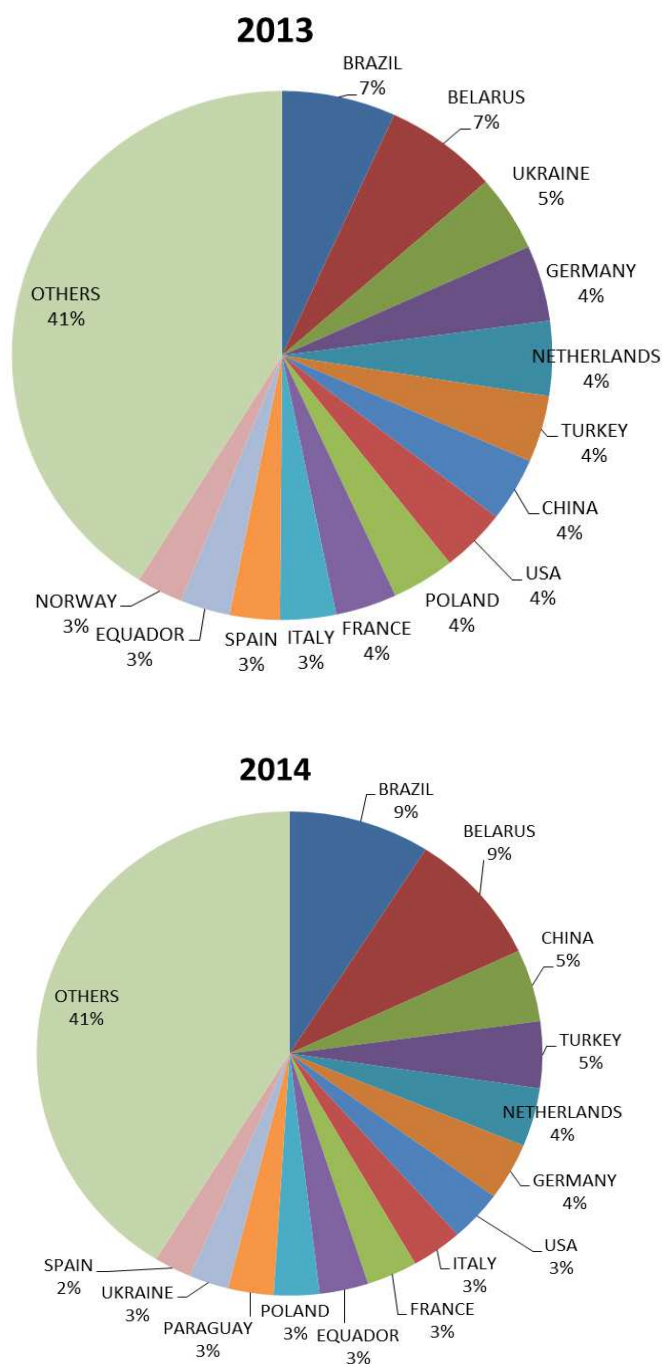


Source: Federal Customs Service

Russia's trade at the world market in agri-food segment has expanded from 4 bln. USD in 2004 to 16 bln. USD in 2013 for export operations (the record was in 2012 – 21 bln. USD). Import to Russia has also grown from 14 bln. USD in 2004 to 43 bln. USD in 2013.

The structure of import by trading partner shows that EU countries have a significant share in total import volumes. The major partners for Russia in 2013 were Germany, Netherlands, Poland, France and others. However, due to counter-sanctions and some other bans imposed during last year share of import from EU declined. Among key partners exporting to Russia in 2014 were Brazil, Belarus, China and Turkey.

Figures 25-26 Share of major countries exporting to Russia in 2013 and 2014 year

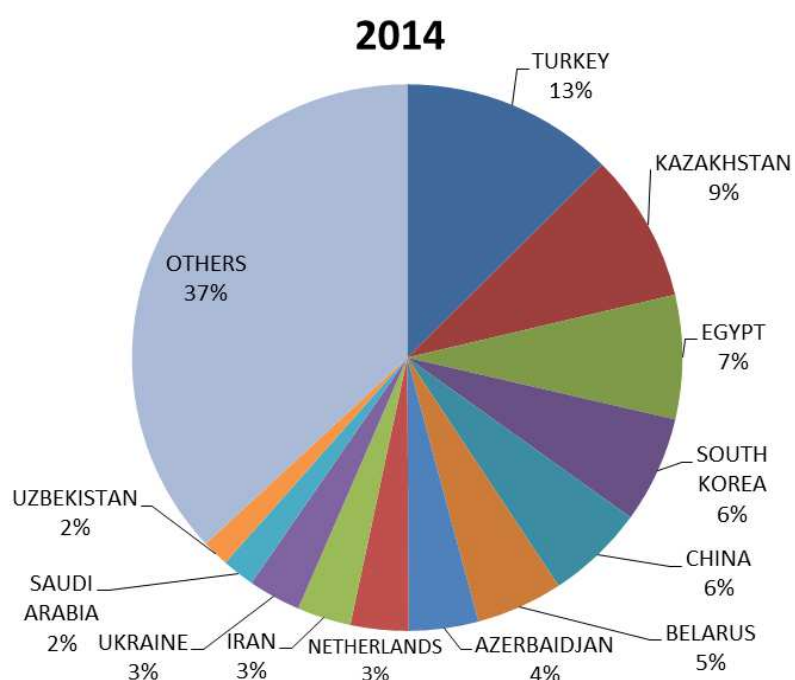
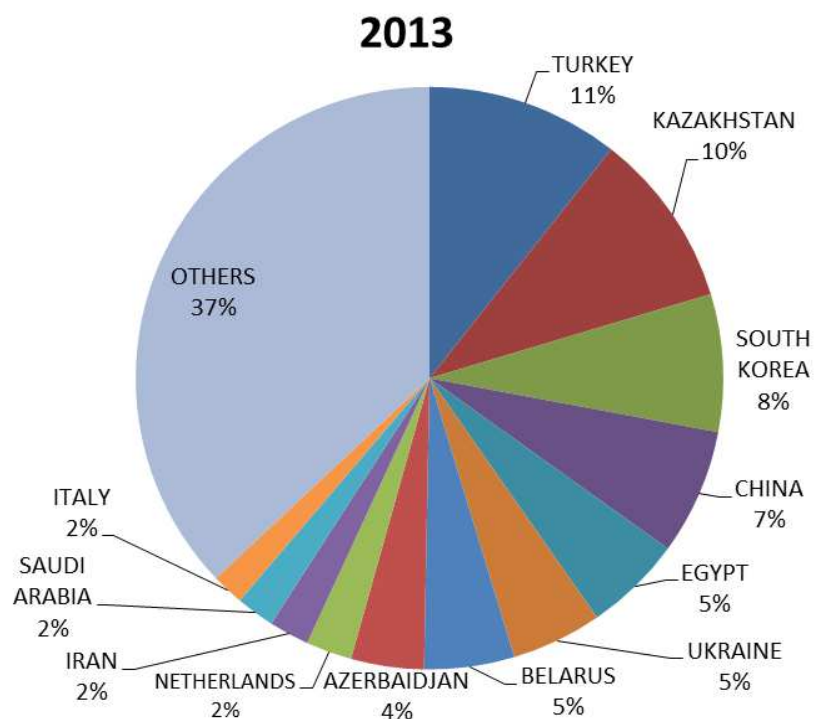


Sources: Federal Custom Service

It should be also noted that import from CIS countries has also increased for the last decade from 1 to 5 bln. USD, but the share remains stable.

Concerning agri-food export from Russia one should be noted that key markets for Russia are CIS countries (Kazakhstan, Ukraine, Belarus) and Middle East countries (Turkey, Egypt, Iran). Asian countries such as China and South Korea are also among major importers of Russian ag products. Share of EU countries is pretty low due to Russian agriculture has much lower competitiveness compared to European one.

Figure 27-28 Share of major countries importing from Russia in 2013 and 2014 year



Sources: Federal Custom Service

4.1.3 Agri-food trade by products

Figure 29 Structure of agricultural exports (crops and fish) from Russia by products and trading partner in 2013

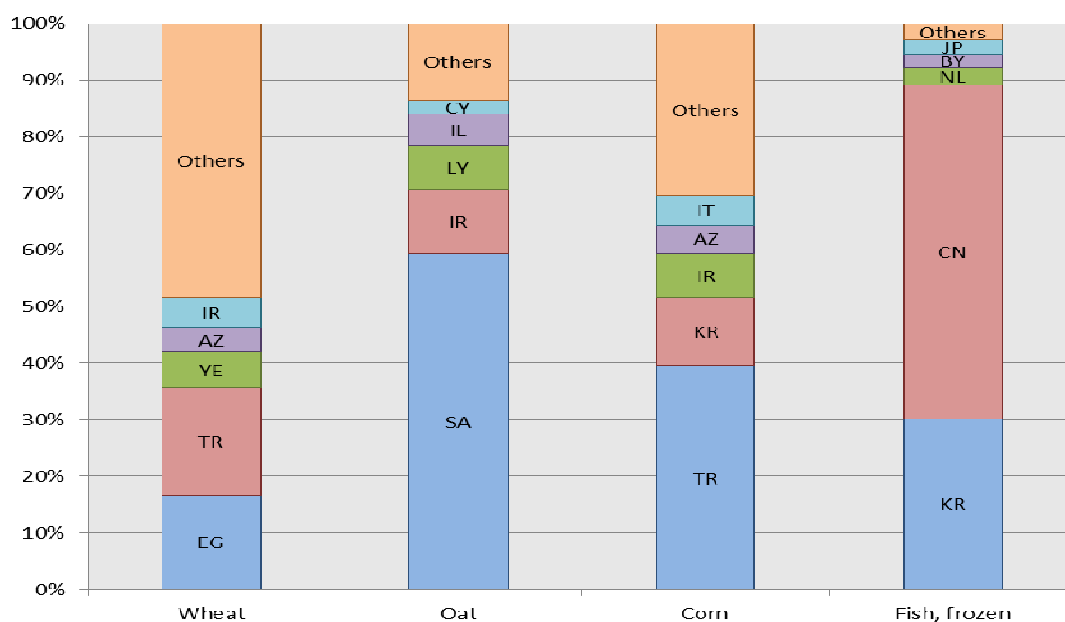
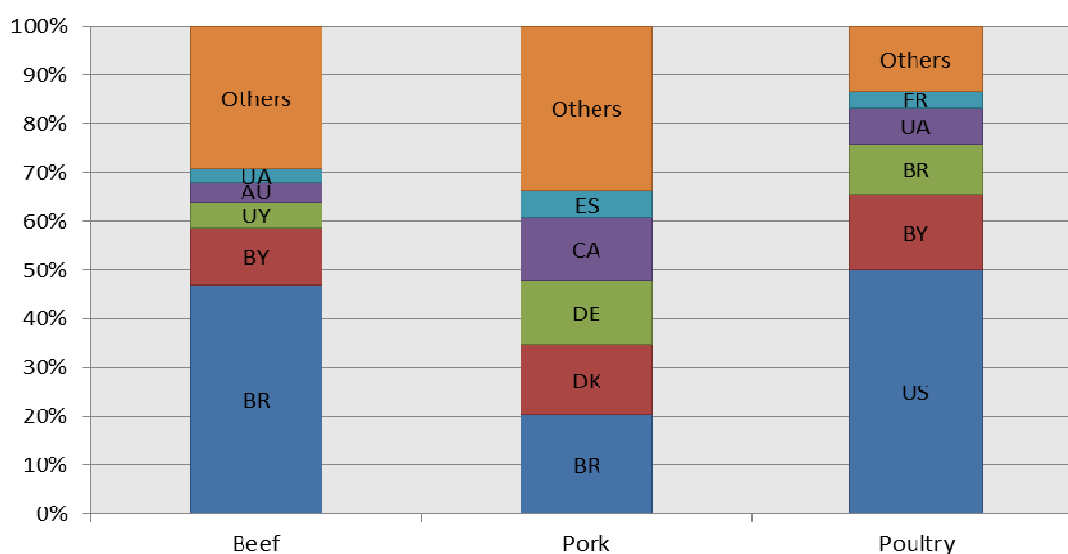


Figure 30 Structure of agricultural imports (meat) in Russia by products and trading partner in 2013



Sources: Federal Custom Service

4.2 Trade policy and infrastructures

4.2.1 Measures directly affecting trade imports and exports

Russia has accessed WTO from August 2012 (effective from August 2013). The acquisition was accompanied by the general decline of food import tariffs.

However, as of today, the country has imposed several sizable technical measures, which restrict import of agricultural and food products. Among most important of them are:

- Import ban of live hogs, pork and pork products established on products from EU from January 2014;

- Import ban of beef from the period of February – April of 2013 established on products from the US, Canada, Mexico due to ractopamine issue.
- Partly lifted food import ban from Georgia.
- Partly lifted and then re-introduced food import ban from Moldova.
- Main food staples import ban from Ukraine, introduced in 2014.
- Main food staples import ban from August 2014 established as counter-sanctions on products from EU, USA, Canada, Australia, Norway.
- Periodical bans of specific processing exporting plants and rotation of approved/certified exporting plants in various countries of origin. Typically established for such products as meats and dairy.

Besides, Russia for quite a long time has been in the transition period regarding its food safety regulations. Initially the government was to adopt technical rules in the field of safety standards. However the development of these rules was moving forward very slowly, so that for many industries some temporary rules were in force. Then Russia, Kazakhstan and Belarus started to form Customs Union and the decision was made to put together common food safety technical rules. Each country of the Union got responsible for developing of specific food industry branch safety rules. Such a decision further complicated and postponed final adopting of technical rules. Some safety rules are already adopted, some not, and the country lives under temporary regulations.

Russia has never had export subsidies in the field of agribusiness, so it's irrelevant.

4.2.2 Logistics and infrastructure

Russia is a vast country and that is why it is doomed to have had great logistical problems.

Over the recent years the country has restructured, quite dramatically, its key infrastructural bottlenecks. It mostly was made due to the efforts of private businesses, with minimum of the government involvement.

During historically short period of time, from the end of 90's to nowadays, the revolutionary changes have occurred in domestic grain export infrastructure. Private companies have constructed a chain of more than 25 new modern export facilities along the coasts of Azov and Caspian Seas. Big private export / import terminal was constructed in Kaliningrad port. Four new state of art deep water grain export terminals were constructed along the coast of Black Sea, while another one, old Soviet "grain import monster" named NKHP, was deeply renovated to become modern grain export facility.

In-land the country private businessmen erected hundreds of new metal grain elevators and farm storage bins. Many of them are integrated into grain processing, such as mills, compound feed mills, starch, and malt houses.

In oilseed logistics and crushing one should note erection of a chain of crushing facilities and relevant infrastructural facilities, as well as orchestrated erection of export terminals. Nowadays Russia possesses two veg oils export terminals on Azov Sea, one on Baltic Sea, and one on Black Sea. Recently state owned UGC announced construction of second vegoil export and import facility in the port of Novorossiysk.

There are several types of transport used in Russian agriculture. Most commonly used transports are motor transport and railways. Cargo trains are mostly utilized for shipment of crops, meat and dairy products are generally carried by vehicles.

The government quite strictly regulates grain railway transportation tariffs, while other agricultural products transportation tariffs are more exposed to the market forces. As to the grain transportation, from 2013 the government introduced reduced tariff system: for all grains, grain products, and oilseeds for any directions post-2000 km distances are charged at 50% reduced tariff. It helps to somewhat economize on Western Siberia grain transportation, as well as Russian Far East soybeans and soybean meals to European Russia.

Typical rates for transporting vary depending on the item to be carried. Approximate rates are listed below for major livestock agricultural products in Russia:

Raw milk (auto)		Broilers (auto)	
Distance	Rate, RUB/kg	Distance	Rate, RUB/kg
200 km	1,1 - 1,2	350 km	2,5
1100 km	6 - 6,5	1100 km	4,2
1700 km	8 - 8,5	1800 km	6

4.2.3 Main trade agreements

Russia has a type of multi-layer trade agreements system.

First, with CIS countries (nowadays with exclusion of Georgia, Moldova, Ukraine) Russia has duty-free food trade regime. Before introduction of import ban from Ukraine, Russia had special exclusions from duty-free agreement with this country. Key example is white sugar: Ukraine was treated as the rest of other non-CIS countries.

Then later Russia, Belarus, and Kazakhstan created Customs Union, which later has been transformed into Eurasian Economic Community (EEC) followed by Eurasian Economic Union (EEU). The latter is being formed by same three countries (Russia, Belarus, Kazakhstan) and being joined by Armenia (the process is almost completed), Kirgizstan (formal accession is expected in May 2015). Another potential member is Tajikistan.

The Customs Union was created to establish single economic frontier of three countries, so that Customs frontiers between the countries were abandoned. As to EEU, it is meant to gradually create a Single Economic Space of member countries.

The Eurasian Economic Commission (EEC) is a single permanent regulatory body (supranational governing body) of the Customs Union of Belarus, Kazakhstan and Russia (CU) and the EEU.

Within its competence, the Commission issues non-binding instruments, such as recommendations and also may take decisions that are binding on the Parties.

Cooperation in the agro-industrial sector (execution of memoranda, agreements) as follows:

- development and implementation of the policy aimed to achieve the highest and the most sustainable growth in the agribusiness;
- international exchange of scientific and technical information and regulations regarding agricultural production, food processing, marketing and distribution;
- creation of favourable conditions for trade and fund-raising in the agri-food sector;
- food security;
- financial and technical support of projects of agricultural development in order to increase food production;
- expansion of the grain market;
- development of high-performance technologies of food production;
- promotion of livestock, poultry, crop production, breeding new plant varieties, conservation and utilization of genetic resources of animals and plants;
- Promotion of all types of engineering works in agriculture.

5. AGRICULTURAL POLICY AND INSTITUTIONAL ENVIRONMENT

Over the decade of 2004 – 2013 Russian agricultural policies made quite a dramatic shift from relatively modest to very heavy regulation and state (first of all federal) budget support.

From 2004 onwards Russia pursues strong food import tariff regulation. It has dealt with introduction and gradual perfection (strengthening) of flexible raw sugar import duty (2004), introduction of meat import TRQs (2004), gradual elevating of rice and dairy products import tariffs. In parallel various non-tariff imports restriction measures have been launched against major exporting nations in many branches of food economy: from apples import from Poland to chicken meat from the US, and port meat from the EU, etc.

Russia's accession to WTO has put some upper limits on further expansion of import tariffs protection, as well as started the process of lowering import tariffs in many food product categories. However in some (most sensitive) industry branches the process was accompanied by a sharp introduction of new non-tariff protection measures, such as launching the issues of ractopomine, trenbolone, etc.

In parallel to elevation of import restriction measures (which, by the way, have not prevented Russia from growing food import over the decade) the country shifted to much more aggressive domestic support policies.

The type of official start of growing support to domestic agriculture was in 2006, with launching National priority project in the field of agriculture. The Project was followed by the 2008-2012 Agricultural Program, which could be viewed as a remote analogue of the US Farm Bill, or EU CAP. According to both Project and Program, annual federal budget support to domestic agriculture has grown substantially, although from quite a modest "start-up" level. After rather successful completion of the Program, a new 2013-20 Agricultural Program has been launched.

Over the period of 2006-2013 the focus of domestic farm support was on animal protein sector, primarily on dairy, poultry meat, and swine production, which most recently beef cattle has become a priority.

Over entire period the main tool of domestic farm support has been working and fixed capital interest rate subsidy, provided by the federal and regional governments against commercial banks lending to agricultural producers. Both subsidies accounted for up to 70% of all federal budget allocations to agriculture. Working capital interest rate subsidy has supported mainly crop producers and buyers of agricultural products. The federal government basically provides 2/3 of official Central bank refinancing rate to the relevant commercial bank after credit repayment on the part of agricultural producer or the buyer of agricultural products. The terms for fixed capital interest rate subsidy have changed over the time. As an example, the credit period was extended to up to 15 years (for dairy farming). Up until recently they envisaged up to 100% of Central Bank refinancing rate coverage. Plus in both cases for working and fixed capital finance the regional governments could come up with additional interest rate subsidies.

The results of the interest rate subsidy programs have been rather positive: the access to both working, and fixed capital finance has greatly improved, a lot of green field investments were made by private operators. Thus during the period of 2006-2013 the CAGR in poultry meat industry has been 13%, including 15% in corporate sector, while the CAGR in swine sector has been 7%, incl. 19% in the corporate sector. Both industries (especially poultry) have greatly moved towards domestic self-sufficiency.

However in such industry, as dairy farming, the results of aggressive investment stimulation were rather disappointing, as too many private entrants over-estimated the cash flow and underestimated cost of total investments.

In parallel to interest rate subsidies Agricultural Program supported Rural development, and Soil improvement programs (the latter with the focus on irrigation), crop insurance (50% of standard crop insurance premium has been covered from the state budget), breeding, agricultural science and education, young farmers, etc.

The introduction and implementation of the 2013-2020 Agricultural Program has been accompanied by some structural shifts in subsidization programs. Most recently these shifts received additional push in the framework of counter-sanctions package.

In crop production the area payments were launched, although at very modest level (\$100-150 per ha). The measure is aimed to spread the subsidies more equally, and not allow concentrate them mostly at big holding companies. In dairy industry they introduced a special subsidy payment per litre of raw milk coming for processing.

There emerged new industry lines of investment credits support, such as greenhouses, and open air commercial vegetables, horticulture, aquaculture, and some other lines of investments. The priority is given to those industry branches where one could achieve rather quick and sizable import substitution.

6. CONCLUSIONS

Trade pattern of the country

Russia has got strong natural competitive advantages in the field of grains and oilseeds (excluding soybeans, and tropical oilseeds) production and export and has developed very strong export pipelines in these commodity sub-segments.

Russia has been a traditional importer of fruits, vegetables, meat and dairy products, but this position has changed, changing, or is going to change in the foreseeable future due to strong motivations for import substitution, supported by the relevant state subsidies.

Russia is very sizable importer of some key technological agricultural inputs, including some seeds, all pesticides, agricultural machinery, food processing machinery, and others.

Future production and consumption perspectives

Russia will most likely to continue to gradually strengthen its grain and oilseeds export orientation, along with development of domestic value added pipelines, mostly associated with feedstuffs.

The country may quite quickly fill-in the gaps and sharply increase self-sufficiency in such industry branches as pork, vegetables, some fruits production.

As to such items, as agricultural inputs, beef, and dairy, it is problematic to expect quick increase of self-sufficiency.

Main strengths of the agri-food sector

Russia has strong opportunities for yield growth regarding many agricultural crops and animal production sectors. Yield gaps between Krasnodar region (as one of the most effective regions in terms of productivity) and France remain pretty high. Crops such as wheat, maize or sunflower have 25-50% yield gaps to France agricultural sector. Sugar beet yield and cow's productivity may also be higher and closer to France figures.

- Potential advantages for Russian ag sector should be included:
- Devaluation has improved domestic products competitiveness.
- Abundant supply of cheap natural resources, such as land, fuel, fertilizers, water.
- Close proximity of South Russia to the main grains and oilseeds export markets
- Strong North-West (Kaliningrad) and Far East (Amur, Vladivostok) untackled export potential.
- Strong import substitution opportunities in many industry branches.

Main weaknesses of the agri-food sector

Russian economy is quite weak for today and not able to provide as much support for agri-food sector as it requires. Recent developments were achieved due to large-scale support from the government. State support continues even at the same level as for 2-3 last years but the economic environment has aggravated sharply. In this new reality agri-food market players will face with increase of production costs. Despite this important problem there are also some institutional weaknesses:

- Deterioration of macro-economic and financial situation.
- Outdated physical infrastructure in many industry branches.
- State or semi-state monopolies dominate in some input supply and agricultural service industry branches.
- Quality of laws and enforcement.

- Scarce availability of highly qualified and reliable rural labour.
- Ag education and science remain non-reformed yet.

Production potential

Quite sizable export and import substitution driven production potential practically in all key agricultural branches, with small exceptions (barley domestic and export markets look quite saturated; poultry meat and egg production looks quite saturated, and some other branches...).

Main factors influencing the development of agri-food chains

Macro-economic and political situation

Agricultural policies/subsidies agenda: focus on import substitution/"self-sufficiency", or export orientation and strengthen of competitive value-added chain.

Recommendations on addressing bottlenecks to reduce yield gaps and increase production level

To combine both the support of most advanced export oriented industries, such as grains, and oilseeds, as well as address import substitution potential in most promising vertical subsectors

The rule of law and private ownership institutional building must become the priorities for the domestic agricultural economics agenda

The state must concentrate its support on green box type of measures rather than on quite distorting and contradictory direct farm support