



Leibniz Institute of Agricultural Development
in Transition Economies



The prospects for Russian food self-sufficiency

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Russia's food self-sufficiency goals

Increase the **domestic self-sufficiency** in food to

- 99.7% in grains,
- 93.2% in sugar beet,
- 87.7% in oilseeds,
- 98.7% in potatoes,
- 88.3% in meat and meat products,
- 90.2% in milk and dairy products

by 2020,

Increase **farm output** in all categories of farms by 20.8% (2020 vs. 2012 in constant prices), food products by 35%,

Ensure annual growth of **investment in fixed capital** in agriculture by 4.5%,

Increase av. **profitability of agricultural organisations** by not less than 10-15% (including subsidies),

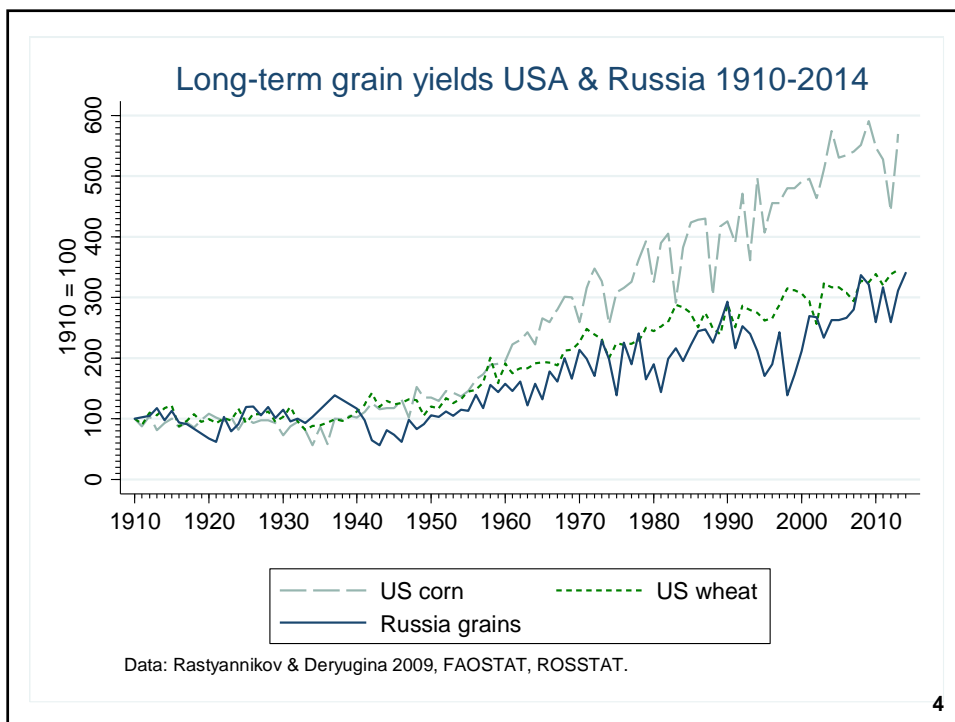
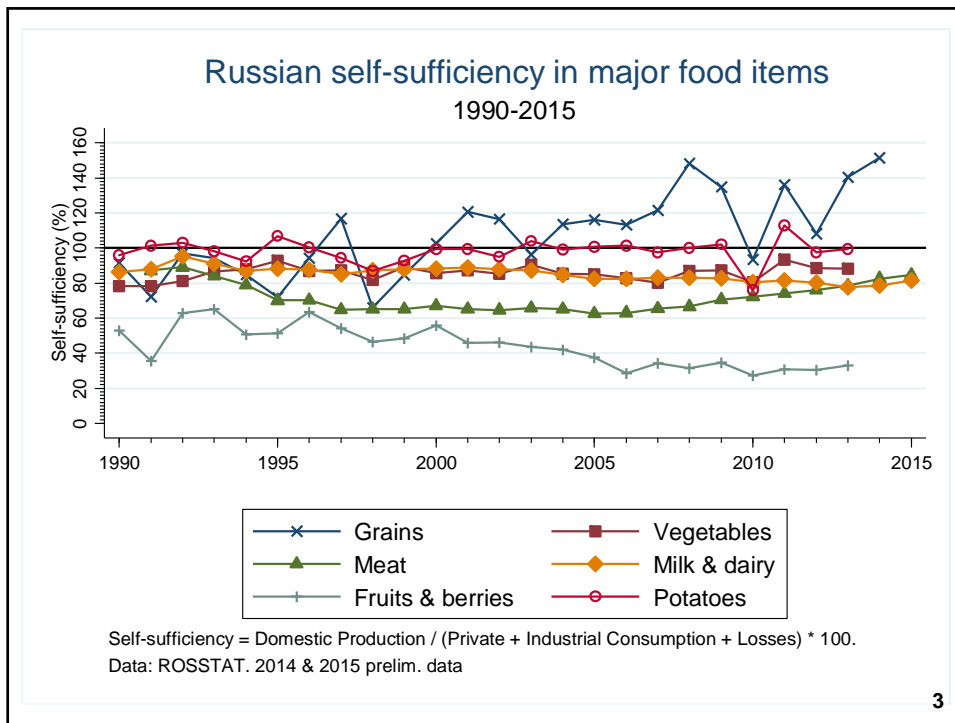
Increase **wage levels** in agriculture to 55% of the overall economy average.

Source:
State Programme for the Development of Agriculture of the Russian Federation 2013-2020 (2014), pp. 6-7.



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Agroholdings in the black earth region

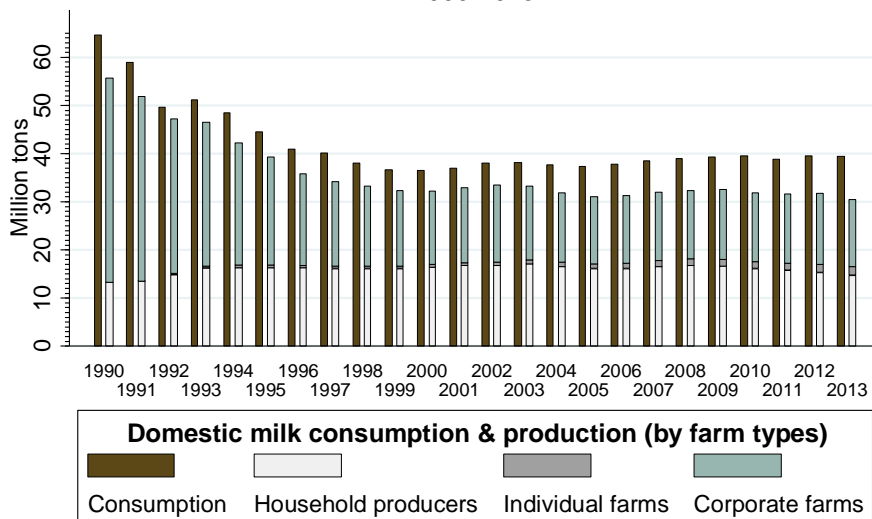


Belgorod 2013
All photographs by the author.

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Russia's dairy balance 1990-2013

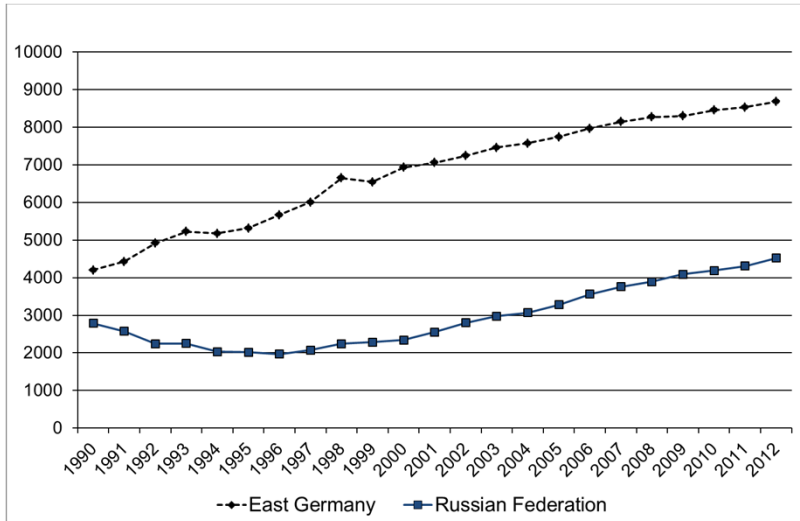


Data: ROSSTAT.

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Milk yields per cow (kg)

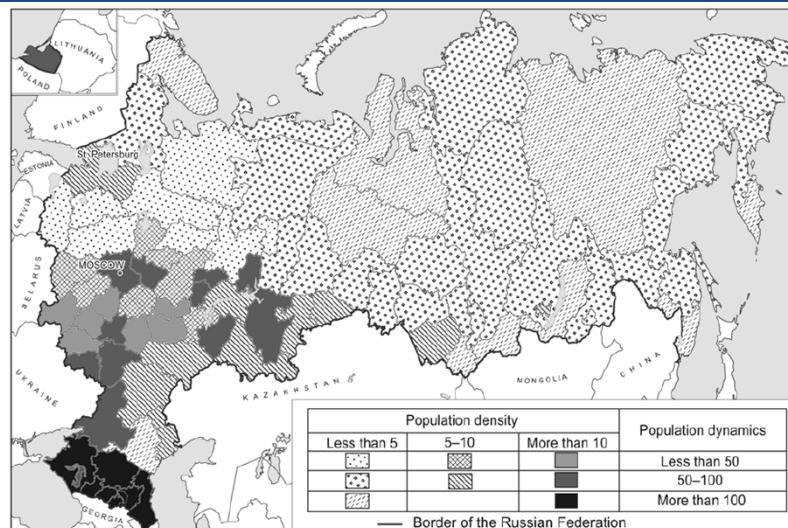
Corporate farms in East Germany & Russia



Sources: Author based on EUROSTAT; ROSSTAT; ZMP.

Russia's rural brain drain

Population density & dynamics (2010 census in % of 1959 census)



Source: Nefedova 2012, p. 45.

Diversity in livestock operations



Calving box in a dairy holding
Voronezh 2012



Household farm
Belgorod 2013

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Challenges down the value chain



Milk collection
Belgorod 2013

Fresh meat counter
Belgorod 2013



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Russian food self-sufficiency: the state of play

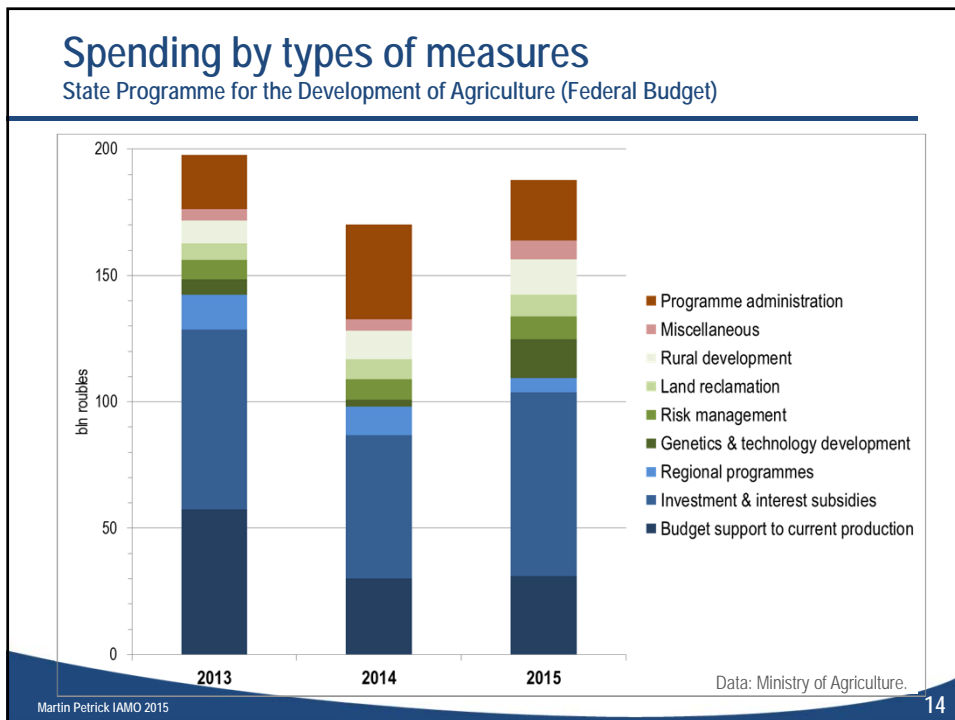
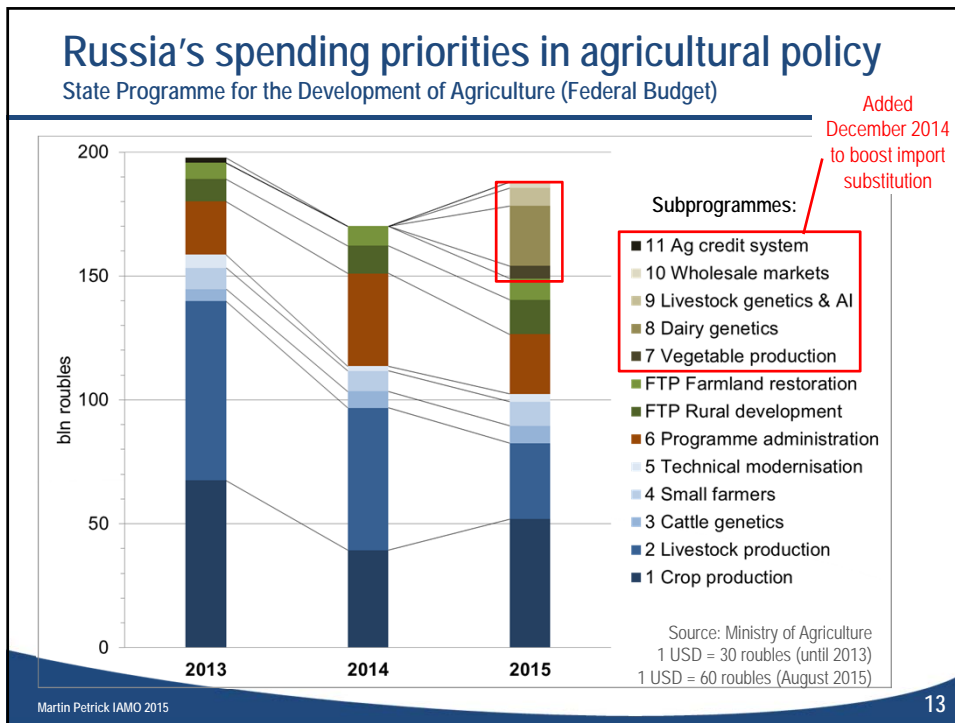
Grain production broadly competitive, Russia a top exporter
Supply deficits pronounced in **dairy, meat, fruits & vegetables**

Main challenges to increasing livestock output:

- Fragmented production structures
household producers geared towards subsistence needs
- Low yield levels
- Lack of human capital
devastating brain drain, image problems of agriculture, poor education system
- Insufficient quality control, absence of closed cooling chains, fraud
- Inefficient government policies
to be analysed next

Russia's agricultural policy approach today

- Top-down modernisation via capital subsidies
- Little decoupling despite WTO accession
- Little support to strengthen grassroots institutions outside the government administration (e.g. breeders, quality control)
- Forced import substitution via import ban
- Ban reinforced a "Soviet style" approach:
central planning of imports, production targets, state funding
- Budget support under pressure due to economic crisis



New priority areas of December 2014

- Partly old measures with a new label
- More money to spend on programme bureaucracy
- Timid steps towards long-term public goods provision (genetics, risk, natural resources, rural development)
- Breakthrough ideas are missing

Agricultural finance in Russia

Interest subsidies mostly handed out via state-owned Sberbank and Rosselkhozbank (which also collects taxes)

Requirements for obtaining credit (Yastrebova et al. 2008):

- Intended spending conforms with positive list of eligible equipment
- Collateral 1.3 – 2 times the loan amount (livestock, machinery, real estate)
- Repayment history
- No overdue debt, no outstanding taxes
- Approval (possibly guarantee) by local administration

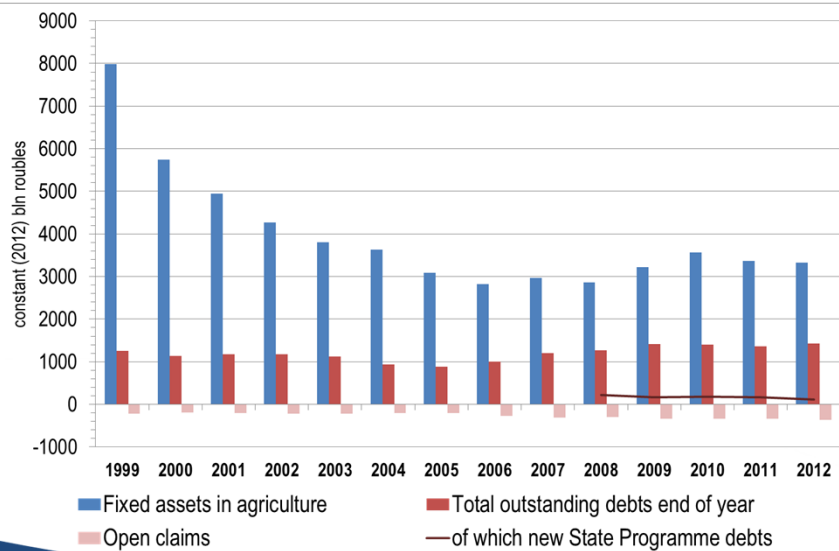
Credit disbursement beyond carrying capacity of farms, problems of over-indebtedness

Government approval on several levels leaves much room for corruption

Poor payment morale both up- & downstream

Assets & debts in Russian agriculture

In 2012 prices, 1999-2012



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Data: ROSSTAT, Min. of Agr.

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Conclusions

Russia is currently self-sufficient in many field crops

Long-standing deficits exist in livestock products & high value crops

Structural weaknesses will make it difficult to reach full self-sufficiency soon:

- Lack of human capital in agriculture
- Productive entrepreneurship held in check by excessive government involvement & inefficient policies
- Economic & institutional framework necessary for the operation of value chains (funding, genetics, quality control, processing) is dysfunctional
- Increasing livestock production may reduce self-sufficiency in grains (Soviet experience)

If integration in global markets is undesired for political reasons, a convincing policy alternative is still missing!

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