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Expected and unexpected effects of the Russian food import ban

According to speakers at a IAMO symposium, the Russian import ban and the rouble devaluation led to plummeting food imports and rising domestic prices in Russia in 2015.

Halle (Saale), 21 August 2015 – As the Russian government struggles to revitalise the agrarian economy in view of economic downturn and budgetary constraints, quick import substitution of livestock products appears unlikely. Contrary to expectations of positive effects for member countries of the Eurasian Customs Union, neighbouring Kazakhstan mostly felt the downside of the Russian turbulences.

The symposium on the effects of the Russian food import ban imposed on Western producers in August 2014 was organised by the Leibniz Institute of Agricultural Development in Transition Economies (IAMO) in Milan last week. Dr Ekaterina Krivonos of the UN Food and Agricultural Organisation (FAO) presented detailed figures on the trade diversion effects by product group. According to Krivonos, producers in the EU lost a significant market share in pork and poultry to Brazil, although over the last few years Russia has also been gradually increasing own production in both products. EU dairy exports were replaced by shipments from Belarus, whereas exporters from Chile and the Faroe Islands took over Norway's market share in fish.

One of the expected impacts of rising prices and the reduced purchasing power of the rouble is a reduction in domestic food consumption. As Dr Andrey Tkachenko of the Higher School of Economics (HSE) in Moscow explained, domestic price effects varied among Russian regions. For example, after the ban, average prices in fish producing regions increased less than in non-producing regions, whereas prices increased more in regions bordering Western neighbour countries. "A likely explanation is domestic frictions in adjustment to the interrupted trade flows", Tkachenko said. No such effect was observed for fresh milk.

Professor Martin Petrick of IAMO argued that Russia is unlikely to achieve domestic self-sufficiency in livestock and high value crops in the near future. He considered a lack of productive agricultural entrepreneurship and a weak institutional framework for the operation of value chains to be among the crucial bottlenecks. "The current policy focus on capital injections from the government will help little", he

added, “already today many farms have reached their debt servicing capacity. If integration in global markets and thorough institutional reforms are undesired for political reasons, a convincing policy alternative is still missing.” Moreover, according to Petrick, boosting livestock production may jeopardise current self-sufficiency in grain by raising feed demand, as the Soviet experience of the 1970s shows.

Contrary to some expectations, the agricultural economy in Kazakhstan was affected quite adversely by the recent developments, as Dauren Oshakbayev, an independent researcher in Astana, explained during the symposium. In the northern regions located along the border with Russia, the tumbling rouble exchange rate widely dominated any demand effects of the import ban. The weak rouble boosted agricultural exports from Russia to Kazakhstan, even in grains, where prices fell despite a low Kazakh harvest in 2014. “Moreover, in the first half of 2015 compared to the previous year, food processing in Kazakhstan went down by double digit percentages, due to significant import pressure from Russia”, Oshakbayev said. At the same time, he noted that Russian and Kazakhstani statistics on value of imports and exports between the countries diverge by up to 75%, so that it is almost impossible to draw a reliable picture of bilateral trade flows.

The symposium took place in the framework of the 29th International Conference of Agricultural Economists (ICAE) on 11 August 2015 in Milan, Italy.

Text: 3.903 characters (with spaces)

Further information

The slides of the presentations can be downloaded here:

Russian restrictions on agri-food imports: Effects on domestic and world markets

Ekaterina Krivonos (FAO)

http://www.iamo.de/fileadmin/user_upload/Bilder_und_Dokumente/06-veranstaltungen/icae-mailand_2015/ICAE_symposion_Martin_Petrick/01_Krivonos.pdf

Who Will Pay for Russian Food Sanctions?

Andrei Yakovlev, Andrey Tkachenko, Alexander Gromov (HSE, Moscow, Russia)

http://www.iamo.de/fileadmin/user_upload/Bilder_und_Dokumente/06-veranstaltungen/icae-mailand_2015/ICAE_symposion_Martin_Petrick/02_Tkachenko.pdf

The prospects for Russian food self-sufficiency

Martin Petrick (IAMO, Halle (Saale), Germany)

http://www.iamo.de/fileadmin/user_upload/Bilder_und_Dokumente/06-veranstaltungen/icae-mailand_2015/ICAE_symposion_Martin_Petrick/03_Petrick.pdf

Impacts within the Eurasian Customs Union: the case of Kazakhstan

Dauren Oshakbayev (Independent researcher)

http://www.iamo.de/fileadmin/user_upload/Bilder_und_Dokumente/06-veranstaltungen/icae-mailand_2015/ICAE_symposion_Martin_Petrick/04_Oshakbayev.pdf

About IAMO

The Leibniz Institute of Agricultural Development in Transition Economies (IAMO) analyzes economic, social and political processes of change in the agricultural and food sector, and in rural areas. The geographic focus covers the enlarging EU, transition regions of Central, Eastern and South Eastern Europe, as well as Central and Eastern Asia. IAMO works to enhance the understanding of institutional, structural and technological changes. Moreover, IAMO studies the resulting impacts on the agricultural and food sector as well as the living conditions of rural populations. The outcomes of our work are used to derive and analyze strategies and options for enterprises, agricultural markets and politics. Since its founding in 1994, IAMO has been part of the Leibniz Association, a German community of independent research institutes.

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