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Against the backdrop of economic stagnation, Russia has experienced a remarkable increase in food production that has facilitated 'food independence' for the country, helped by state budgetary transfers, tax abatements, and investment into agriculture (Karlova et al. 2021). Since 2014, the agricultural sector has been one of the few 'winners' in the economy. In six of the seven calendar years since 2014, the growth rate for gross product from agriculture has exceeded growth in national GDP (based on ruble value). Similar to agricultural sectors in most countries, Russia faces challenges at present and in the future (Serova 2020; Ushachev et al. 2021). Nonetheless, Russia has emerged as a food power during the past decade, rising from obscurity before 2010 to 17th place in food exports in 2020 based on the dollar value of exports. Average annual grain harvests have increased from 87 million metric tons in the period 2008–2013 to nearly 119 million metric tons in the period 2014–2020. Russia has also ranked first or second in the world by volume of wheat exports every agricultural year since 2014/15 (an agricultural year runs from July 1 of one year to June 30 of the next year). Meat production has also risen, linked to the emergence of agroholding companies, which have become dominant actors, particularly in Russia's south; this dominance extends to production, processing, and distribution (Uzun, Shagaida, and Lerman 2021). For example, in 2019 agroholdings accounted for 69 percent of total poultry meat production, 63 percent of pork production, and 18 percent of beef production (Kulistikova 2020, p. 61). The top two meat-producing companies, Cherkozovo and Miratorg, accounted for 10 percent of the nation's total meat production in 2019. The increase in food production has allowed Russia's policy makers to pursue two main goals in food trade policy.

Reduction in Food Imports

The policy goal to reduce food imports dates to 2003 and the introduction of tariff rate quotas (TRQs) for meat and meat products. The intent was to protect, to some degree, domestic meat producers from foreign competition. This soft protectionism was not especially effective. The total value of Russia's food imports increased from USD 12 billion in 2003 to over USD 43 billion in 2013. Moreover, between 2000 and 2013 the volume of meat imports—pork, beef, and poultry—grew by 50 percent. Thus, TRQs provided some limited protection to domestic producers, but they did not alter the upwards trajectory of Russian meat import volume. In 2020, the TRQ for pork was ended and replaced with a flat import tariff of 27.5 percent. The tariff on imported pork increased domestic pork production, but led to a decrease in consumers' real income. Covid-19, and an accompanying shift in consumers' consumption of pork from restaurants to retail stores, led to a dramatic decline in pork imports in 2020. Overall, meat imports declined to about 600 thousand tons in 2020, down from 1.8 million tons in 2013 (TASS 2020). The TRQ for fresh and frozen beef is likely to be replaced by a flat 25 percent tariff starting in 2022. Consumer demand for beef is already at a ten-year low, so a flat tariff will likely lead to lower imports.

Since August 2014, Russia has employed hard protectionism in the form of a food embargo (countersanctions) which selectively targets dominant food traders in the international food system—the US, Canada, the EU, Australia, and Norway. Countersanctions decreased the volume and value of food imports into Russia, from over USD 43 billion in 2013 to a low of USD 25 billion in 2016, after which imports rose again, reaching USD 29.4 billion in 2020. Countersanctions are selective in that Russia chooses which commodities to ban and which to allow. While most raw agricultural commodities, as well as many processed and manufactured foods, can no longer be imported from Western nations, Russia continues to import high-yield livestock. In 2019, for example, Russia imported nearly 113,000 head of cattle, including over 73,000 breeding cattle, to help rebuild Russian livestock herds (Foreign Agricultural Service 2020). The January 2020 version of Russia's Food Security Doctrine makes clear that food independence will continue to be a policy priority.

Increase in Food Exports

A second policy goal in food trade is to increase the value and volume of food exports, following Putin's May 2018 decree on national development that stated overall exports should reach USD 250 billion by 2024, with food exports totaling USD 45 billion. That food export goal was subsequently lowered to USD 34 billion by 2024 and the USD 45 billion target was pushed back to 2030 (Shokura 2020).

The dollar value of Russia's food exports has increased significantly during the past decade. In 2010, for example, the value of Russia's agri-food exports was just USD 9.4 billion, rising to a record USD 30.7 billion in 2020.

The gap in dollar value between food imports and exports narrowed until 2020, when the value of exports exceeded imports for the first time in post-Soviet history. Grain exports generated the highest revenue in 2020 at USD 9.7 billion, followed by exports of fish and seafood (USD 5.2 billion), oilseeds (USD 4.6 billion), and processed food (USD 4.1 billion) (Ministry of Agriculture 2020). In 2020, China was Russia's single largest food export market, with imports valued at USD 4 billion, followed by the European Union at USD 3.2 billion and Turkey in third place at USD 3.0 billion. Those three purchasers accounted for about 36 percent of the total dollar value of Russia's agri-food exports in 2020.

Russia's emergence as a significant food-exporting country is relatively recent, so it has had to build up an export infrastructure by expanding storage capacity and the number of grain elevators that can protect grain from vermin and spoilage, increasing rail transport capacity and replacing old train wagons with new ones, and modernizing and expanding seaport capacity in the Black Sea and Far East. As a longer-term project, Russia needs to increase cargo capacity by building larger container ships and bulk carriers. Furthermore, to assist exporting companies, an analytical center within the Ministry of Agriculture now produces market surveys on commodities and specific countries that are freely available on the ministry's website. It also provides consulting advice and assistance for the negotiation and signing of contracts.[1]

Conclusion

Russia's agricultural sector continues to account for a relatively small percentage of overall GDP, but positive growth in the sector in recent years has added ballast to an otherwise lackluster economic performance. The Putin administration is committed to national food security and supporting domestic agricultural production. The agricultural sector is therefore likely to remain one of the bright spots in the Russian economy.

About the Author

Stephen Wegren is Distinguished University Professor and Professor of Political Science. His most recent book is Russia's Food Revolution: The Transformation of the Food System (Routledge, 2021).

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1 For more information about the functions of the Center, see its website at: https://mcx.gov.ru/ministry/departments/departament-informatsionnoy-politiki-i-spetsialnykh-proektov/industry-information/info-podderzhka-malogo-i-srednego-biznesa/