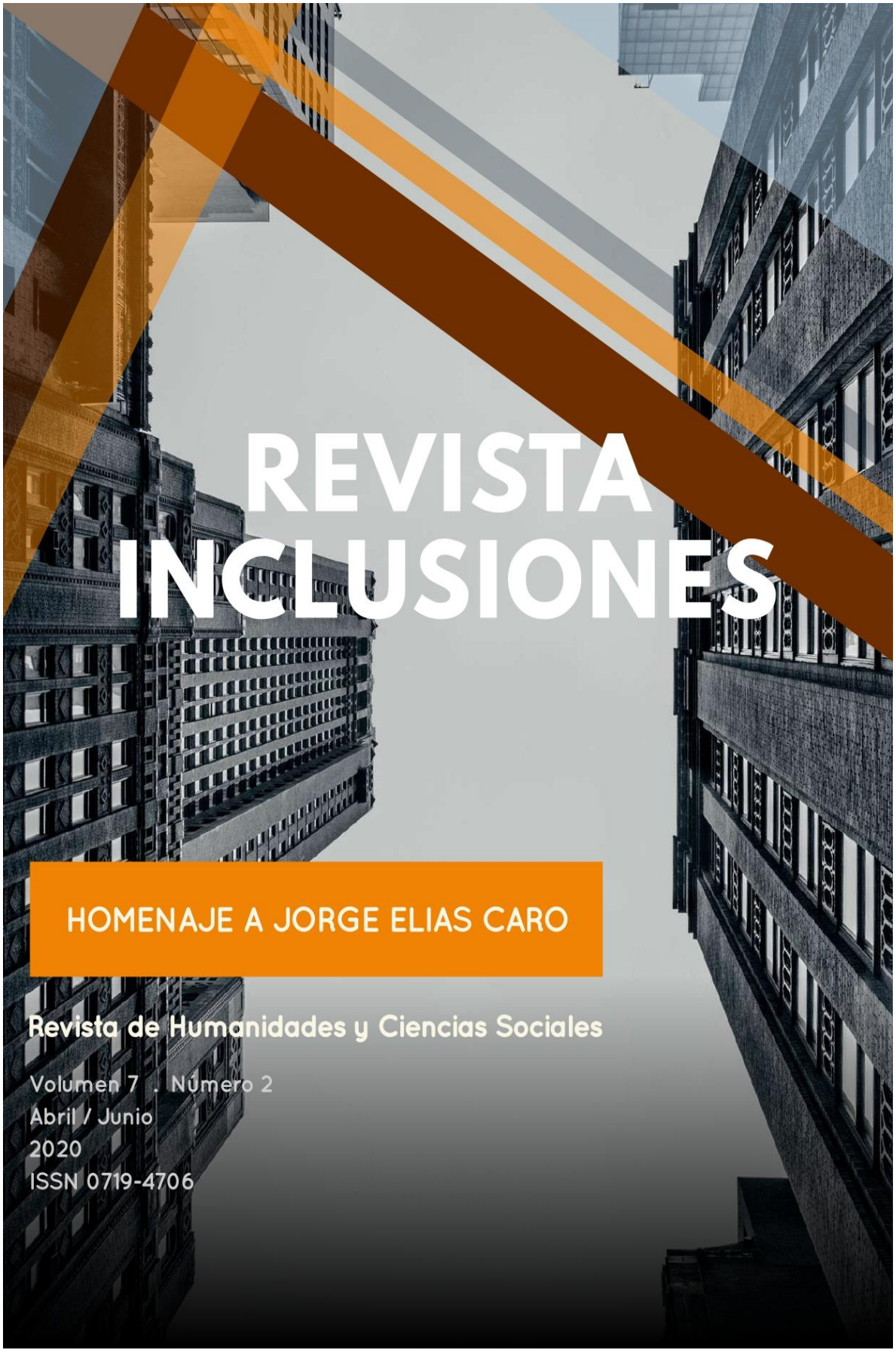

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IMPLEMENTATION OF THE STATE SUBPROGRAM FOR THE DEVELOPMENT OF AGRICULTURAL EXPORTS

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Abstract

In the current conditions of the unpredictability of world commodity markets, trade, sanctions, and counter-sanctions wars, the role of non-commodity exports is growing improving the trade balance and developing the economy of the Russian Federation. In this regard, the study raises the timely question of improving Russia's balance of payments through food exports. The importance of this issue is reflected in the instructions of the President and the Government of the Russian Federation, as well as in the State Program for the Development of the Agro-Industrial Complex in the form of a priority national project starting from 2017. The importance and relevance of the study are confirmed by the "New May Decrees" of the President of the Russian Federation, which set a direct task of bringing the volume of exports of food and agricultural products to the level of 45 billion US dollars.

Keywords

Agricultural products export – Export structure – Agri-food – Development forecast

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Introduction

There was a reversal of the trend in the development and deepening of export-import sup-plies of food in Russia in 2014, which was formed in the early 90s and reached its peak after the country's entry into the World Trade Organization. The official accession to the WTO provided not only the growth of imports of agricultural raw materials and food products but also the expansion of potential opportunities to increase agricultural exports[1]. However, as the practice has shown, a possible increase in exports of agricultural products and food has remained potential after joining the WTO, with a real increase in imports. In subsequent years, the change in the conditions of foreign economic commercial activity, expressed in foreign policy and foreign economic sanctions and anti-sanction restrictive measures, the domestic agricultural sector received a new growth impulse in the form of measures of both budget and customs state support. Now, the question is not so much in import substitution in agriculture and the food subcomplex but in the growth of food export volumes. Improving the efficiency of promoting domestic farmers to international markets was reflected in the instructions of the President[2] and the Government[3] of the Russian Federation, according to which the State Program included a special section to support commodity exports of the agroindustrial complex (priority project "Export of Agricultural Products")[4].

However, these measures proved to be insufficient and the so-called "New May Decrees" of the President of the Russian Federation identified strategic directions for the development of Russia, including the development of exports of food and agricultural products. At the same time, an unprecedented ambitious task has been set – to more than double the existing volume of agricultural exports, bringing it to the level of 45 billion US dollars[5].

Additionally, at present, the topic of the article is more relevant than ever. The validity of this thesis is confirmed by the announcement by the Russian Ministry of Agriculture in the fall of last year of a competition to develop a concept for the development of export of agricultural products, food, and drinks to the Chinese market (probably as one of the main implementation measures set by the head of the state). It is planned to spend 20 million rubles on the development of the concept (and this is not even a program for the development of food export to China, but only its concept)[6].

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[1] M. M. Galeev; A. S. Baleevskikh; O. I. Katlishin y E. R. Urazaev, “Impact of WTO on the results, prospects of development of AIC and food industry in Russia”, Life Science Journal, num 11 (2014): 409.

[2] List of instructions for the implementation of the Presidential Address to the Federal Assembly, Access mode: http://base.garant.ru/12172719/#friends (Reference date: September 11, 2018).

[3] On ensuring the fulfillment of instructions of the President of Russia on the implementation of the Presidential Address to the Federal Assembly of December 3, 2015, Access mode: http://government.ru/orders/selection/404/21089/ (Reference date: November 9, 2018).

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[6] The Ministry of Agriculture can spend 20 million rubles to create a concept for the development of exports to China, Access mode: https://agrovesti.net/news/indst/minselkhoz-mozhet-potratit-20-mln-rublej-na-sozdanie-kontseptsii-razvitiya-eksporta-v-kitaj.html (Reference date November 14, 2018).

Methods

This article was prepared for assessing the effectiveness of the current state policy to pro-mote the export of agricultural products, as well as for scenario determination of the realism of the implementation of the requirements of the "New May Decrees" in terms of increasing the volume of export of food by Russia. Based on the goal, in the framework of the hypothesis formulated in the study, an assumption was made about the need ("Decrees should not be discussed – they must be implemented") and the possibility of realizing the large-scale task that will bring the economy to a completely different level of diversification and development. Almost all basic scientific methods of economic research were used in the work, in particular, the following methods and tools: the balance method for assessing food resources, consumption, exports, and imports; comparison of the level of exports set by the decree with the planned indicators for the development of the agricultural sector in the current state program; scenario forecasting of the conditions for achieving the task[7].

Results

The According to some experts, unplanned difficulties may arise when solving the problem of such a large-scale increase in food exports from Russia, due to the complexity of determining the optimal ratio of imports, exports, and self-sufficiency in food. Currently, according to the existing world distribution of labor, Russia is already a significant supplier of food to the international market but ranks 14th. When bringing the volume of agricultural exports to the designated level, Russia will rank 6th among food suppliers, second only to the European Union, the US, Brazil, China, and Canada. However, it is necessary to take into account the fact that almost all of these countries (except Brazil) are also the largest importers of food; the share of these five countries accounts for 45% of all agricultural exports and 40% of all world food imports[8]. Not only 77% of global exports but also 59% of total imports[9] are accounted for by the 20 largest food exporters, including Russia.

The lion's share of export earnings in Russia still depends on world prices for oil and gas, as well as other commodities. The stable growth of the Russian economy is not possible only due to the export of energy carriers and other raw materials under the conditions of the development of total processes of globalization, foreign and political price volatility, and international competition (Table 1). The current system of restrictions on the level of economic growth of Russia, caused by sanctions and price volatility for oil and gas minerals, determines the active actions of the leadership of Russia to develop alternative types of exports. Following the "New May Decrees" of the President, it is planned to bring non-primary non-energy exports to 250 billion rubles by 2024, while agricultural exports should be at least 45 billion rubles (for comparison, export shipments of industrial goods,

[7] A. S. Baleevskikh, “Sovremennye tendentsii formirovaniya eksportno-importnykh potokov prodovol'stviya v Rossii”, Konkurentosposobnost' v global'nom mire: ekonomika, nauka, tekhnologii”, Modern trends in the formation of export-import food flows in Russia. Competitiveness in the global world: economics, science, technology, Vol: 4 num 2 (2018): 149-152.

[8] D. Ryl'ko y D. Khot'ko, Paradoksy torgovli: pochemu eksportery prodovol'stviya mnogo importiruyut. Access mode: https://www.rbc.ru/opinions/economics/21/01/2019/5c41784d9a79472562c99c82

[9] N. M. Binti Abdul Manap, Food security and economy growth in developing countries, Access mode: http://psasir.upm.edu.my/id/eprint/58544/1/FEP%202015%2014IR.pdf (Reference date December 21, 2018).

including defense industries are planned at the level of 50 billion rubles). The tasks set look more than ambitious in the light of real export achievements.

Name of commodity export group	2013		2014	2016	2018		2018/ 2013
	cost	% to total	cost	cost	cost	% to total	
Total export	527,266.4	100.0	497,833.7	283,652.0	357,766.5	100.0	7.9
including oil and gas revenues	377,080.4	71.5	350,816.5	169,145.0	216,183.5	60.4	7.3
Agricultural products	16,227.5	3.1	17,075.0	18,981.0	20,699.0	5.8	27.6
Industrial products	28,910.0	5.5	26,411.3	24,548.0	28,283.0	7.9	7.8

Table 1
Structure and dynamics of total exports, including the share of agricultural products, million US dollars, %

Analytical data on exports show that exports decreased by 32.1% or 169.5 billion US dollars for 2013-2018. Basically, this drop was due to a decrease of more than 40% in foreign exchange earnings from oil and gas export. The share of agri-food in the export of Russia is already comparable with the share of export in such a significant sector of the national economy as the military-industrial complex and in general for the entire commodity group of high-tech industrial products[10]. However, if we look at the comparative dynamics of food exports and imports in retrospect, even the achieved level of export revenue for agriculture in 2018 is perceived by the Ministry of Agriculture as a certain achievement, provided by the implementation of the priority national project to promote agricultural exports (Table 2).

Indicators	2016	2017	2018	2018 to 2016	
				+/-	%
Export volume of agricultural products	18,981	14,423	20,699	1,718	109
Volume of imports of agricultural products	39,715	24,902	28,924	-10,791	73
Food visible trade of balance	-20,734	-10,479	-8,225	12,509	40
Ratio of import and export	2.1	1.7	1.4	-0.695	67

Table 2
The ratio of exports and imports of agricultural products in the Russian Federation, million dollars

There was a reduction in imports of food and agricultural raw materials in the period from 2016 to 2018, by 27% and export growth by 9% due to the existing state policy

[10] O. I. Katlishin, “Eksport i import Rossiiskoi Federatsii v sovremennykh vneshneekonomicheskikh usloviyakh”, In: Sbornik: Sfera obrashcheniya: problemy i perspektivy razvitiya Kollektivnaya monografiya”, Perm Institute (branch) of FSBEI HE "Russian University of Economics named after G.V. Plekhanov", Perm, 2016: 7.

to support non-commodity exports and the development of agriculture in general[11]. At the same time, the trade balance more than doubled and the ratio of imports to exports improved significantly (Figure 1).

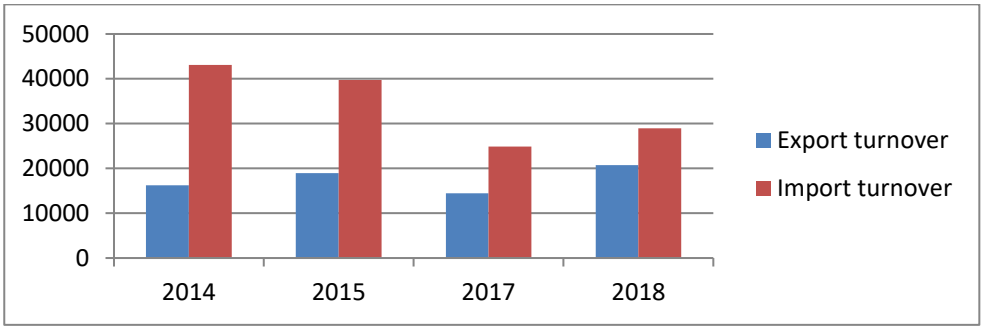

Fig. 1
Comparative dynamics of export and import of agricultural products, million dollars

In the general export structure, the main product groups are grain and products of the milling and cereal industry, ready-to-eat products, fish and hydrobionts, products of the oil and fat food industry, meat and meat products (Figure 2).

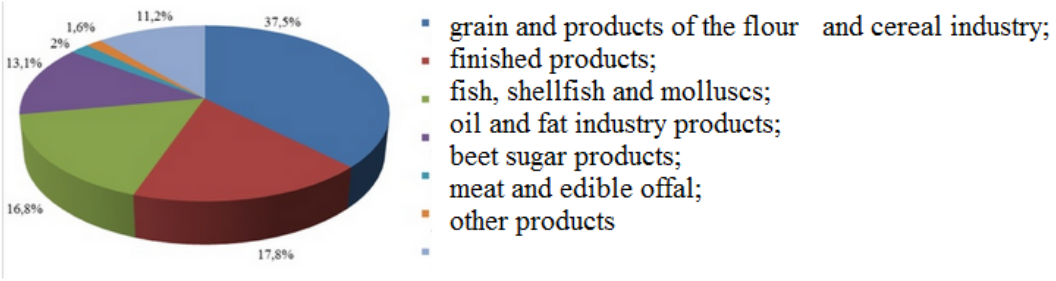

Fig. 2
Export structure of agricultural products for 2018

As can be seen from the figure, exported products as a whole do not have a high level of added value and manufacturability. About a third of exports are grain, which is, in fact, a commodity. Ready-to-eat food products, which have the highest added value in this product group, occupy less than one-fifth of the total structure (total 17.8%).

The country structure of food exports is no less interesting. The main buyers of Russian agricultural products are non-CIS countries, which accounted for 76.7% of the total value of exports of Russian food products and agricultural raw materials in 2018, or 15.9 billion US dollars (Figure 3). The leader among all countries-importers of this enlarged group of goods in 2018 was Egypt with an export volume of 1.79 billion dollars, followed by Turkey (1.78 billion) after settling diplomatic differences with this country). China (1.77 billion) ranks third, followed by South Korea (1.46 billion), Kazakhstan (1.45 billion), and Belarus (1.01 billion)[12].

[11] Russian statistical yearbook, Access mode: http://www.gks.ru/free_doc/doc_2017/year/year17.pdf

[12] The main indicators of agriculture in Russia in 2017, Access mode: http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/publications/catalog/doc_1140096652250

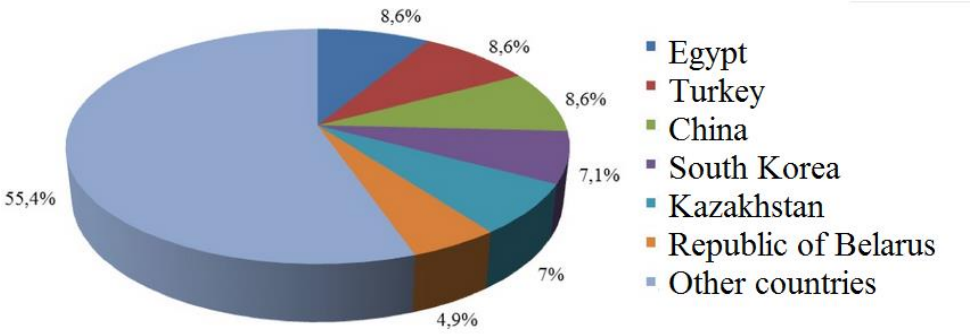

Fig. 3
The structure of agricultural exports in the context of importing states

Discussion

It seems illogical that China consumes less food from the Russian Federation than Egypt and Turkey. After all, China is the country's strategic partner, geographically conveniently located and having a tremendous volume of the consumer market. According to the key position of Russian commodity export – grain, even Vietnam is a more capacious consumer. The same question concerns another major BRICS partner, India. Export cooperation with this traditionally friendly country needs to be developed in accordance with the growing role of the country's economy in world GDP and the growth of living standards of its population.

Taking the current and retrospective level and structure of export indicators for food as a basis, then, provided that the trends remain unchanged, it is possible to predict these values until 2024 (for 2016-2018, real data are provided, further – forecast) (Table 3).

Production	2016	2017	2018	2019	2020	2022	2024	Average annual growth rate, %
Total food and agricultural products, including	16.22	17.1	20.70	22.47	26.91	31.35	35.79	13.40
grain and products of its processing	5.95	5.86	7.76	8.33	10.14	11.95	13.76	14.59
ready-to-eat products	3.1	3.21	3.68	3.91	4.49	5.07	5.65	9.14
seafood and fish	2.79	3.02	3.48	3.79	4.48	5.17	5.86	12.21
oils and fats	1.88	2.21	2.71	3.10	3.93	4.76	5.59	21.91
beet sugar	0.12	0.18	0.42	0.54	0.84	1.14	1.44	122.22
meat and meat products	0.12	0.22	0.32	0.42	0.62	0.82	1.02	83.33
other products	2.31	2.4	2.34	2.38	2.41	2.44	2.47	0.77

Table 3
Forecast of food exports and its structure in Russia, billion US dollars
(conservative scenario)

As the results of the extrapolation show, the forecast of the achieved results will not lead to the fulfillment of the requirement of the "May Decrees" to bring food exports to the level of 45 billion US dollars. Moreover, in our opinion, the policy of support for the export of food abroad should be linked to the security of the domestic market, given that the export potential for a particular product cannot be formed if the domestic market is unsecured (Table 4).

Indicators	2016	2017	2018
Grain, million tons			
Production	104.8	120.7	135.4
Consumption	70.3	75.4	81.3
Import	0.8	1.1	0.7
Export	30.7	33.9	43.2
Vegetable oil, thousand tons			
Production	4,659.9	5,198.9	5,779.9
Consumption	3,713.8	3,544.2	3 587.4
Import	999.7	1,005.0	1 032.2
Export	2,000.6	2,393.9	2,839.2
Sugar, thousand tons			
Production	5,742.6	6,044.9	6,690.7
Consumption	5,709.5	5,773.9	5,791.8
Import	348.4	321.5	200.0
Export	7.6	103.7	553.8
Meat, thousand tons			
Production	9,565.0	9,899.4	10,373.9
Consumption	10,776.6	10,917.3	11,170.4
Import	1,359.6	1,246.4	1,090.9
Export	143.3	236.2	308.3

Table 4
Actual balance by main types of food in Russia

As an analysis of the income and expenditure items of the grain balance shows, being the main export item for this group of commodity nomenclature for foreign economic activity, grain exports are at historically maximum values, which will hinder further development of shipments abroad. However, the solution of problems with logistics, as well as the further development of grain farming, processing flour, cereal industry, and such sub-sectors of crop production as rice, corn, legumes (including soybeans), allow predicting further growth of dollar revenues for this group (Table 5).

There is also a high potential for export growth for such categories as products of the oil and fat industry (current domestic market trends favor export), as well as sugar and meat products, which, despite the high growth energy, do not provide a significant share in the total export revenue of Russian enterprises.

Production	2016	2017	2018	2020	2022	2024	Average annual growth rate, %
Total food and agricultural products, including	16.22	17.1	20.70	29.46	36.61	45.00	19.72
grain and products of its processing	5.95	5.86	7.76	10.14	11.95	13.76	14.59
ready-to-eat products	3.1	3.21	3.68	5.89	8.07	11.10	17.00
seafood and fish	2.79	3.02	3.48	4.48	5.17	5.86	12.21
oils and fats	1.88	2.21	2.71	3.93	4.76	5.59	21.91
beet sugar	0.12	0.18	0.42	0.84	1.14	1.44	122.22
meat and meat products	0.12	0.22	0.32	0.62	0.82	1.03	84.26
other products	2.31	2.4	2.34	3.56	4.71	6.22	18.83

Table 5
Forecast of food exports and its structure in Russia, billion dollars (optimistic scenario)

Today, it is extremely difficult to make any forecasts for the development of food exports until 2024, as the state program for the development of the agricultural industry is limited to the time frame of 2020. Nevertheless, our vision of the possible execution of the decree is based on current trends with some adjustments. For example, if the growth rates of traditional export growth drivers (cereals, fish, oil) are maintained or slightly increased, we consider it necessary to take measures to strengthen the promotion of ready-made food products and other food products to foreign markets. For example, shortly, the investment policy of state support for agriculture will lead to the fact that there will be points of growth in exports of dairy products, fruits, vegetables, etc.

Conclusion

1. The study confirmed the hypothesis that in general, the efforts of the state to develop the domestic agricultural industry, coupled with the regime of sanctions and anti-sanctions confrontation, have contributed to the growth of food exports and improved the balance of payments for these products. The growth in the volume of foreign supplies of agricultural raw materials and food products amounted to 21.1% in 2018; a record figure for the export of this group in Russia in the amount of 20.7 billion US dollars was achieved. The importance of the share of exports of agricultural products in the total exports of the country is growing while the gap between imports and ex-ports for this category of goods is narrowing.

2. However, the obvious shortcomings of the current situation in the sphere of food exports and imports are also revealed. For example, despite all the measures taken, food imports still exceed exports. The structure of agri-food exports is far from perfect both in terms of goods and in terms of contracting countries. The lion's share of exports is occupied by raw materials; finished products account for less than a fifth part of total exports. Food exports to Russia's strategic political partners, such as China and India, are unreasonably low. Therefore, as part of the work on ex-port promotion, it is necessary to

focus on the priority stimulation of improving its commodity structure and increasing the volume of shipments of products to such promising growing markets as China, India, etc. In addition, when building foreign economic activity, it is necessary to pay close attention to the trade balance of this commodity group in the partner countries.

3. At the end of 2018, problems were identified in the development of allocated budget funds, especially in terms of support for long-distance rail transport and the formation of an information marketing system. Considering the aforementioned, we consider it expedient to increase the efficiency of export promotion through better use of budget funds, including through the implementation of the "one-stop-shop" principle in solving interdepartmental coordination of budget support for exports, to increase the efficiency of departmental and interdepartmental bureaucratic procedures. It is also necessary to develop measures for priority state support and promotion of exports of high value-added goods and the growth of shipments to BRICS partner countries (China, India, etc.). Also, when managing foreign economic activity, special attention should be paid to the gap in the trade balance of the group of food products with all partner countries.

4. Even while maintaining the current positive trends in foreign trade, achieving an export level of agricultural products and food products of 45 billion US dollars, that is, more than double, does not seem realistic in the designated 8-year period (for comparison, in the previous period, agricultural export had grown only by only 27% in the six years since joining the WTO). It is necessary to finalize the State Program for the Development of the Agro-Industrial Complex, which is in force until 2020, taking into account the requirements of the Decrees, and develop a new program to foresee export orientation, problems identified above, and the fact that the required level of ex-port can only be achieved while maintaining the growth rate for the groups of grains and oil and fat products and much higher relative to the existing level the growth rate of finished food products and other products.

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