23 Russian Federation

Support to agriculture

Support to producers in the Russian Federation (hereafter "Russia") fluctuated significantly in the past, but stabilised somewhat since 2014 at levels between 9% and 13% of gross farm receipts. Average annual support to farms was around 9% in 2018-20.

Around 70% of support to farms is most-distorting, in the form of support based on output (including market price support) and unconstrained variable input use. On average domestic prices are 5% above world market prices. However, aggregate market price support disguises variations in support across commodities: it represents a mix of border protection for imported livestock products and sugar, and implicit and explicit taxation of exported grains and oilseeds. Livestock producers further benefit from domestic grain prices below world levels.

Expenditure financing general services to the sector (GSSE) remains within 3% to 4% of agricultural gross value-added, below the OECD average. Within support to general services, the agricultural knowledge system, development and maintenance of infrastructure, and the inspection and control system absorb the largest shares of public funding. Total support to agriculture (TSE) equalled 0.6% of GDP in 2018-20. This has decreased since the mid-1990s, largely reflecting GDP growth and the declining share of agricultural in the economy.

Recent policy changes

The State Programme for the Development of Agriculture is in its second phase of implementation from 2018 to 2025. The funding structure in 2019 and 2020 was approximately identical. The areas of state support did not change significantly, but some sub-programmes were transformed to finance regional projects. The emphasis on support to agricultural exports continues. The agricultural export component focuses on developing export infrastructure, facilitation of access to foreign markets through phytosanitary improvements, and product promotion and positioning abroad.

The government launched additional measures in May 2020. These included an increase in support for the purchase of agricultural machinery, goods and processing equipment, and an increase in the authorised capital of Rosagroleasing in order to increase the supply of equipment to the farming sector. The railroad subsidies expanded to soybean meals and vegetables. Initially, only grain transportation was subsidised. A new subsidy to support oilseeds production was introduced in 2020 in the form of area payments to soybeans and rapeseed.

Support to producers intended to stimulate production was reformed in 2020. Two new subsidy programmes, "compensatory" and "stimulative" subsidies, replaced the unified subsidy, milk output payments and area payments. The compensatory subsidy includes crop area payments, milk subsidies, support to pedigree livestock, elite seed subsidy, support to locally traditional subsectors, and an agricultural insurance subsidy. The stimulative subsidy includes support to priority subsectors chosen by regional governments from a state-defined list. It can also provide support to the development of small farming and support to the ten least-developed regions of the country.

On 21 January 2020, the President of the Russian Federation approved the new Food Security Doctrine, which is aimed to systematically address challenges and threats to food security. According to this document, the minimum threshold share of domestic production in domestic consumption ranges from 60% for fruits and berries to 95% for grains.

In response to the COVID-19 crisis, the payment of principal debt due in 2020 was deferred for up to 1 year. Payment of accrued interest for short-term loans, and interest and principal for investment loans was also deferred.

At the end of 2020, to address the decreased real incomes of the population, the government set marginal prices for so-called socially significant food products. To achieve this, the Ministry of Agriculture and the Ministry of Industry and Trade concluded price agreements with food producers and retail chains, valid until the end of March 2021.

On 21 November 2020, the government extended until the end of 2021 the ban on importing agricultural products from countries that apply economic sanctions against Russia. Tariff quotas for wheat, rye, barley and corn exports were established for 2021. For grain exports above the quota, a duty of 50% of the customs value of the exported products (but at least EUR 100 per tonne) applies. Furthermore, from 15 February to 30 June 2021, an export duty of 30% (but no less than EUR 165 per tonne) applies to soybeans, rapeseed and sunflower seed. The export duty on oilseeds will be extended for the second half of 2021, and floating export duty on sunflower oil is planned starting 1 September.

In order to ensure the import of agricultural goods in view of the global pandemic, Rosselkhoznadzor simplified procedures for agricultural imports. In order to minimise the negative economic consequences of COVID-19, to prevent shortages of socially significant goods in Eurasian Economic Union (EAEU) countries, on 31 March 2020, the Eurasian Economic Council (EEC) established restrictions (valid until 30 June 2020) on the export of certain types of agro-food products from EAEU member states. The EEC also approved a list of critical imports to exempt from duties into EAEU countries. The exemption was in effect from 1 April to 30 June 2020.

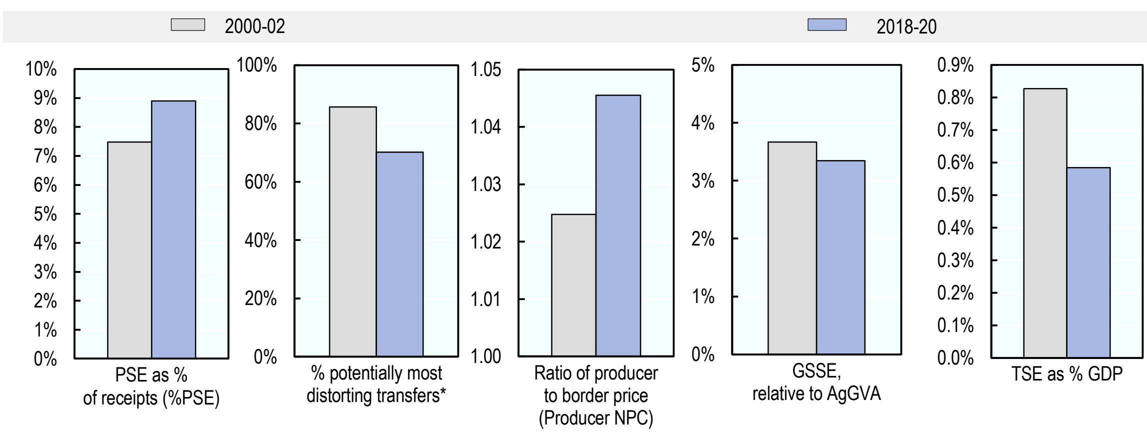
Assessment and recommendations

- The State Programme for Development of Agriculture aims to boost agricultural production and agro-food import substitution. Most recently, the policy orientation expanded to include development of agricultural export potential and tapping markets in large agro-food importers. However, the state programme does not provide a stable policy framework for decision-making by farmers, due to frequent ad hoc changes in the implementation of various policy measures.
- Although there was some shift towards area and per head payments, most-distorting payments and import protection continue to dominate support provided to achieve the stated objectives of import substitution and export development.
- A substantial and sustained improvement in the competitiveness of agriculture would more likely be achieved through a focus on investment in the sector’s long-term growth, such as infrastructure, technological innovation, and robust plant and livestock health systems.
- Research and development (R&D) and knowledge transfer are another critical area to improve competitiveness and support long-term growth. This is key to the most recent export development objective, which requires knowledge and skills to seize new demand signals and external market opportunities. Apart from developing new methods and technologies, fostering their uptake by agricultural producers and agribusiness is also important. This challenge goes beyond agricultural

policy and requires improvements in the general environment for investment and doing business, which includes a stable agricultural policy framework.

- Human capital is another key to long-term growth. Consecutive programmes have directed resources to rural development. A substantial increase of such spending is foreseen within the new State Programme on Integrated Development of Rural Territories. This is a positive development, but much work remains to improve living conditions in rural areas and secure skills and knowledge for the rural economy.
- The agricultural sector could be a main beneficiary of the State Programme for the Preservation of the Environment through its effects on improved waste management, reduced water and air pollution, forest rehabilitation, and support for the best available technologies. The agricultural sector should use these opportunities to seize potentially considerable demand for environmentally friendly products, both domestically and abroad.
- The success of R&D, rural development and environmental programmes will depend, among other things, on the consistency of actual funding with declared financial targets. As these programmes significantly rely on sources other than the state budget, it is important to ensure that the planned activities and administration costs of these programmes are sufficiently attractive for commercial investors.

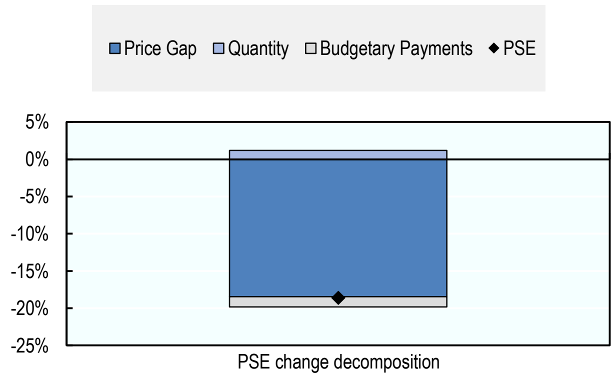
Figure 23.1. Russia: Development of support to agriculture



Note: * Share of potentially most distorting transfers in cumulated gross producer transfers.
Source: OECD (2021), "Producer and Consumer Support Estimates", OECD Agriculture statistics (database), http://dx.doi.org/10.1787/agr-pcse-data-en.

StatLink https://stat.link/avfu6o

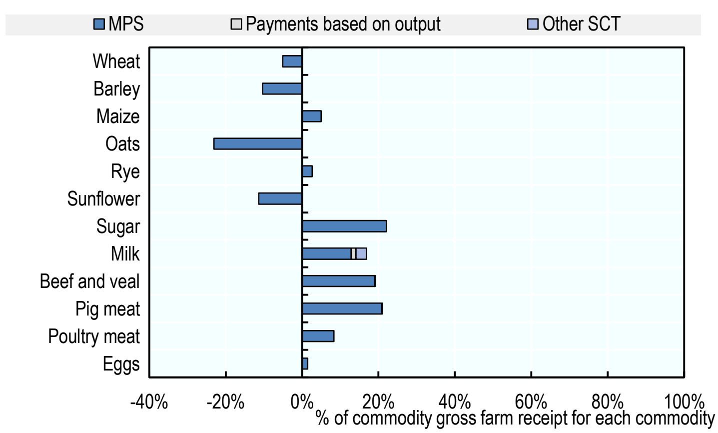
Figure 23.2. Russia: Drivers of the change in PSE, 2019 to 2020



Note: The producer price change and the border price change are not calculated when the negative price gap occurs at the commodity level for the current or previous year.
Source: OECD (2021), "Producer and Consumer Support Estimates", OECD Agriculture statistics (database), http://dx.doi.org/10.1787/agr-pcse-data-en.

StatLink https://stat.link/50i9xz

Figure 23.3. Russia: Transfer to specific commodities (SCT), 2018-20



Source: OECD (2021), "Producer and Consumer Support Estimates", OECD Agriculture statistics (database), http://dx.doi.org/10.1787/agr-pcse-data-en.

StatLink https://stat.link/klzpqe

Table 23.1. Russia: Estimates of support to agriculture

Million USD

	2000-02	2018-20	2018	2019	2020p
Total value of production (at farm gate)	**25 436**	**77 750**	**73 707**	**80 162**	**79 380**
of which: *share of MPS commodities (%)*	81.7	77.7	78.2	77.3	77.7
Total value of consumption (at farm gate)	**30 143**	**75 832**	**74 473**	**78 393**	**74 628**
Producer Support Estimate (PSE)	**1 968**	**7 341**	**8 892**	**7 599**	**5 531**
Support based on commodity output	967	3 737	5 224	3 801	2 188
Market Price Support[1]	770	3 583	5 052	3 627	2 071
Positive Market Price Support	2 017	5 150	6 816	4 300	4 332
Negative Market Price Support	-1 247	-1 566	-1 764	-674	-2 260
Payments based on output	198	154	172	174	116
Payments based on input use	719	2 258	2 343	2 471	1 959
Based on variable input use	359	479	565	476	395
with input constraints	0	0	0	0	0
Based on fixed capital formation	318	1 709	1 700	1 905	1 523
with input constraints	0	0	0	0	0
Based on on-farm services	42	70	78	89	42
with input constraints	0	0	0	0	0
Payments based on current A/An/R/I, production required	0	515	732	752	60
Based on Receipts / Income	0	40	39	67	14
Based on Area planted / Animal numbers	0	475	693	685	46
with input constraints	0	0	0	0	0
Payments based on non-current A/An/R/I, production required	0	0	0	0	0
Payments based on non-current A/An/R/I, production not required	0	0	0	0	0
With variable payment rates	0	0	0	0	0
with commodity exceptions	0	0	0	0	0
With fixed payment rates	0	0	0	0	0
with commodity exceptions	0	0	0	0	0
Payments based on non-commodity criteria	0	0	0	0	0
Based on long-term resource retirement	0	0	0	0	0
Based on a specific non-commodity output	0	0	0	0	0
Based on other non-commodity criteria	0	0	0	0	0
Miscellaneous payments	282	831	592	576	1 324
Percentage PSE (%)	**7.5**	**8.9**	**11.5**	**9.0**	**6.7**
Producer NPC (coeff.)	**1.02**	**1.05**	**1.07**	**1.05**	**1.02**
Producer NAC (coeff.)	**1.08**	**1.10**	**1.13**	**1.10**	**1.07**
General Services Support Estimate (GSSE)	**684**	**1 781**	**1 891**	**1 912**	**1 540**
Agricultural knowledge and innovation system	175	635	709	632	564
Inspection and control	203	482	475	521	450
Development and maintenance of infrastructure	230	440	429	491	400
Marketing and promotion	2	70	54	90	64
Cost of public stockholding	1	67	130	72	0
Miscellaneous	73	87	94	106	62
Percentage GSSE (% of TSE)	**25.3**	**19.2**	**17.2**	**19.7**	**21.2**
Consumer Support Estimate (CSE)	**-1 471**	**-4 591**	**-6 654**	**-4 084**	**-3 035**
Transfers to producers from consumers	-477	-3 657	-5 136	-3 544	-2 290
Other transfers from consumers	-661	-949	-1 283	-855	-708
Transfers to consumers from taxpayers	25	208	231	218	175
Excess feed cost	-359	-193	-466	98	-212
Percentage CSE (%)	**-5.1**	**-6.0**	**-9.0**	**-5.2**	**-4.1**
Consumer NPC (coeff.)	**1.04**	**1.06**	**1.09**	**1.06**	**1.04**
Consumer NAC (coeff.)	**1.05**	**1.06**	**1.10**	**1.06**	**1.04**
Total Support Estimate (TSE)	**2 677**	**9 330**	**11 015**	**9 729**	**7 246**
Transfers from consumers	1 138	4 606	6 420	4 400	2 998
Transfers from taxpayers	2 201	5 673	5 878	6 184	4 956
Budget revenues	-661	-949	-1 283	-855	-708
Percentage TSE (% of GDP)	**0.8**	**0.6**	**0.7**	**0.6**	**0.5**
Total Budgetary Support Estimate (TBSE)	**1 908**	**5 746**	**5 962**	**6 102**	**5 174**
Percentage TBSE (% of GDP)	**0.6**	**0.4**	**0.4**	**0.4**	**0.4**
GDP deflator (2000-02=100)	**100**	**627**	**619**	**643**	**619**
Exchange rate (national currency per USD)	**29.56**	**66.61**	**62.81**	**64.71**	**72.32**

Note: p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.
A/An/R/I: Area planted/Animal numbers/Receipts/Income.
1. Market Price Support (MPS) is net of producer levies and excess feed cost. MPS commodities for Russia are: wheat, maize, rye, barley, oats, sunflower, sugar, potatoes, milk, beef and veal, pig meat, poultry and eggs.
Source: OECD (2021), “Producer and Consumer Support Estimates”, *OECD Agriculture statistics* (database), http://dx.doi.org/10.1787/agr-pcse-data-en.

Description of policy developments

Overview of policy trends

Prior to the 1990s, during the Soviet era, a centrally planned system regulated all sectors of the economy, including agriculture. State enterprises controlled the supply chains of the agricultural sector, food processing and distribution from the farm to the table. Prices at almost all levels were administered by the state. In addition to financial support from the budget, administered exchanged rates generated significant transfers through inflated domestic producer prices compared to relatively low world prices expressed in national currency. No private land ownership existed, and large-scale state farms (*sovkhoses*) or collective farms (*kolkhozes*) operated all agricultural activities (OECD, 1998[1]).

The move from a planned to a market economy reduced budgetary support to both producers and consumers, dismantled domestic market regulation and liberalised prices (both for farm products and inputs). Increasingly, investment support to farms was provided in the form of soft loans (OECD, 1998[1]).

Since the mid-2000s, border measures dominate agricultural support policies. The meat and sugar sectors in particular continue to benefit from high protection. In contrast, the export-oriented grain sector (grains and oilseeds) continues to have negative support resulting from various export barriers, in particular export taxes. The implementation of some domestic support policies, such as concessional credit and leasing, strongly relies on state-supported companies.

From 2013, the policy goals shifted to increased self-sufficiency and import substitution. While taxation of exports of competitive crop products (grain, oilseeds) continued, policies were implemented to increase the export potential of livestock products.

Table 23.2. Russia: Agricultural policy trends

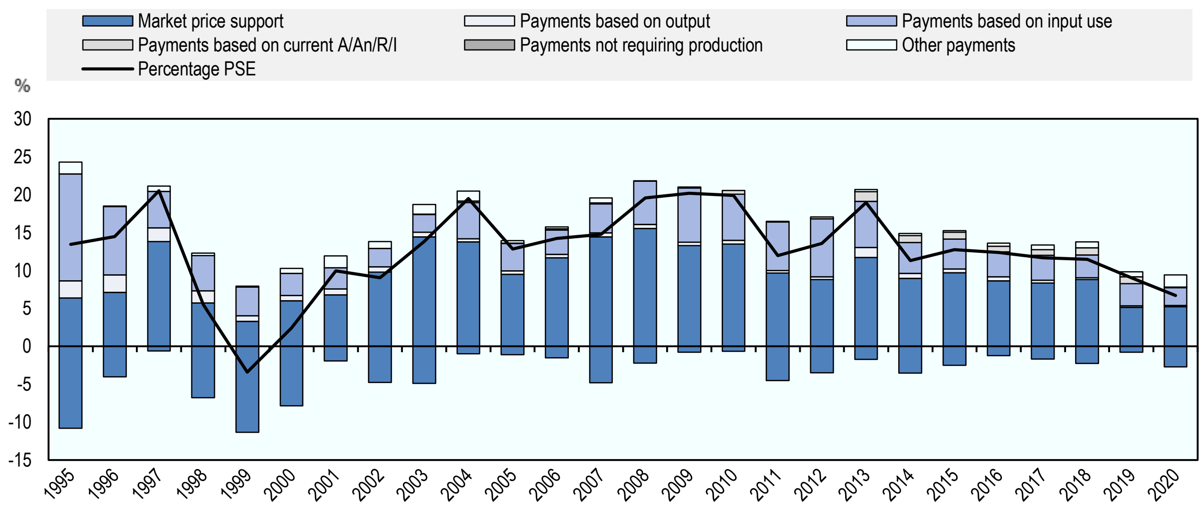
Period	Broader framework	Changes in agricultural policies
Prior to 1992	Planned economy	State owned enterprises plan and market agricultural production Administered prices both at farm and consumer level Budgetary allocation subsidises both farms and consumers State trading with agricultural inputs and agro-food products
1992- 2007	Transition period: gradual reform towards market economy	State marketing enterprises dismantled or functions reduced Reduction of budgetary subsidies Soft loans to farms by state or parastatal lenders emerge Reduction of agricultural tariffs of both outputs and inputs National Priority Project on Agriculture Development (2006-2007)
2008 - 2012	Agricultural sector recovery	First mid-term State Programme (2008-2012) Increase of state support to the sector Concessional short-term and long-term credits to agriculture Tariff and non-tariff barriers Special attention to small forms in agriculture and development of cooperatives WTO accession (2012)
2013-present	Increasing role for the state	Second State Programme (2013-2025) Prioritisation of import substitution (since 2013) Orientation towards export support (since 2017) Export taxes for grains and oilseeds

Since 2000, the country has kept overall positive total support to the sector. Support to farmers as a share of gross farm receipts stabilised around 10% since 2014 and declined in 2018-20. The overall positive producer support (PSE) is due to budgetary support and market price support for livestock products and sugar, partly offset by negative price support to exported commodities such as grains and oilseeds.

Budgetary transfers to producers are dominated by subsidies to variable inputs use and investments (Figure 23.4).

Figure 23.4. Russia: Level and PSE composition by support categories, 1995 to 2020

As a percentage of gross farm receipts



Note: A/An/R/I:Area planted/Animal numbers/Receipts/Income.
Payments not requiring production include Payments based on non-current A/An/R/I (production not required) and Payment based on non-commodity criteria. Other payments include Payments based on non-current A/An/R/I (production required) and Miscellaneous payments.
Source: OECD (2021), "Producer and Consumer Support Estimates", OECD Agriculture statistics (database), http://dx.doi.org/10.1787/agr-pcse-data-en.

Main policy instruments

Since its launch in 2013, the current State Programme for Development of Agriculture (hereafter, State Programme for Agriculture) underwent amendments in response to changing economic conditions. Its sub-programmes were reconfigured in 2015 and 2017 to meet new goals of export support and import substitution. The programme's initial budget targets were also adjusted in terms of overall spending and shifts of funds within and between components. In 2019 and 2020, the State Programme underwent further changes in structure, spending levels, administration and implementation period, some of which were introduced in response to the COVID-19 pandemic. An important trend in agricultural development in Russia is **digitalisation**, included in the State Programme as a sub-programme for 2019-20.

Russia applies a range of price policy instruments. The main one is **border protection**, including Tariff Rate Quotas (TRQ) and non-tariff measures. Since accession to the WTO in July 2012, Russia applies Most Favoured Nation (MFN) agricultural tariffs, which were reduced to 11.2% on average by 2020 and align with average final bound agricultural tariffs. In 2019, the average applied agricultural tariff was nearly twice the average non-agricultural tariff (11% versus 6%). Animal and dairy products, beverages and tobacco, sugar and confectionary face the highest average import duties within the agricultural group (WTO/ITC/UNCTAD, 2020[2]). Border measures are in large part implemented within the framework of the Customs Union of the EAEU.

Domestic price regulation such as grain interventions also apply. The government can purchase or sell grain if market prices move above or below the established price band. Prices at which market interventions are carried out, however, do not play the role of price guarantees. Restrictions on imports or exports can be imposed.

Payments based on output for marketed livestock products come from regional budgets. There is also a national payment for milk co-financed by federal and regional governments.

Concessional credit (for short and long-term investments) is the primary support instrument, taking the form of loans from commercial banks at reduced interest rates (compared to commercial rates) fixed by the government, with financial compensation by the state to lending banks. For credit taken before 2017, concessions are also granted in the form of interest subsidies to borrowers. In addition, there is a range of subsidies for variable inputs. Support comes through **leasing** machinery, equipment and pedigree livestock **at preferential terms**.

Area payments for crop production began in 2013, replacing several previous nationwide input subsidies for sowing and harvesting campaigns.

Agricultural producers benefit from a number of **tax preferences** and concessions on repayment of historical arrears on federal taxes and social contributions.

Most support measures described above are implemented within the multi-year State Programme for Agriculture – the country's main agricultural policy framework. It is based on support measures co-financed by federal and regional governments, with co-financing rates varying across regions and individual measures. In addition to support included in the State Programme, regions implement and finance their own, strictly **regional support measures**.

Some recently introduced State Programmes in other economic and social areas, such as **rural development** and **environment**, contribute to shaping conditions for long-term sustainable development of agriculture.

On 6 October 2019, Russia ratified the Paris Agreement on Climate Change, which it had signed in April 2016. In 2014, the government had approved an action plan to reduce greenhouse gas (GHG) emissions. It focuses on developing a regulatory and operational framework, such as the systems for registration, evaluation and projection of emissions, as well as state regulation of emissions. As part of this plan, a draft law on the regulation of GHGs was prepared in 2018 and is currently under regulatory impact assessment.

Other main national policy documents related to climate change are the Climate Doctrine of the Russian Federation, and the Comprehensive Plan for the Implementation of the Climate Doctrine of the Russian Federation for the Period until 2020. The Climate Doctrine sets out a conceptual framework for national activities on climate change, while the Comprehensive Plan formulates unified state policy in that area. The latter spells out key actions assigned to ministries and public agencies.

In accordance with the Climate Doctrine and the Comprehensive Plan, the Ministry of Agriculture promotes climate adaptation practices such as adaptive landscape farming systems; sustainable water, air, and nutritional regimes; the introduction of new agricultural crop varieties; and the optimisation of crop conditions based on long-term forecasts. Another policy document, the State Programme for the Development of Agriculture, is the main sectoral policy framework and aims to create favourable conditions for the efficient use of land among other things. It also foresees investments in land reclamation and support for innovations for resource saving and energy efficiency. Beyond the long-term activities included in the framework policy documents mentioned above, policy measures were taken in the context of recurrent climatic disasters of past years. This includes establishment of formal procedures for state support in respect of catastrophic weather events, such as budgeting financial assistance through different administrative levels and assessment of damage and restoration costs.

Domestic policy developments in 2020-21

In 2019, the 15th edition of the State Programme for the Development of Agriculture came into force. The State Programme was officially extended until 2025, and its validity period was excluded from its official name. Thus, programme has lost the properties of the medium-term planning tool, which was supposed to ensure the stability of the goals, directions, structure and financing for the entire period of its operation, having acquired, in fact, an indefinite nature (the implementation period can be extended indefinitely, while the changes are made unpredictably, up to several times a year). The State Programme is divided into two sub-programmes: i) development of the sub-sectors of the agro-industrial complex (RUB 221 billion or USD 3.1 billion); and ii) ensuring the conditions for the development of the agro-industrial complex (RUB 62.3 billion or USD 0.8billion).

Funding for the State Programme for the Development of Agriculture from the federal budget over the past three years peaked in 2019 and slightly reduced in 2020 (2018 – RUB 254.1 billion; 2019 – RUB 303.6 billion; 2020 – RUB 283.6 billion). The 2020 reduction was more substantial when expressed in USD equivalent due to the weakening of the national currency (2018 – USD 4 billion; 2019 – USD 4.7 billion; 2020 – USD 3.9 billion) (FL, 2019[3]). Those federal expenditures are supplemented by co-financing from the regional budgets, which amount to a one-tenth of the total agricultural subsidies in the State Programme in 2020. In addition, regions provided support to strictly regional programmes.

The largest support measure in terms of volume of financing is the **short-term and investment concessional credit** – RUB 90.8 billion (USD 1.2 billion) (32.1% of all subsidies). In 2020, it was provided in the form of compensating for the lost income of Russian credit organisations, international financial organisations and the state development corporation “VEB.RF” for the loans issued to agricultural producers at publicly-fixed, below-market interest rates.

The funding structure in 2019 and 2020 was approximately identical. The areas of state support have not changed significantly, but part of the sub-programmes has been transformed into financing of regional projects. The emphasis on support to agricultural exports continues. In 2020 the volume of financing for this area was slightly decreased from RUB 37.1 billion (USD 0.5 billion) in 2019 to RUB 33.8 billion (USD 0.45 billion) in 2020 (MOA, 2020[4]).

A set of additional measures was launched by the government in May 2020 (GRF, 2020[5]). Those measures included an increase in the volume of support for the purchase of agricultural machinery, goods, and processing equipment to RUB 18.5 billion (USD 0.3 billion) and to increase the authorised capital of *Rosagroleasing* by RUB 6 billion (USD 0.1 billion).

The **railroad tariff subsidies** have been expanded. Initially, only grain transportation was subsidised. Now the subsidy is expanded to cover soybean meal transportation from the Far East to Siberia and Ural, while vegetables will receive a subsidy for transportation from Ural and Siberia to the Far East, and mineral fertilisers from any region to the Far East.

The mechanism of support to producers to stimulate increasing output was changed in 2020. Two new subsidy programmes, the “compensatory” and “stimulative” subsidies, replaced the unified subsidy, milk output payments and area payments. The *compensatory* subsidy includes crop area payments, milk subsidies, support to pedigree livestock, elite seed subsidy, support to traditional subsectors (northern reindeers, maral and horse breeding, sheep wool), and agricultural insurance subsidy. The *stimulative* subsidy includes support to priority subsectors to be chosen by the regional governments from a state-defined list, which includes grains and leguminous, oilseeds, flax and hemp, vegetables on open soil, fruits and berries (including seedlings, setting up and maintenance of perennials), grapes, milk, specialised cattle, sheep meat. It can also provide support to development of small farming, and support to the ten least developed regions of the country. The cumulative amount of financing of the programmes (federal plus regional level) remained unchanged.

Support in the form of **investment grants** was provided at the regional level (with federal co-financing) in 2020. In 2020, the grants were provided to 102 projects focusing on milk and sheep meat production, storage facilities, and plant selection and seed breeding centres (GRF, 2020[6]). The concessional credit remains the prevailing form of support to investment in the agro-food sector, as it is deemed more efficient in terms of attracting the investments per one rouble of budget funds.

The project “Export of Products of the Agro-industrial Complex”, in force since 2017, reflects the shift of the policy goals from the import substitution to export expansion, but envisions no major changes in the budget spending structure. In some cases, the existing support measures were moved from other parts of the State Programme to the “Exports” project, i.e. capitalisation of the state-owned *Rosselkhozbank* and *Rosagroleasing*, subsidised credit, soil improvement. Export infrastructure gets additional financing. Financing of general services to exporters, such as simplification of border procedures, veterinary and phytosanitary services, information support, and support to promotion and market access are also part of the export support project. However, less than 10% of budget transfers to the export support project are allocated to those services.

A new subsidy to support oilseeds production was introduced in 2020 in the form of area payments to soybean and rapeseed. It is a component of the export support project as it is aimed at increasing the volume of oilseed exports.

Overall, the budget to finance rural development was doubled from RUB 17.4 billion (USD 0.24 billion) in 2019 (financed from the State Programme for Agriculture) to RUB 35.9 billion (USD 0.5 billion) in 2020, but that was much below the RUB 79.2 billion (USD 1 billion) planned in the initial budget of the new Integrated Development of Rural Territories.

As one of the measures aimed at increasing the volume of exports, the Russian Government also expanded the eligibility for concessional loans to agricultural organisations who have concluded agreements with the Ministry of Agriculture to increase competitiveness.

The State Programme on “Integrated Development of Rural Territories” contains four main areas of support: (1) creating conditions for affordable and comfortable housing for the rural population; (2) development of the labour market (personnel potential) in rural areas; (3) analytical, regulatory, methodological support for the integrated development of rural areas; (4) creation and development of infrastructure in rural areas. The latter includes the construction of roads, creation of social infrastructure facilities, improvement of the territory, the development of gas, energy and water supplies, and requires more than half of annual funding of the programme.

The project **digitalisation** of agriculture aims at supporting the sector’s development through the introduction of digital technologies and platform solutions, including the creation, in 2020, of an information system for collection and analysis of industry data “Single Window” for obtaining operational information about the current state of the agro-industrial complex on the basis of a single digital platform.

In January 2020, the law on “**Organic Products** and on Amending Certain Legislative Acts of the Russian Federation” entered into force. Although the law provides, among other things, requirements for the production of organic products, the introduction of labelling of organic products, the procedure for certifying the conformity of production of organic products has yet to be resolved. Until recently, Russian manufacturers received a certificate from the International Federation of Organic Agriculture Movements Certification (IFOAM). The creation of a Russian system of certification of organic products is ongoing, with 64 producers currently certified. Organic production is dominated by cereals and bread products (23%) and fruits, vegetables and drinks (22%). Dairy products make up 13%, and meat and meat products 11%.

A December 2019 decree expanded the list of food products benefiting from the reduced VAT rate of 10%, compared to the normal VAT rate of 18% (increased to 20% in 2020).[1]

The **Law on Viticulture** and Winemaking took effect on 26 June 2020. The law creates conditions for the development of the industry, ensuring the production of high-quality domestic products from grapes and protecting the population from counterfeit products The Bill determines that the geographical indication (GI) “wine of Russia” should be produced exclusively from the grapes grown in the country.

On 21 January 2020, the President of the Russian Federation approved the new **Food Security Doctrine**. According to this document, the thresholds, defined as the minimum share of domestic production in domestic consumption range from 60% for fruits and berries to 95% for grains. For some products the current production is well above these thresholds: grains 155% (threshold 95%), sugar 125% (threshold 90%) and meat 97% (threshold 85%). For some products the current production is well above these thresholds: grains 155% (threshold 95%), sugar 125% (threshold 90%) and meat 97% (threshold 85%).

Domestic policy responses to the COVID-19 pandemic

In 2020, the target production and export levels in the State programme were adjusted in view of the effects of the COVID-19 pandemic. The goal to reach a total export value of USD 45 billion is postponed from 2024 to 2030, and the objective for the production growth between 2017 and 2024 is reduced from 15.1% to 13.9% (the actual growth until 2020 was 2.8% instead of the envisaged 3.8%).

In response to the COVID-19 crisis, the payment of the principal debt due in 2020 has been deferred (for up to one year) (GRF, 2020[7]). The payment on accrued interest for short-term loans and interest and principal for investment loans was also deferred (GRF, 2020[8]).

At the end of 2020, to address the decreased real incomes of the population, the government set marginal prices for so-called socially significant food products. To achieve this, the Ministry of Agriculture, together with the Ministry of Industry and Trade, concluded the agreements on prices with food producers and retail chains. Such agreements were aimed to reduce retail prices for certain types of the most demanded goods, in particular, sugar and sunflower oil. The agreements are valid until the end of March 2021. The Federal Tax Service monitors the implementation of the agreements based on online cash registers in addition to the regular price monitoring conducted by the *Rosstat*.

In order to compensate bread and flour producers for their losses incurred by the regulated prices, an additional RUB 4.7 billion (USD 70 million) was allocated for 2021 to partially compensate the cost of food wheat and of the marketing costs.

Trade policy developments in 2020-21

On 21 November 2020, the government issued decree No. 2054 extending the **ban on the import of agricultural products** from the countries that applied economic sanctions against Russia until the end of 2021. The government has also introduced a **quota for exports** of wheat and meslin, rye, barley and maize, with a total amount of 7 million tonnes, to non-EAEU member states. The quota was valid from 1 April to 30 June 2020. Given that Russia accounts for more than 80% of production and about 79% of grain consumption in the EAEU, the quota has significantly affected the markets of Russia and the states of the Eurasian Economic Union. On 26 April 2020, the quota was fully exhausted.

Russia has reintroduced export quotas from15 February to 30 June 2021. Tariff quotas for the export of wheat, rye, barley and corn with a cumulated amount of 17.5 million tonnes were established.[2] For grain exports above the quota, a duty of 50% of the customs value of the exported products (but at least EUR 100 per tonne) applies. Furthermore, from 15 February to 30 June 2021, an export duty of 30% (but no less than EUR 165 per tonne) applies to soybeans. In 2020, soybean export was not subject to a duty. The export duty on rapeseed is extended until 31 August 2022, on sunflower seeds from 1 July 2021 to 31 August 2022, the duty rate will be 50%, but not less than USD 320 per 1 000 kg. From 1 September 2021 to 31 August 2022, a 70% floating export duty on sunflower oil will be introduced. The fee will be charged on the difference between the base price (USD 1 000 per tonne) and the indicative price (the arithmetic average of market prices for the month), reduced by the value of the correction factor (USD 50 per tonne).

The zero rate of the **import duties** for agricultural products imported from Moldova (vegetables, pears, apples, a quince, apricots, cherry, sweet cherry, peaches and plums and for tinned vegetables and natural grape wines, including fortified wines), which was in force in 2019, was extended to 30 June 2020.

The Federal Service for Veterinary and Phytosanitary Supervision *(Rosselkhoznadzor*) applies a number of **imports bans** due to veterinary and phytosanitary reasons. Thus, from November 2020, imports of live birds, poultry and eggs from the Netherlands were prohibited due to an avian flu outbreak. From December 2020, for phytosanitary reasons Russia prohibited imports of tomatoes and apples from Azerbaijan, tomatoes from Armenia and all vegetables from some areas in Turkey. These bans were partially lifted by the end of 2020. In February 2021, Russia lifted restrictions on the import of live fish from the People's Republic of China (hereafter "China"), allowing exports of beef from two Russian producers, and of dry milk from ten Russian producers. Negotiations on permitting further exports to China are ongoing.

To expand markets and remove trade barriers, the *Rosselkhoznadzor* has concluded several **certification agreements** to facilitate the exports of livestock products. In 2020, 38 types of livestock products were permitted for export to 24 countries. Veterinary certificates for a range of livestock products were granted for exports to Viet Nam, Algeria, Lebanon, and Iran. On 7 June 2020, the Board of the Eurasian Economic Commission (EEC) simplified the procedure for exporting Russian livestock goods. Three chapters of the Common Veterinary Requirements and relevant forms of veterinary certificates were amended (approved by Decision No. 607 of the Customs Union Commission dated 7 April 2011). In addition, in 2020 an electronic veterinary certification system, ECert, was introduced, with a unified database for all exported products (*Rosselkhoznadzor*).

Russia continues its co-operation with the EEC. On 28 February 2020, the EEC adopted recommendations for the harmonisation of food safety indicators: a tool that allows setting **food safety** requirements taking into account WTO principles and the *Codex Alimentarius* standards. This list of recommendations aims to facilitate the development of harmonised standards for EAEU food safety indicators, and the revision of existing ones.

Trade policy responses to the COVID-19 pandemic

In order to ensure the transportation of agricultural goods in view of the global pandemic, *Rosselkhoznadzor* has simplified the procedures for agricultural imports by allowing the use of copies of veterinary and phytosanitary documents instead of their originals.

In order to minimise the negative economic consequences of the spread of COVID-19, to prevent shortages of socially significant goods in the EAEU countries, on 31 March 2020, the EEC established restrictions (valid until 30 June 2020) on the export of certain types of agro-food products from the EAEU member states. The products concerned by these restrictions include onion, garlic, turnip, rye, rice, buckwheat, millet, cereals, wholemeal flour and cereal granules, hulled buckwheat, soybeans, sunflower seeds, and ready-made food products from buckwheat.

On 3 April, the Council of the EEC approved a list of critical imports to be exempted from import duties when imported into the EAEU countries. The exemption was in effect from 1 April to 30 June 2020. The list was based on the proposals of the EAEU countries and includes agricultural and food products (potatoes, onions, garlic, cabbage, carrots, peppers, rye, long-grain rice, buckwheat, juices and ready-made products for baby food), medicines and medical supplies. The EEC Council also decided to temporarily simplify the use of Form A certificates of origin issued by the developing and least developed countries. This allowed the use of paper or electronic copies of the certificates at customs until 30 September 2020 (EEC, 2020[9]).

Contextual information

Russia has the largest land area in the world and is abundantly endowed with agricultural land. Natural, economic, and social conditions are highly diverse across the territory. The country is the world's sixth largest economy in purchasing power parity (PPP) terms. Agriculture contributes 3.4% of GDP and 6% of employment, both shares significantly declined since the mid-1990s. In 2020, the country ranked as the second world's largest producer of barley, rye, sunflower seeds and sunflower oil and fourth largest producer of wheat; it is also among world's top ten producers of dairy products, pig meat, and poultry.

The farm structure is dualistic, where commercial operations of different sizes co-exist with household units. Commercial units generate nearly 70% of agricultural output and produce virtually all grain, oilseeds, and sugar beet, 84% of animals for slaughter, and 64% of milk. Households engage in agriculture mainly for own consumption and generate less than one-third of total output value. They grow two-thirds of potatoes and 52% of vegetables produced in the country. The rural population is 37.2 million (1 January 2020), or 25% of the total. Households allocated on average 30% of their final consumption expenditures to food and non-alcoholic beverages (2019), this share ranging from 47% for the poorest to 16% for the richest 10% of the population.

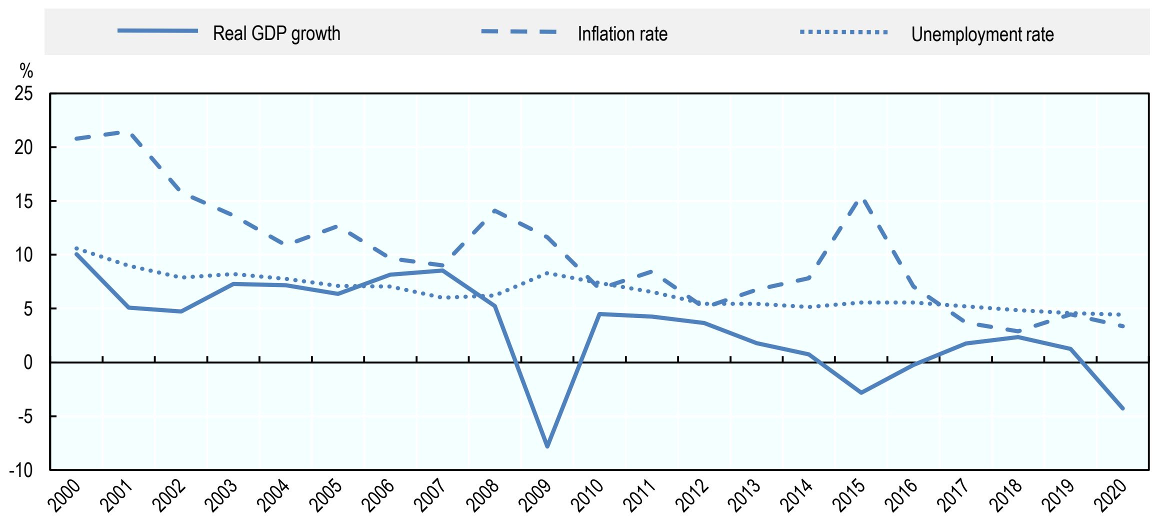
Table 23.3. Russia: Contextual indicators

	Russia		International comparison	
	2000*	2019*	2000*	2019*
Economic context			**Share in total of all countries**	
GDP (billion USD in PPPs)	1 074	4 282	2.7%	3.8%
Population (million)	147	147	3.4%	2.8%
Land area (thousand km^2)	16 381	16 377	19.6%	19.3%
Agricultural area (AA) (thousand ha)	217 162	215 494	7.1%	7.1%
			All countries[1]	
Population density (inhabitants/km^2)	9	9	53	63
GDP per capita (USD in PPPs)	7 323	29 175	9 265	21 975
Trade as % of GDP	25	20	12.3	14.6
Agriculture in the economy			**All countries[1]**	
Agriculture in GDP (%)	5.8	3.4	2.9	3.5
Agriculture share in employment (%)	14.5	5.8	-	-
Agro-food exports (% of total exports)	1.1	4.7	6.2	7.3
Agro-food imports (% of total imports)	21.6	11.5	5.5	6.7
Characteristics of the agricultural sector			**All countries[1]**	
Crop in total agricultural production (%)	58	55	-	-
Livestock in total agricultural production (%)	42	45	-	-
Share of arable land in AA (%)	57	56	32	34

Notes: *or closest available year.
1. Average of all countries covered in this report.
Sources: OECD statistical databases; UN Comtrade; World Bank, WDI and national data.

GDP growth declined in 2019 and dropped by 5% in 2020, mainly due to the restrictions related to the COVID-19 pandemic. Inflation went down from the 2015 peak and has stabilised in the most recent years, while the unemployment rate continued its moderate downward trend.

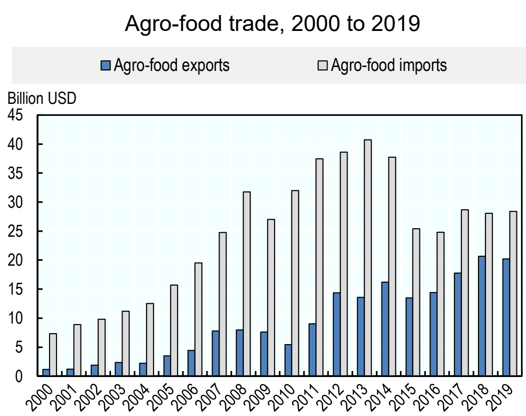
Figure 23.5. Russia: Main economic indicators, 2000 to 2020

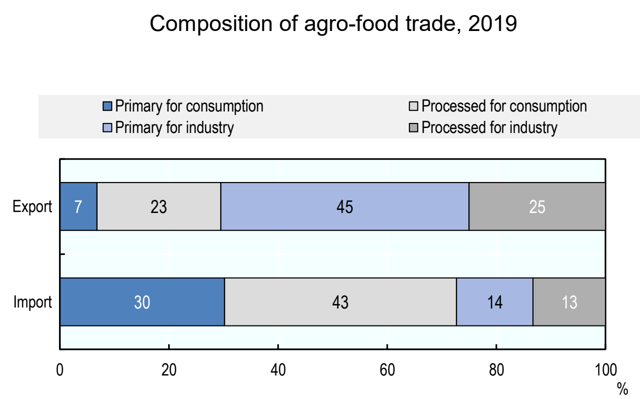


Sources: OECD statistical databases; World Bank, WDI; ILO estimates and projections; and Rosstat.

Russia is the largest exporter of wheat and barley, the fourth largest exporter of sunflower seeds and the fifth largest exporter of sunflower oil. The country is among the top five beef importers. Agro-food products account for a significant but declining share of total imports and for a smaller, but rising share in total exports. The negative agro-food trade balance has narrowed significantly since the beginning of 2010 and has stabilised in most recent years. Agro-food imports are focussed on supplying domestic food consumption in primary and processed products, while exports are largely destined to agro-processors abroad.

Figure 23.6. Russia: Agro-food trade



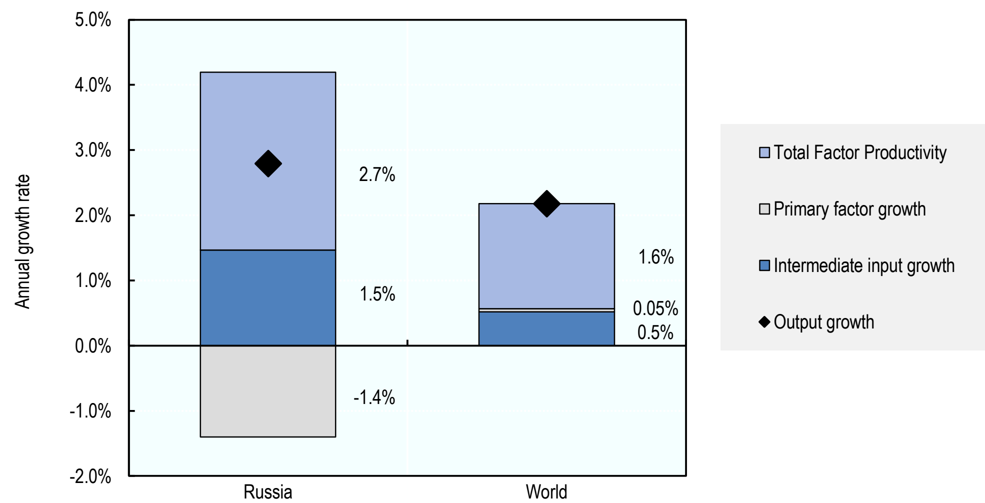


Note: Numbers may not add up to 100 due to rounding.
Source: UN Comtrade Database.

Agricultural output has been recovering from a deep recession in the 1990s. Output growth since 2007 has been driven mainly by the improvements in Total Factor Productivity (TFP), exceeding average global TFP growth. The higher use of intermediate inputs was largely offset by the declining employment of primary factors, in particular of machinery and labour.

The share of agriculture in total energy use decreased since the 2000s and was below the OECD average in 2019, despite a greater importance of the sector in the economy. Agriculture's contribution to GHG emissions has also declined and remains well below the OECD level. Compared to the OECD area, agriculture accounts for a relatively small share of total water abstractions. Aggregate indicators also suggest that water stress is much less of a problem than in many OECD countries. Preliminary estimates indicate a relatively low nitrogen surplus balance and point to an almost balanced phosphorous budget.

Figure 23.7. Russia: Composition of agricultural output growth, 2007-16



Note: Primary factors comprise labour, land, livestock and machinery.
Source: USDA Economic Research Service Agricultural Productivity database.

Table 23.4. Russia: Productivity and environmental indicators

	Russia		International comparison	
	1991-2000	2007-2016	1991-2000	2007-2016
			World	
TFP annual growth rate (%)	1.0%	2.7%	1.6%	1.6%
			OECD average	
Environmental indicators	**2000***	**2019***	**2000***	**2019***
Nitrogen balance, kg/ha	5.0	5.0	33.2	28.9
Phosphorus balance, kg/ha	0.6	-0.1	3.4	2.6
Agriculture share of total energy use (%)	3.3	1.7	1.7	2.0
Agriculture share of GHG emissions (%)	6.7	5.7	8.4	9.5
Share of irrigated land in AA (%)	..	1.7	-	-
Share of agriculture in water abstractions (%)	28.5	28.9	46.0	43.4
Water stress indicator	1.8	1.3	9.3	8.5

Notes: * or closest available year.
Sources: USDA Economic Research Service, Agricultural Productivity database; OECD statistical databases; FAO database and national data.

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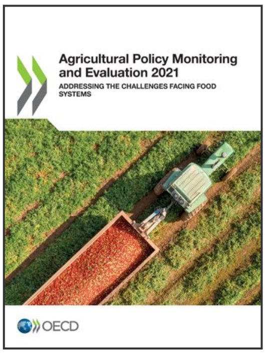
Notes

[1] The following domestically produced and imported products are currently eligible for the preferential VAT rate: apples, pears, quince, all categories of citrus, grapes, apricots, cherry, sweet cherry, peaches, nectarines, plums, sloe and cherry plum, watermelons, melons, papaya, avocado, dates, fig, pineapples, guava, mango, mangosteens, kiwi, persimmon, barberry, feijoa, medlar; berries: strawberry, raspberry, blackberry, currants black, white or red, gooseberry, cranberry, bilberry, blueberry, cornel, wild-growing berries; planting material of fruit and berry crops: seeds, seedlings, roots, cuttings and taps.

[2] Within these limits, duties on the export of wheat are planned to be EUR 50 per tonne between 1 March and 30 June 2021, on corn – EUR 25 per tonne beginning on 15 March, on barley – EUR 25 per tonne, and rye will be duty free within quota. From 2 June, the rates of export customs duties on wheat, corn and barley will be floating, calculated on a weekly basis.



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