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"Global Challenges and Prospects of the Modern Economic Development"****REALIZATION OF EXPORT POTENTIAL OF RUSSIAN
AGRIBUSINESS INDUSTRY: PROSPECTS AND PROBLEMS**

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Abstract

In recent years, the Russian agribusiness industry demonstrates stable development trends that have allowed not only to meet the national needs in the main groups of food products, but also actively increase its competitive position in the world market. In 2015-2018, Russian exports of food products and agricultural raw materials increased by 1.5 times and amounted to \$25 billion. The Russian President set an ambitious objective to the domestic agribusiness industry to increase the products export up to \$45 billion up to 2024. The purpose of the paper is to study the factors that contribute to the development of export potential in the Russian agribusiness industry and to identify its problems and prospects. The authors determined the dynamics and structure of Russian food exports and identified the features of the Russian agribusiness formation and implementation. They concluded that while maintaining the current development rate of agribusiness and increasing the export potential, Russia will be able to strengthen and expand its position in the world food market and make a significant contribution to the growing world population needs in food. Promising directions to develop Russian food export is the development of new markets and sales territory, product range expansion of exported goods, consumer loyalty increase to Russian food, increase of confidence on the part of importing countries to quality control system of Russian products, etc. To minimize the risks associated with the food exports increase, Russia needs to maintain state support for agribusiness and improve the system of agrifood markets regulation.

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Keywords: Consumers, exports, food, markets, Russia, support.



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1. Introduction

The agricultural production growth in the Russian Federation allowed to meet national needs in food and begin an active export expansion to world markets. Exports of food and agricultural raw materials increased by 6.4 times over the past 14 years that provided a share increase in the exports total value from 1.7% in 2005 to 5.5% in 2018. The TOP 3 in the export structure, which provided 77.4% of all exports of agricultural raw materials and food in value terms in 2018, were cereals, fish and seafood, and vegetable oils. Prominent positions in the export structure belong to chocolate and other confectionaries containing cocoa, complete products from cereals, flour, starch or milk, pastry, alcoholic and soft drinks, meat, and products of flour-and-cereals industry (malt, starches, inulin, wheat gluten). The largest consumers of Russian food exports are the countries of the Middle East, North and Central Africa, East Asia, Europe, etc. In recent years, China has become the largest exporter of Russian agricultural and food products. The study of problems and prospects to develop agribusiness export potential is especially relevant under the conditions of state protectionism of food exports, taking into account the problem of world food security and awareness of the risks that accompany the Russian food exports growth.

2. Problem Statement

Under the conditions of domestic food market saturation, the main direction to develop Russian agricultural production will be exports growth. This was reflected in the state target to increase exports to \$45 billion in 2024. The annual growth rate of current food exports, development of new markets and sales territory expansion, product range expansion of exported goods, especially goods with high added value, increase in consumer loyalty to Russian food, growth of confidence on the part of importing countries to the quality control system of Russian products, etc. will serve to achieve this objective. However, the risks associated with increasing food exports, should not be underestimated. This paper is devoted to the study of prospects and problems to realize export potential of agribusiness industry in Russia.

3. Research Questions

The research of prospects and problems to realize export potential of Russian agribusiness industry makes it necessary to identify:

- conditions and factors that have determined the current rate of annual food exports growth,
- reasons for further increase in Russian food exports,
- risks that accompany the food exports increase and ways to minimize them.

4. Purpose of the Study

The purposes of this research are:

- study of factors that contribute to the development and implementation of export potential in the Russian agribusiness industry,
- identification of problems related to the Russian food exports growth,

- determination of prospects for the export potential development in agribusiness industry.

5. Research Methods

General scientific and special methods and techniques of economic research were used in the study. The methods of theoretical analysis allowed to reveal the features to form and implement export potential of agribusiness industry in Russia. By means of economic and statistical methods, the trends to develop Russian food exports are defined. The informational background of the study was the official data of customs statistics of foreign trade in the Russian Federation published by the Federal Customs Service, information of the Ministry of Agriculture in the Russian Federation, as well as the works of scientists and practitioners that are devoted to the Russian and world food market.

6. Findings

In recent years, the agriculture-based economy of the Russian Federation has been demonstrating stable development trends. Produced volumes of agricultural products allow to provide not only national food needs, but also to actively increase export potential and strengthen its position in the world market. According to the Federal Customs Service, the exports volume of food and agricultural raw materials increased by 6.4 times and amounted to \$24,920.6 million in 2018, with the total increase by 1.9 times in the Russian product exports value in 2005-2018. The agribusiness contribution to the total exports value increased from 1.7% in 2005 to 5.5% in 2018 (table 01).

Table 01. Dynamics in the value of the Russian export of goods (\$ mln)

Indicators	Period					2018 to 2005
	2005	2015	2016	2017	2018	
Total exports, \$ mln	231,1 25.8	343,5 42.8	285,6 52.3	357,7 66.8	449,5 63.6	1.9 times
Among them: food products and agricultural raw materials (except textile)	3, 903.2	16,20 9.3	17,07 5.2	20,69 9.0	24,92 0.6	6.4 times
Among them: cereals	1, 350.6	5,651 .0	5,611 .5	7,490 .4	10,46 4.4	7.7 times
Share of food products and agricultural raw materials in the total exports value, %	1.7	4.7	6.0	5.8	5.5	3.8 points
Share of cereals in exports of food products and agricultural raw materials, %	34.6	34.9	32.9	36.2	42.0	7.4 points

Source: authors based on the Federal Customs Service (2019).

The Russian Federation has achieved the most significant results in cereal exports that traditionally leads in the structure of national food exports. In 2005-2018, cereal exports increased by 7.7 times and amounted to \$10,464.4 million, and its share in the structure of the value of exports of food products and agricultural raw materials increased from 34.6% to 42.0%. Currently, Russia is among the leaders in the world grain market, including the 1st rank in wheat exports in successive years. Wheat is the basis of

Russian food exports (Rau, 2016). In 2016-2018, the wheat specific weight in the structure of value of exports of food products and agricultural raw materials increased from 24.7% to 33.9%.

The grain exports growth was achieved due to the increase of its production and changes in the structure of the expenditure side of the Russian grain balance, as well as active foreign economic activity to expand the sales territory of grain and state support for exports (Shchutskaya & Ivanova, 2019).

Russian cereals are supplied to more than 120 countries. Cereals were exported to foreign countries. According to the Federal Customs Service, this market segment had 96.5% of exported grain, and the rest of 3.5% belonged to the CIS countries in 2018. Traditionally, the leaders to purchase Russian grain are Egypt and Turkey. In 2016-2018, they bought about 30% of the total volume of exported cereals. The countries of the Middle East and North Africa: Saudi Arabia, Iran, Jordan, Azerbaijan, Algeria, Lebanon, etc. are significant consumers of Russian grain. Central Africa (Nigeria), East Asia (Bangladesh, Korea), as well as Europe (Netherlands) are relatively new and rapidly growing markets to buy Russian food (Rau, 2018). In 2018, the supply of grain and other agricultural products to China increased significantly. This was caused by the deterioration in diplomatic relations between China and the United States, which led to a sales turnover reduction between these countries, as well as the implementation of the railway route «New Silk Road», which intensified the export of Russian products to China. The development of new market channels is a key task of national food export that focuses on strengthening its positions in the world food market.

In the future, grain will remain the essential part of national food supplies, playing an increasingly important role in the overall system of international trade (Rau, 2017). In addition to cereals, fish and seafood (19.9%, including 12.7% of frozen fish), and vegetable oils (9.3%, including 6.2% of sunflower oil) were important items in the structure of exports of food products and agricultural materials in value terms in 2018. Currently, Russia is one of the leaders in the world market of vegetable oils (Siptits, Romanenko, & Evdokimova, 2019). In 2015-2018, exports of sunflower oil increased by 34.9%, and exports of fish and seafood increased by 25.0% due to both production increase of these goods and intensification of foreign economic activity. Thus, these larger product groups (cereals, fish and seafood, and vegetable oils) formed the TOP 3 in the exports structure and provided 77.4% of all exports of agricultural materials and food in value terms in 2018.

It is also possible to mention the following positions in the exports structure: chocolate and other confectionery products containing cocoa – 2.3%, complete products from cereals, flour, starch or milk, and flour confectionery – 2.3%, alcoholic and soft drinks - 2.2%, meat – 1.6%, and products of flour-and-cereals industry (malt, starches, inulin, wheat gluten) – 1.1%. It should be noted that meat export is an actively developing direction. Five years ago, the meat share was only 0.2%. There is also flour-and-cereals industry development. Five years ago, the exports share of this product group was 0.8% The expansion of exported goods, especially goods with high added value, is the most important objective of Russian food exports, on which the strengthening of positions in the world food market depends (Krylatykh & Belova, 2018).

As previously noted, in recent years, China has become the largest exporter of Russian goods. In 2017, food exports amounted to \$1.7 billion and continued growing in 2018 (Dezan Shira & Associates, 2017). There are several reasons for China's first rank in the import of Russian goods: devaluation of the

ruble, which motivated Russian entrepreneurs to seek new markets for their products and profit growth, the Chinese market capacity and the annual growth of the population purchasing power with the growing interest of Chinese consumers in Russian goods, proximity of the states, and a sufficiently developed Russian – Chinese logistics system. This contributed not only to an increase in the absolute value of food exports, but also in the number of export positions of Russian food products represented in the Chinese market. Nowadays, Russia also exports mineral water, flour, popular Russian ice cream, beer, chocolate, and cakes (Kolesnichenko, 2019). Moreover, Chinese consumers believe that Russian products are good for their health and do not contain harmful chemicals and preservatives. Most likely, under the conditions of stability in political relations between Russia and China, joint participation of the two countries in various events (sports, cultural), growing popularity of Russian products in China, as well as for the above reasons, the export of Russian food to China will grow. The expansion of receptive foreign product markets and increasing consumer loyalty to Russian food is the urgent objective of the Russian food exports.

The growing world demand for food reasonably contributes to the successful entrance of our goods to foreign markets. According to the Food and Agriculture Organization annual report "State of food security and nutrition in the world - 2018", the number of hungry people amounted to 821 million people in 2017, that is to say, 17 million more than the year before (Food and agriculture organization of the United Nations, 2018). The lack of food and the decline in the product quality are caused by natural disasters, which happen more often and lead to both a decrease in cultivation and farmland productivity. Russia compares favorably with other world countries by the presence of unused arable land and farmland. Having a significant resource potential, Russia can rank high in the world food market in the near future (Goncharov & Rau, 2018).

The domestic agribusiness has a task to increase the product exports to \$45 billion in value terms up to 2024 (The Decree of the President of the Russian Federation № 204 «On national goals and strategic objectives of development of the Russian Federation up to 2024», 2018; The Main activities of the Government of the Russian Federation up to 2024, 2018). The task is ambitious, and it will not be easy to succeed in this object.

The development of Russian agro-exports will be financially supported. The Federal Project "Export of agribusiness products" provides 406.8 billion rubles for these purposes in 2019-2024 (Burlakova, 2018). Taking into account this amount of money, the annual support for the agribusiness sector from after 2019 will exceed 300 billion rubles. At least 13% of this sum will support cross border sales. The main measures to support exporters are concessional lending, transport costs reimbursement, subsidies to develop land improvements, etc. The project includes measures to ensure traceability of livestock, plant-growing products, fish, animal identification, and development of the programmes to control dangerous animal diseases. This should increase the confidence on the part of importing countries to the quality control system of Russian products and contribute to the building of the positive Russian products image.

The expert community describe the exports expansion as a positive phenomenon. Indeed, the export supplies growth leads to additional income to local farmers and contributes to employment increase and tax payments in the entire agribusiness chain. At the same time, the risks that accompany the food exports increase should not be underestimated. The increasing market presence of Russian food in the world market will subordinate the dynamics of domestic prices to world prices fluctuations and ruble

exchange rate. This will increase price uncertainty to Russian consumers and involve them in competition for national food. To minimize these risks, state regulation of the trade balance and food resources is extremely necessary. It is important to build the system to regulate agricultural markets and production, taking into account the best world practices.

7. Conclusion

The study showed that due to the agricultural and food production growth, Russia managed to ensure the national food security and increase its export potential. While maintaining the current growth rates of food exports, which are caused by increase in the volume and product range of exported goods, as well as the sales territory, Russia will be able to strengthen and expand its position in the world food market. The global demand growth in food due to the world population increase contributes to the successful entrance of Russian goods to foreign markets. The involvement of unused land resources in the turnover, state support for agribusiness and protectionism of food exports will allow to reach the export targets of \$45 billion up to 2024. To minimize the risks associated with the food exports increase, Russia needs to improve the system to regulate agri-food markets.

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