

# Major Trends and Prospects in Agri-Food Trade between Russia, Central Asia and South Caucasus Countries

## Roman Romashkin

Deputy Director,

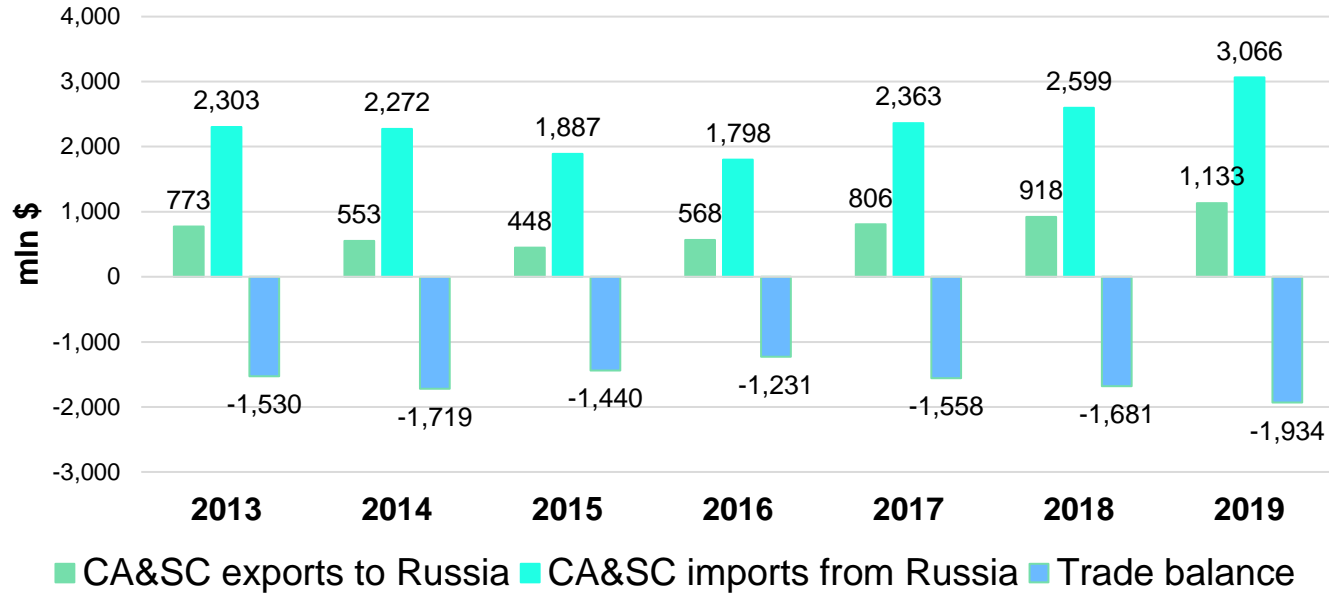
Eurasian Center for Food Security at Lomonosov Moscow State University



# Contents

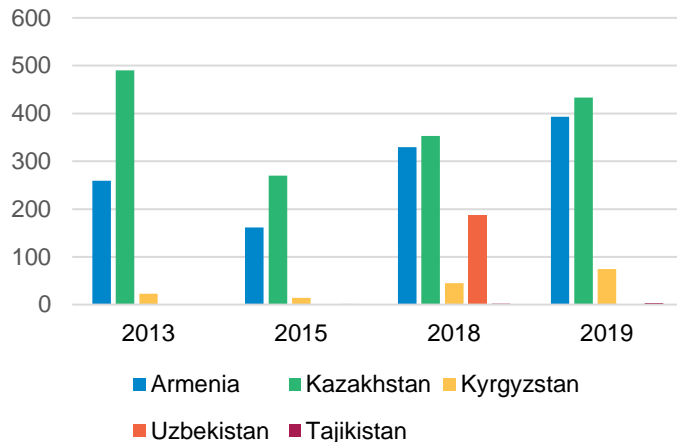
- Dynamics of Agri-Food Trade
- Russia's Role in Agri-Food Trade
  - Trade structures
  - Trade Complementarity
- Major Traded Commodities
- Intra-Industry Trade
- Key Factors for Agri-Food Systems and Trade

# Dynamics of Agri-Food Trade between Russia and CA&SC

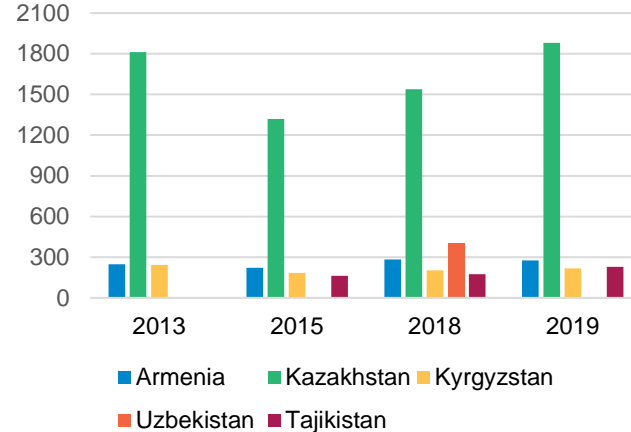


- Positive trade developments between Russia and CA&SC
- Exports grow faster than imports
- Highest export growth rates in Kyrgyzstan and Armenia
- CA countries are net importers in agri-food trade with Russia
- Kazakhstan is the main trading partner for Russia (60% of Russia exports to CA&SC and 40% of Russia Imports from CA&SC)

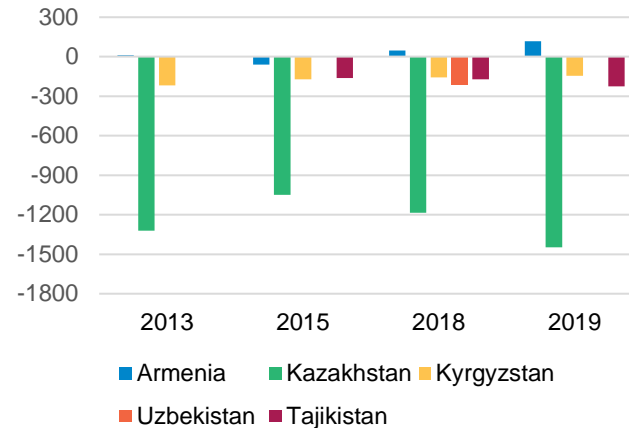
Exports to Russia, mln \$



Imports from Russia, mln \$

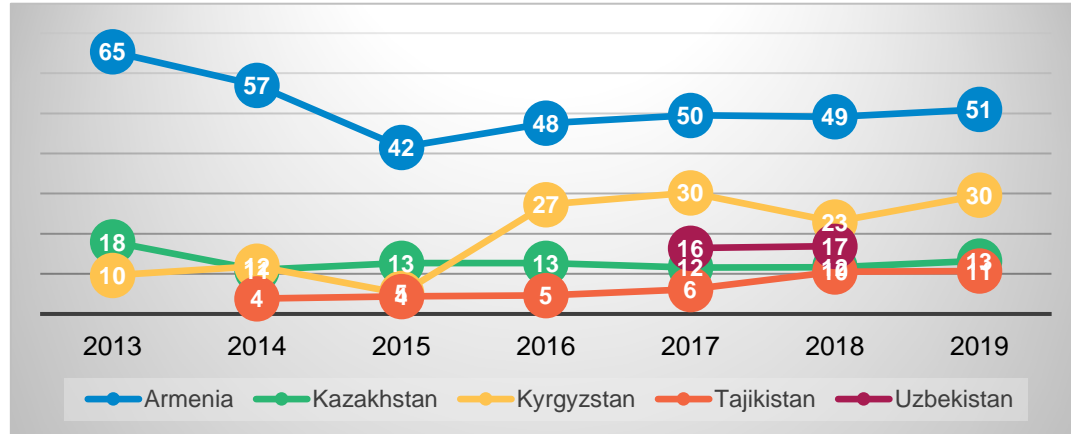


Trade balance with Russia, mln \$

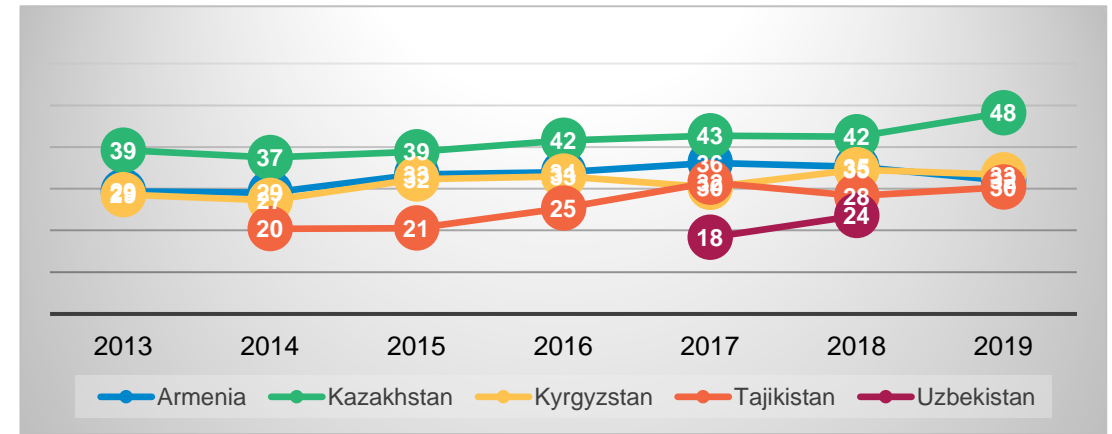


# Russia's Role in Agri-Food Trade with CA&SC Countries

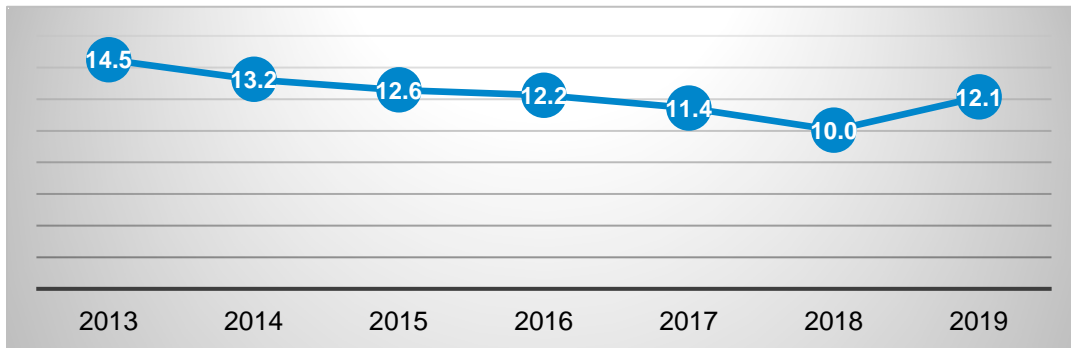
Share of Russia in the geographic **export** structure of CA&SC countries



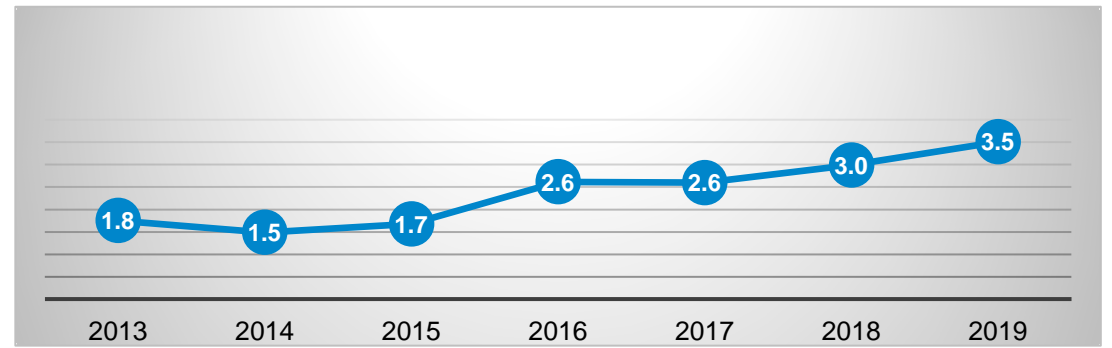
Share of Russia in the geographic **import** structure of CA&SC countries



Share of CA&SC countries in Russia's agri-food **export**



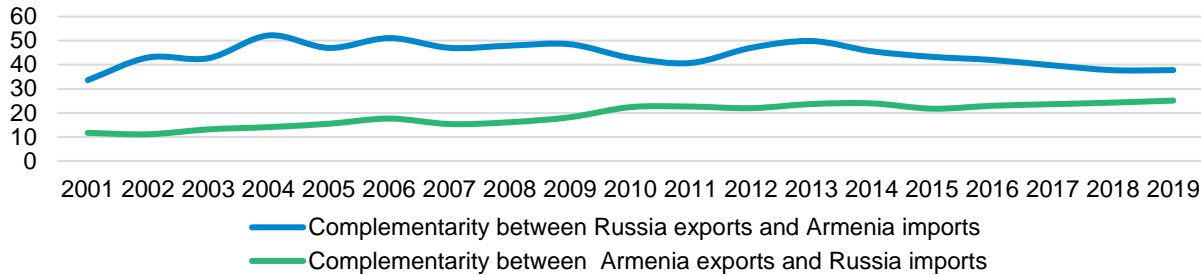
Share of CA&SC countries in Russia's agri-food **import**



- CA&SC countries are heavily dependent both on Russian market and Russian agri-food supply
- Facilitating access to the Russian market was one of the main reasons to participate in Eurasian integration project

# Agri-Food Trade Complementarity

**Agri-food trade complementarity indices between Russia and Armenia (2001-2019, %)**



The trade complementarity (TC) index can provide useful information on prospects for intraregional trade in that it shows how well the structures of a country's imports and exports match. It also has the attraction that its values for countries considering the formation of a regional trade agreement can be compared with others that have formed or tried to form similar arrangements. The TC between countries k and j is defined as:  $TC_{kj} = 100(1 - \sum(|m_{ik} - x_{ij}| / 2))$  Where  $x_{ij}$  is the share of good i in global exports of country j and  $m_{ik}$  is the share of good i in all imports of country k. The index is zero when no goods are exported by one country or imported by the other and 100 when the export and import shares exactly match.

[https://wits.worldbank.org/wits/wits/help/Content/Utilities/e1.trade\\_indicators.htm](https://wits.worldbank.org/wits/wits/help/Content/Utilities/e1.trade_indicators.htm)

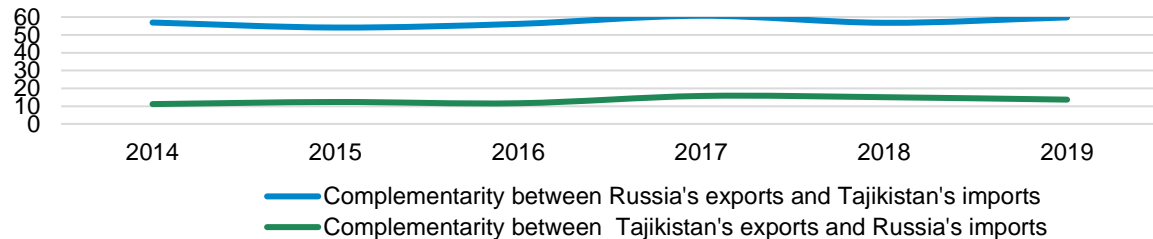
**Agri-food trade complementarity indices between Russia and Kazakhstan (2001-2019, %)**



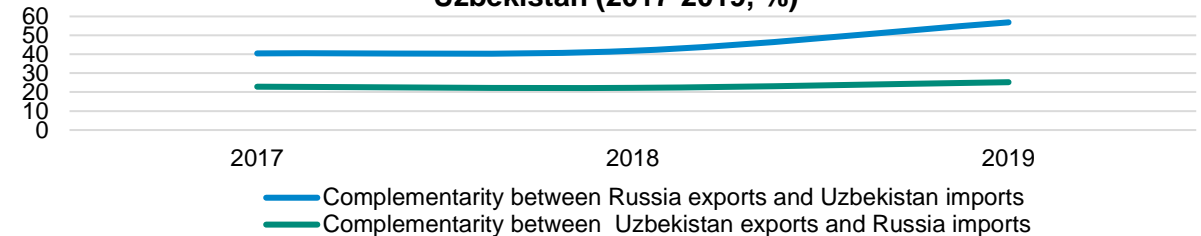
**Agri-food trade complementarity indices between Russia and Kyrgyzstan (2001-2019, %)**



**Agri-food trade complementarity indices between Russia and Tajikistan (2014-2019, %)**



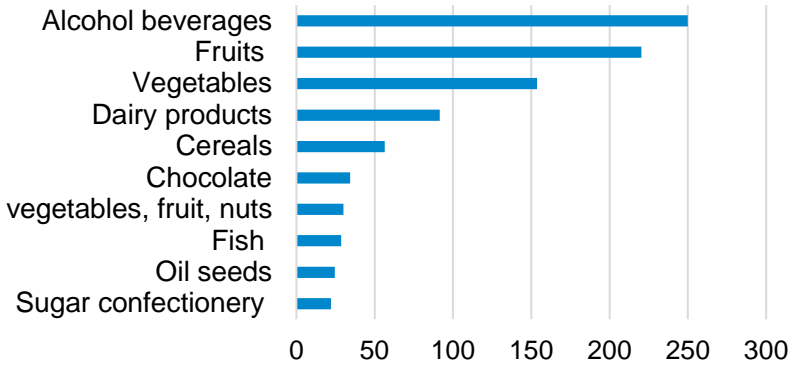
**Agri-food trade complementarity indices between Russia and Uzbekistan (2017-2019, %)**



- Negative balances in agri-food trade with Russia are likely to remain in the future, as CA countries' export profiles are not in the line with Russia's import profile compared with trade complementarity between Russian exports and CA countries' imports
- Complementarities between EEU members' exports (*Armenia, Kazakhstan and Kyrgyzstan*) and Russian agri-food imports tend to increase slightly, that indicates improvements in trade environment. However, 66 intra-regional trade obstacles still exist in the EEU (EEC, 2020). Equivalent trade costs resulting from NTBs range from 7.6% to 39.2% of agricultural trade values and from 8.1% to 39.7% of food trade values between EEU countries (Vinokurov et al., 2015)

# Major Traded Commodities for CA&SC

**Top-10 commodities exported to Russia, mln \$**

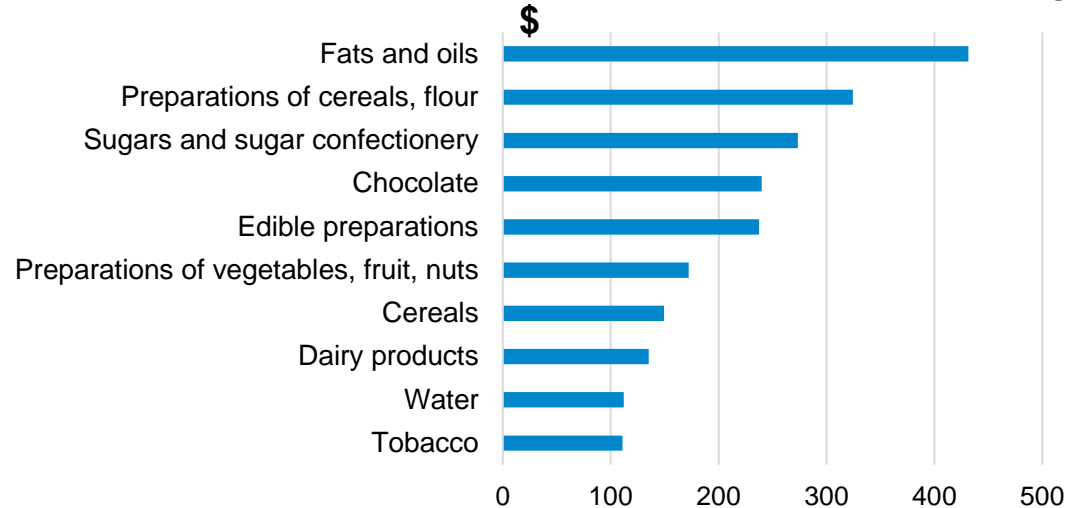


**Share of major commodities in total agri-food country specific exports**

	Armenia	Kazakhstan	Kyrgyzstan	Tajikistan	Uzbekistan
Alcohol beverages	60%				
Fruits	8%	12%	34%	93%	58%
Vegetables	9%	11%	20%		29%
Dairy products		13%	37%		
Cereals		13%			
Sugar confectionery		5%			
Oil seeds		5%			
Preparations of cereals		5%			
<b>Total</b>	<b>77%</b>	<b>64%</b>	<b>91%</b>	<b>93%</b>	<b>87%</b>

- Low commodity diversification of exports
- Fruits and vegetables are mainly exported

**Top-10 commodities imported from Russia, mln \$**

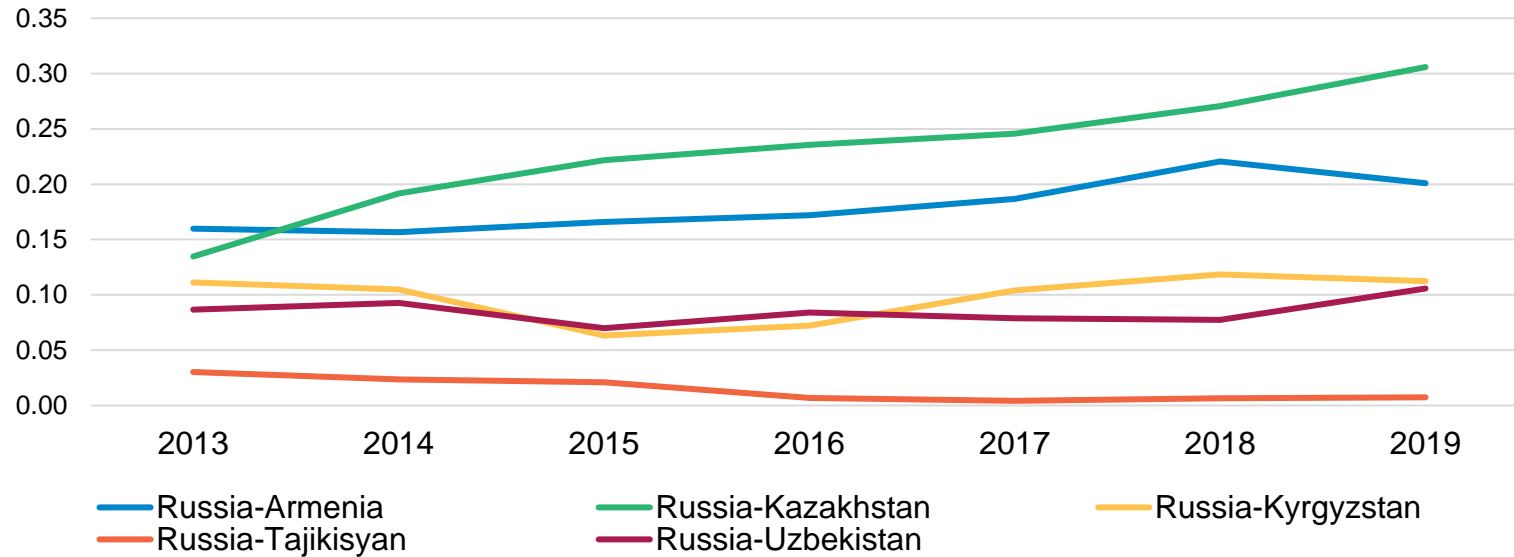


**Share of major commodities in total agri-food country specific imports**

	Armenia	Kazakhstan	Kyrgyzstan	Tajikistan	Uzbekistan
Fats and oils	14%	8%	13%	32%	36%
Preparations of cereals, flour	8%	11%	17%	13%	7%
Sugars and sugar confectionery		7%	4%	10%	24%
Chocolate	10%	7%	14%	11%	5%
Edible preparations	6%	10%	8%		
Preparations of vegetables, fruit, nuts		7%	4%		2%
Cereals	22%	4%			
Dairy products		6%			
Water			7%	5%	
Animal fodder					6%
<b>Total</b>	<b>60%</b>	<b>60%</b>	<b>66%</b>	<b>71%</b>	<b>81%</b>

- More diversified structure of imports
- Processed products are mainly imported
- Tajikistan and Uzbekistan are vulnerable to Russian trade policy measures

# Agri-Food Intra-Industry Trade between Russia and CA&SC Countries



GL<sub>i</sub>, 2019

2-digit tariff lines	Armenia	Kazakhstan	Kyrgyzstan	Tajikistan	Uzbekistan
02 Meat		0,58			
03 Fish			0,76		
04 Dairy products	0,84	0,71			
05 Products of animal origin		0,63			
06 Live trees and other plants			0,65		
08 Fruit and nuts		0,51	0,56		
09 Coffee, tea	0,86	0,52			0,74
10 Cereals		0,86			
11 Products of the milling industry		0,86			
12 Oilseeds		0,70	0,61	0,42	0,54
16 Preparations of meat, of fish	0,68				
18 Cocoa and cocoa preparations	0,64				
20 Preparations of vegetables, fruit, nuts	0,52				0,75
22 Beverages					0,98
24 Tobacco					0,91

## Grubel-Lloyd (GL) index

GL<sub>i</sub> = 0, if a country only exports or imports good *i* (situation of inter-industry trade)

GL<sub>i</sub> = 1, if a country imports exactly as much of good *i* as it exports

$$GL_i = 1 - \frac{|X_i - M_i|}{X_i + M_i}$$

*X<sub>i</sub>* – export of good *i*

*M<sub>i</sub>* – import of good *i*

- Inter-industry trade prevails
- Positive dynamics in intra-industry trade between Russia and Kazakhstan
- Low level of intra-industry trade due to the lack of diversification in agri-food sector in CA&SC

# Key Factors for Agri-Food Systems and Trade Developments in Eurasia

- Russian food embargo on import from Western countries (substitution and shift towards trade with CA)
- Slowdown in Eurasian economies due to drop in oil prices and depreciation of national currencies
- Reducing real incomes of population, unemployment and poverty growth
- Declining remittances from workers in Russia (25% of GDP in Kyrgyzstan and Tajikistan)

Exacerbated by COVID-19 outbreak, stagnation of the Russian economy and decrease in consumer demand threaten for sustainable and inclusive development of national food systems of CA&SC countries

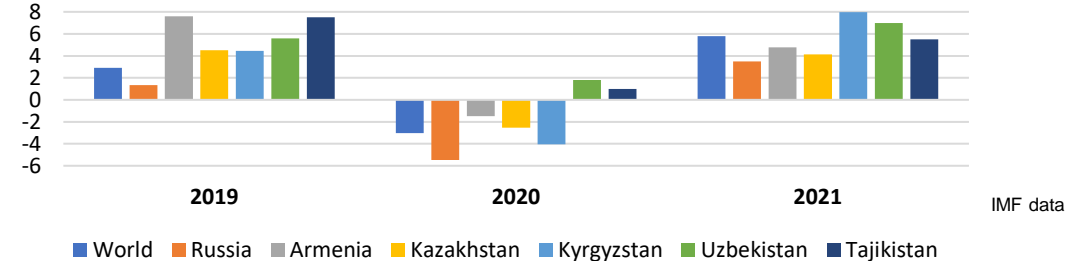
To strengthen food security and ensure sustainability in agri-food systems, priority policy measures should be focused on:

- formation adequate social distance and hygienic regulations for production, transport, logistics and marketing segments of food systems
- increasing extent of localization in food value chains
- support of agricultural producers
- social safety nets for vulnerable population groups

Rates of substitution of selected EU products by CA&SC ones in Russian market							
	CA&SC		Armenia	Kazakhstan	Kyrgyzstan	Tajikistan	Uzbekistan
Cheese	1,9%		0,1%	1,0%	0,7%	0,0%	0,0%
Butter	14,4%		0,1%	6,1%	8,2%	0,0%	0,0%
Apples and pears	2,7%		0,2%	1,7%	0,3%	0,0%	0,4%
Tomatoes	33,9%		11,5%	9,4%	0,4%	0,0%	12,7%

Calculations based on trade volumes, ITC data

## GDP, percent change



IMF data

Poverty indicators (by national standards)		
	Poverty rate, %	Number of poor (thousand)
Armenia	23,5	694,8
Kazakhstan	2,5	450,9
Kyrgyzstan	22,4	1414,7
Russia	12,9	18637,7
Uzbekistan	14,1	4300,0
Tajikistan	27,4	2316,4

WB data





**Thank you and stay healthy!**