Agriculture in Russian Federation: Policies, Issues and Results

EMILIA MARY BĂLAN
Senior Research Fellow
Structural Changes in the Global Economy Department
The Institute for World Economy
13th September Path, No. 13, Bucharest
ROMANIA
emibalan@iem.ro

Abstract: *After 1990, shortly after the end of the communist era, Russia's agriculture has entered into an ample process of transformation. The transition from centralized agriculture to a modern, competitive and sustainable agriculture has not come to an end yet, while in recent years the whole process faced a series of challenges posed by the various reforms and by the economic sanctions imposed by the U.E.-28, U.S. and other developed countries, starting with March 2014. The Russian Federation's agriculture may represent an important sector for the world economy, due to the major potential of this sector even if this country is not yet in the top of the agrarian countries, because of the low contribution of this sector to the formation of national GDP. In this article we intend to analyse the agricultural policies developed by the Moscow Government over the last years, as well as make a brief presentation of the current situation of agriculture in the Russian Federation.*

Keywords*: Russia, agriculture, policies, arable crops, harvest, livestock sector, sanctions*

JEL Classification: *F10, Q10, Q14, Q15, Q18*

1. Introduction

The Russian Federation's agriculture is integrated into the agricultural glabal value chains, and the problems ahead affects directly or indirectly the economies of neighboring countries, but also those interacte with it.

The transformation stages of Russian agriculture influenced the trend of regional and global trade, especially that of the EU, as a result of the economic sanctions imposed by the international community to the Russian Federation after the annexation of the Crimea Peninsula in 2014.

In this analysis have been used the most representative international databases, as well as the official publications of the Russian Federation's specialized institutions. Furthermore, we based our analysis on a series of specialized articles in the field.

The country remains one of the world's greatest powers, and the its agricultural sector has the potential to become an important segment of the world agriculture, despite the Russian Federation's economy has been subjected to the many transformations. The challenges that Russia's agriculture has been subject to have been an impetus to officials from Moscow to reduce the country's dependence on agricultural products imports and to cover consumption needs exclusively from domestic production.

Vladimir Putin's decision to annex the Crimean Peninsula to the Russian Federation in March 2014 surprised the entire international community. The recognition of national sovereignty and inviolability of borders are essential elements of the international law system, and since 1991 the Russian Federation has positioned itself in the international arena as a supporter of these principles.

After Moscow's action to take over the Ukrainian territories of the Crimean Peninsula by military force, Western officials imposed economic sanctions upon the Russian Federation. The economic sanctions were a coercive instrument commonly used in international diplomatic disputes to put pressure on the governments concerned (Drăgoi&Pop, 2016), without risking the escalation of an armed conflict.

Moscow's decision to stop imports of agricultural products outside the country required the granting of government financial incentives to agriculture, which led to a significant increase in the domestic agricultural production of the Russian Federation.

2. An overview of the Agriculture Reforms in the Russian Federation

2.1. Before 1991: The Soviet period

During the Soviet period, the Stalin's government implemented the communist policy of collectivisation in agricultural sector, and the system set up was very bureaucratic. The collectivisation project consisted in the land, machineries, livestock confiscation as well as the peasant grain trading units. According to communist policies, about 99% of the agricultural space was organized in the state collective farms.

The collective farm system has proven ineffective, as the Russian Federation agricultural production was only 10% of USA production. In the collective system of agriculture, all production was delivered to the government institutions, and it required quotas that had to be carried out and then distributed to governmental institutions in the field that held a strict control over the whole activity of the agricultural sector.

In the second half of the 1980's, Gorbachev's agricultural administration reforms affected the granting of incentives to improve production. The policy of the reform was supposed to increase of the labor productivity through the organization of workers' brigades on a contractual basis, consisting of 10-30 employees in farms, which administered a lot of agricultural land rented from a farm of the state. The brigade was responsible for the efficiency of the cultures and was remunerated according to it. After 1987, the government validated the form of organization as contractual family brigades, as well as the long-term lease of land, abandoning the restrictions on the size of the private and public agricultural land of agricultural holdings. Although these measures have led to an increase of the agricultural sector production, they have not been able to improve the fundamentals of the system, so that the state continued to control the prices of the agricultural products, their distribution, and the decisions over the sector production and investments. In these conditions, the former Soviet Union agriculture has failed to provide the amount necessary to cover the domestic consumption, and the country has become a net importer of food products.

2.2. The 1990s: The Transition Period to the free Market

After the fall of the communist system, during the transition to a market economy, the agriculture reform in the Russian Federation has proved to be a difficult challenge for this sector. The challenges came from the inheritance of the Soviet period and from the deeply rooted cultural prejudices against private property. Due to the vital economic role of agriculture, large-scale agricultural reforms have proven to be absolutely necessary for the progress of other economic sectors as well. In the middle of the 1990's, private initiative has not been encouraged, and ancient and ineffective agricultural structures of production and distribution have failed to capitalize on the existing agricultural assets at that time.

The political regime of the first elected president after the Soviet period, Boris Yeltsin, tried to address some of the fundamental problems for the Russian agriculture, but the reform has evolved at a slow pace, causing a steady decrease of the agricultural production. In December 1990, the Congress of People's Deputies of the Russian Soviet Federative Socialist Republic has adopted a set of laws designed to restructure agriculture sector and make it commercially viable.

One of these laws, the Farmers' Farming Act, provided the framework for the setting up of private farms and has granted the right to operate in parallel with the state, to hire workers and to sell the product obtained without any control by the state. Another important law was the Agrarian Reform, which allowed the land in the possession of a descendant of former owners before collectivization to be inherited and transmitted to the successors of former owners, but without being sold. For a better management of the re-appropriation process, the government has set up the Committee for Agrarian Reform, which was responsible with the control of the land transfers to private owners.

The main purpose of the agricultural reform of the Yeltsin regime was the reorganization of the state agricultural cooperatives into more efficient and market-oriented units. The restructuring process has evolved slowly, due to the conservatism and the resistance of the system with a long history in the socialist period.

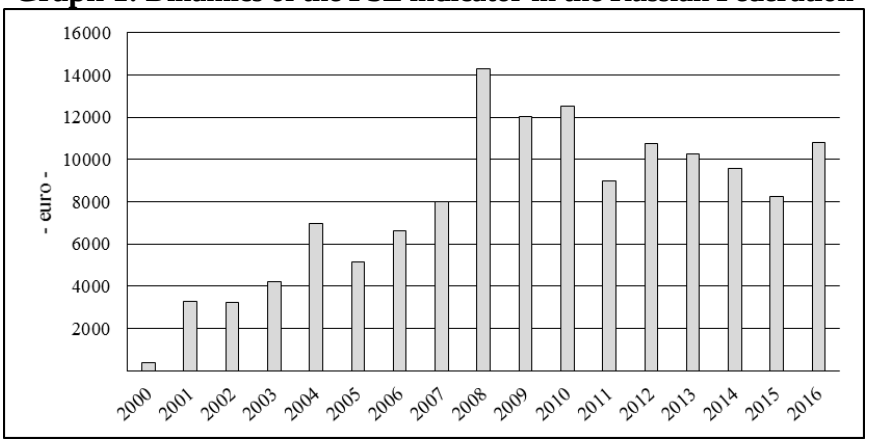
2.3. After 2000s: The Vladimir Putin period

Since 2000, in the Putin era, Russia's agricultural policy has focused on the development of the sector in terms of livestock raising, growth of crop production, as a result of the support from the state budget for investments in agriculture. Also, the increase in agricultural product prices in the early 2000s worried the authorities and constituted the triggering factor in measures aimed at removing the country's dependence on imports by boosting domestic production and developing internal food supply chains.

In the period 2000-2016, according to the OECD indicator on estimates of subsidies granted by the state to the farmers (Producer Support Estimated-PES) in Russia, they have increased from 401 euros in 2000 to almost 11,000 euros in 2016 (27 times higher). This value is similar to those granted in the years 2012 and 2013 (Graph 1).

According to the OECD, PSE values for the 2008-2010 period in the Russian Federation were considerably higher than the European Union-28 (EU) level or the average of the OECD member countries. This reflects the tightening of trade protection at the borders, especially for imports of agricultural products, as a effect of the increase of budgetary transfers to the agricultural sector. More than 1/5 of the gross income of Russian agricultural producers was due to support policies (OECD, 2013).

Graph 1: Dinamics of the PSE indicator in the Russian Federation



Source: Author's processing based on the OECD data (2017).

The government's support for farmers was necessary following the turmoil of the global economic and financial crisis of 2008-2009, but also to mitigate financial losses due to the severe drought in 2010. After this period, government financial resources have fallen, this trend being commensurate with the decline of the PSE indicator. For 2016 an increase of the subsidies is estimated, as a result of the Russian Federation economic recovery and of the budget income growth.

A new agricultural development program of the Russian Federation is based on achieving clear targets and the increasing production up to year 2020. This new program provides a gradual reduction of tariff barriers, but also removes the subsidies that could support the exports in order to ensure a fair competition on the international market. This is particularly important because the Russian Federation is a member of the World Trade Organization since 2012 and should continue to be subject to the international rules deriving from this affiliation. Achieving the targets by the Russian Government will assume progress on the competitiveness of Russian producers on the international market, which would benefit consumers due to a more competitive domestic food system and provide the population with cheap and qualitative products.

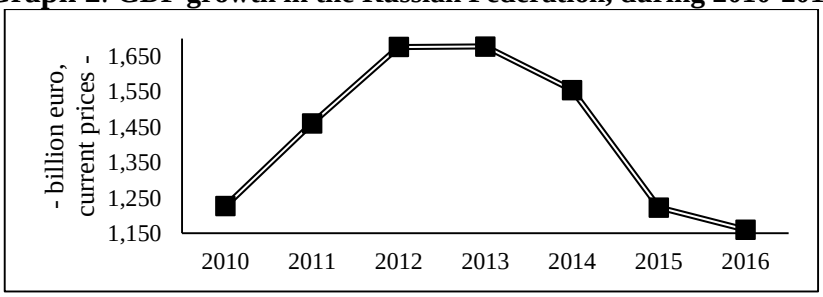
3. The Recent Situation in the Agricultural Sector in the Russian Federation

3.1. General Aspects of Economy and Agriculture in the Russian Federation

After the imposition of the international sanctions, the Russian Federation remains one of the greatest powers in the world. Analysing the gross domestic product (GDP) values of the richest countries in the world in 2010-2016 period, we highlight that the Russian Federation keeps its 6th place unchanged, right after the European Union (EU-28), United States of America (USA), China (including Hong Kong – Special Administrative Region of China), Japan and Brazil.

In the first 3 years after the international crisis (2008-2009), the Russian Federation's GDP marked an upward trend (Graph 2). The international economic sanctions imposed by the developed countries as riposte to Moscow's decision to annex Crimea region to the Russian Federation, in 2014 have had a negative impact on the Russian national economy.

Graph 2: GDP growth in the Russian Federation, during 2010-2016



Source: Author's processing based on the Eurostat data (2017)

The agricultural sector's contribution to the formation of the national GDP has been very low, of only 4%, as compared with the services sector contribution of 58% and with the industry contribution 38% (Table 1). In 1990, the share of the agricultural sector was of 16.4% from GDP, and in 2016 it fell to only 4.2%.

The changes that have taken place in the Russian agriculture are highlighted by the share of gross added value (GAV) in the agricultural sector in GDP. As revealed in Table 1, over the 7 years analysed, the GAV share of agriculture in GDP increased slightly from 3.87% in 2010 to 4.7% in 2016. However, this does not necessarily indicate an increase of the sector's productivity but rather a strongers development than other economic sectors (industry and services), all the more so as government and foreign direct investments are reduced in agriculture (The Research Centre for East European Studies [RCEES], 2017b, pp.7).

Table 1: The main indicators of the agricultural sector in the Russian Federation

Indicator/Year		2010	2011	2012	2013	2014	2015	2016
Share of GDP	% of GDP	4.2	4.0	4.4	4.2	4.2	4.2	4.2
GAV of GDP	% of GDP	3.87	3.96	3.67	3.82	4.07	4.56	4.74
	Annual growth	-11.98	14.18	-1.09	4.70	1.54	2.88	3.34
Labour force	% of total economy	10.0	10.0	9.8	7.9	9.7	9.7	9.7
Employment	% of total population	7.92	7.69	7.33	6.99	6.72	6.71	6.7(e)
Rural population		26.3	26.3	26.2	26.1	26.1	26.0	25.9

Note: e - estimate

Source: World Bank (2017)

An increase in Russian agricultural productivity has occurred, as the figures show an annual increase in the GAV in agriculture from almost -12% in 2010 to + 4.7% in 2013, respectively + 3.3% in 2016. The tendency after 2013 it can be attributed to the isolation of Russia after the Crimean Peninsula annexation in August 2014. The diplomatic relations between Moscow and the Western states have been affected, and foreign investors have avoided the Russian Federation's economic sectors. In that period, the Russian Federation also faced the accumulation of inflation, as a result of the depreciation of the national currency both the US dollar and the euro (EUR).

Also, the labor force in agriculture registered a downward trend, due to a gradually decrease of the share of the employed population, from almost 8% in 2010 to 6.7% in 2016. This trend is due to the migration of the rural population to the urban areas, in search of higher living standards, and financial opportunities.

3.2. Agriculture land used

The climatic and geographic factors limit the agricultural activity of the Russian Federation to about 13% of the total area (Table 2). According to statistical data (Federal State Statistics Service [Rosstat], 2017) of the total agricultural area, about 7.5% represents arable land, the rest being pastures and meadows, and about 25% of the agricultural area is cultivated, especially with grains (60% of the land used).

Table 2: The Structure of agriculture land, in the Russian Federation

Indicator/Year	U.M.	2010	2011	2012	2013	2014	2015	2016
Land area	1,000 Hectares	1,709.8				1,712.5		
Agriculture land	1,000 Hectares	220.4	220.4	220.2	220.2	220.2	220.2	220.1
	% land area	12.9	12.9	12.9	12.9	12.9	12.9	13.0
Arable land	% land area	7.3	7.3	7.3	7.5	7.5	7.5	7.5
Harvested area	1,000 Hectares	56.1	56.7	55.7	56.1	55.3	55.1	54.7
	% of land area	25.5	25.7	25.3	25.5	25.1	25.0	24.9

Source: Rosstat (2015, 2016, 2017)

In the European part of the Russian Federation, the most productive land is located in the Central Economic Region of Chernozem and in the Volga Economic Region, which extends between Ukraine and Kazakhstan. More than 65% of the land in these regions is used for agriculture. In Siberia and the Far East, the most productive areas are the southern regions (Curtis, 1996).

Table 3: The Value of Agricultural Production in the Russian Federation

Indicator/Year		2010	2011	2012	2013	2014	2015	2016
Value of agriculture production, of which:	EUR million	64.28	79.79	83.62	87.08	84.77	75.89	75.88
	%	100	100	100	100	100	100	100

Crops	EUR million	29.61	41.68	40.97	45.32	43.63	41.00	42.77
	%	46.1	52.2	49.0	52.0	51.5	54.0	56.4
Livestock	EUR million	34.67	38.11	42.65	41.76	41.14	34.88	33.13
	%	53.9	47.8	51.0	48.0	48.5	46.0	43.7

Source: Rosstat (2015, 2016, 2017)

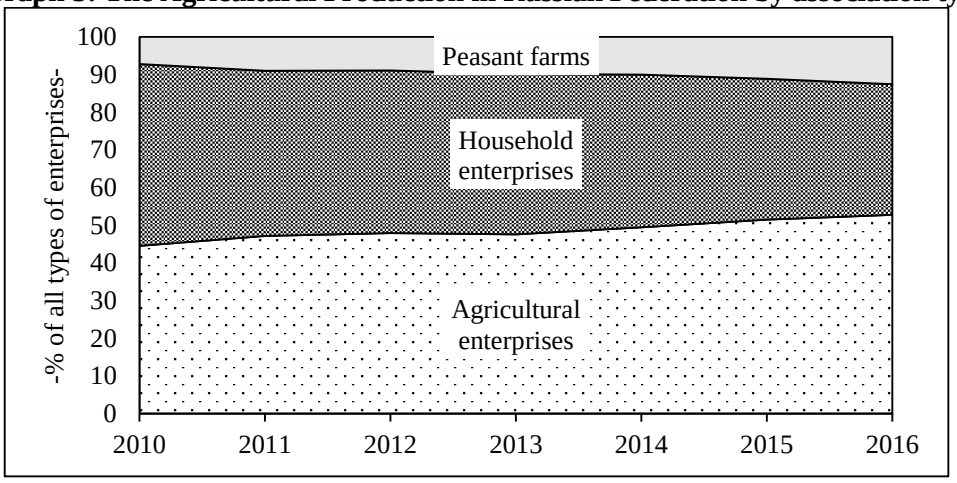
The average annual agricultural production value of the Russian Federation during the period 2010-2016 increased from EUR 64 million (1 RUB = EUR 40.26) in 2010 to EUR 75.88 million (EUR1.414 million) in 2016. During the 7 years review, the share of agricultural crops production increased from 46% to over 56%, to the detriment of livestock (Table 3). The Russian farmers have descresed their livestock herds, as the price of cereals and other field crops has increased, becoming more rewarding. At the same time, the meat products has been more expensive food, and the food habit of the population has migrated slightly from meat products to bakery and vegetables. In these conditions, the demand for meat decresead and aggravated the lowering in livestock production.

Significant agricultural production was obtained within the framework of agricultural enterprises and the household enterprises, and less in the peasant farms, due to the extremely limited areas and to the low level of technology for agricultural activity.

Agricultural businesses were economic partnerships (including limited, public or private limited companies), production cooperatives, etc., and household enterprises (private associations of rural and urban settlements). Peasant farms were unions of citizens on the background of the temporary common interests in production, processing, storage, transport and sale of agricultural products on the basis of their individual participation.

Agricultural enterprises have developed and generate over 50% of the agricultural production value in the Russian Federation, while the share of household associations decreased from 48.3% in 2010 to 34.7% in 2016. If, by the year of 2013, peasants farms contributed with 7-9% to the value of agricultural production, after the Russian federation suspended food imports from the Western states, the number of this kind of farms has increased significantly, thus having a higher share in the value of agricultural production, up to 13% in 2016 (Graph 3).

Graph 3: The Agricultural Production in Russian Federation by association type



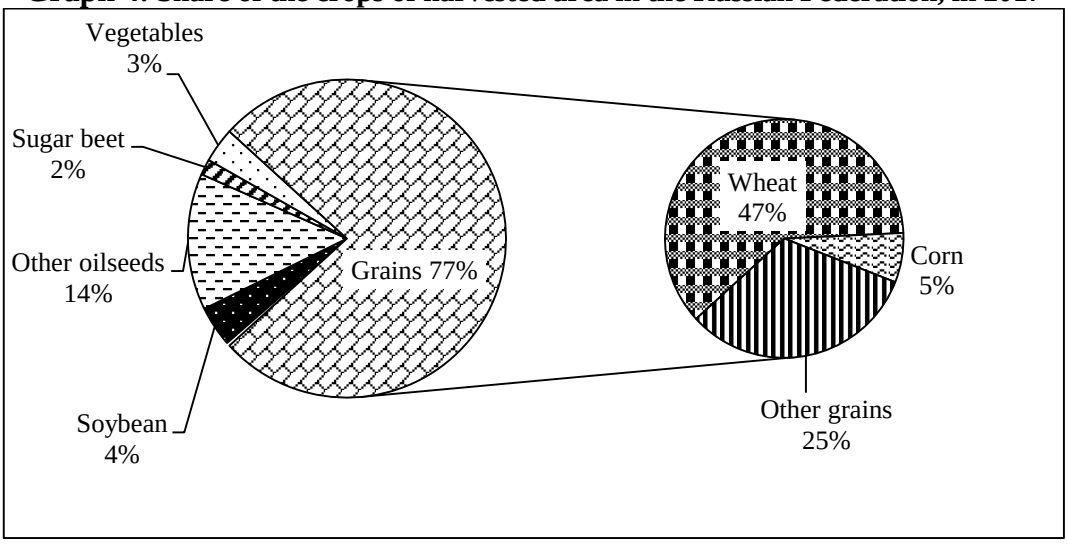
Source: Author's processing based on the Rosstat data (2016, 2017).

3.3. Crops

According to the statistical data of the Organization for Economic Co-operation and Development (OECD), in the Russian Federation, cereals are among the most important field crops occupying more than 70% of the harvested area (Graph 4). The wheat is dominant in most grain harvested areas and is grown in the North Caucasus. Spring wheat is predominantly sown in the Don Basin regions, in the central area of the Volga River and in southwestern Siberia (Curtis, 1996). According to the level of cultivated area, the second crop is barley mainly harvested for feed and beer production purposes in less-favorable climatic zones such as the southern Siberian Mountains. Oat production was the third cereal crop grown in the Russian Federation, but its share decreased as agricultural machineries have replaced the use of animals in the farming activity. Although the

cultivation of corn has been attempted to support feed, the corn crop is also suitable for optimal development only in the North Caucasus, and production levels are remaining lower compared to other cereals.

Graph 4: Share of the crops of harvested area in the Russian Federation, in 2017



Source: Author's processing based on the OECD/FAO data (2017)

The Russian Federation shall endeavor to become the world's largest grain producer, despite the dependence of crops on weather conditions, as well as the constraints on inputs and new technologies. As the forecasts show (Table 4), in the current agricultural season (2017/18) the Russian Federation has the highest increase in cereal production compared to the main producing countries. With 6.12% share, the Russian Federation ranks 5th in the world ranking of cereal production, after the US, China, EU and India.

Table 4: The main world cereals producing countries

-Million tonnes -

	2016/17	**2017/18**	**±2017/18 / 2016/17%**
World, of which:	**2,133.2**	**2,068.5**	**-3.03**
USA	465.9	418.9	-10.09
China	357.9	352.5	-1.51
EU	295.6	298.9	1.12
India	129.9	141.0	8.55
The Russian Federation	114.2	126.5	10.77

Source: International Grains Council (2017).

The International Grains Council (IGC) forecasts that Russia's total cereal production has been previsioned to be 126.5 million tonnes in current season, up 10.8% as compared to the previous season. The forecasts for the wheat production show 82 million tonnes compared to 72.5 million tonnes in 2016 and maize production is forecast at 15.2 million tonnes, 100 thousand tonnes less than a season ago (Table 5).

According to IGC data (IGC, 2017), in 2017, Russia's grain exports have been forecasted at 42.4 million tons, positioning the country as the world's second largest exporter after the US. The increase by 17% of Russia's exports is determined mainly by wheat exports reaching 32.1 million tonnes (+15.5%). The growth in the maize exports lowered to 3.8%, to 5.5 million tonnes and barley exports registered a 4.6% groth rate to 4.6 million tonnes, while soy exports are expected to stagnate at a level of 400 thousand tons.

The most of Russia's grain crops are product of poorly developed agricultural technologies and of a minimal use of agrochemicals products (fertilizers). This is reflected in the low average yields on most cereals. The exception is corn crop, whose yield has increased by 20% in the last 5 seasons. The increase in corn yeald is due to the use of higher quality seeds, but also to the use of modern technologies and of chemical fertilizers.

3.4. Livestock

The livestock industry in the Russian Federation has been supported by the growth of feed production and extension of the pastures, although the economic conditions have led to a reduction in livestock farms (OECD/FAO, 2017). In the years following the application of sanctions aimed at stopping imports of agricultural products from the Western states, the incentives offered by the state to livestock farmers have boosted domestic

meat production. In these conditions, the Russian Federation has completed an important stage in the process of reaching its consumption needs from its own production, easing its dependence on imports.

The cattle are the most widespread farmed animals, but in arid areas the environment is favourable for sheep and goats. As a result of the reduction in the milk consumption in the Russian Federation as well due to internal constraints on state incentives that had been given only for large projects that were already implemented, in 2016 the herds of cattle decreased compared with the past years. From the beef and veal production point of view, the Russian Federation ranks 10th at world level, with a share of 2% of the total. In the period 2010-2017, on the background of falling consumption and high production, the Russian Federation has reduced its import of beef meat by more than 40% (Table 5).

Table 5: The Production, Consumption, Imports and Exports of Meat, in the Russian Federation, in 2016 and 2017

Category of meat	Year	Production	Imports	Consumption	Exports
Beef and veal -1,000 tonnes carcass weight equivalent-	2016	1,559	488	2,001	46
	2017	1,530	577	2,061	46
Pork meat -1,000 tonnes carcass weight equivalent-	2016	3,163	520	3,678	5
	2017	3,310	509	3,814	5
Poultry meat -1,000 tonnes-	2016	4,561	226	4,638	150
	2017	4,580	252	4,672	160
Sheepmeat -1,000 tonnes carcass weight equivalent-	2016	194	13	191	16
	2017	194	12	191	16

Source: OECD/FAO (2017)

Another category of animals often encountered in Russian farms are pigs that are stable within the areas of European Russia and the Pacific Coast, due to their proximity to the land cultivated with cereals, potatoes or sugar beet and easier access to these feed. The number of pigs in the Russian farms have increased especially in intensive holdings of agricultural enterprises, by compensating for the reducing the livestocks in the household enterprises. In the intensive farms have heavily invested in expanding production and operational efficiency, due to the higher financial capacities available. In 2017, the pork meat production increased by over 40% compared to 2010 and by almost 12% compared to 2014, the year of the sanctions (Table 5). The Russian Federation shall cover 87% of its consumption needs domestic production. The lower costs of pork meat offered by producers have stimulated consumption even if this type of meat was more expensive in 2016 (around 260 rubles/kg ≈3.8 euro/kg.).

The poultry meat sector is much more developed, but in order to cover the population consumption needs, the Russian government resorts to imports, which generally consist of frozen poultry meat. After 2008-2014 period, when the Russian Federation was the first world import country, from 2015 onwards the country has drastically reduced its acquisitions on the foreign market. Russia's poultry meat production increased between 2010 and 2017 by over 60%, while imports fell by 63%. In 2017, production has grown with 11% compared to 2014 and imports have fallen by 43%. The increase in production was also determined by the government measures to support producers, investments in the genetics, and in the construction of new farms and the modernization of existing ones.

Considering these, it can be seen that there is a competition on the internal market of the Russian Federation between the pork and poultry meat sectors and their prices influence each other for the benefit of large consumers (the network of restaurants and chain stores).

4. International Economic Sanctions and the impact on the Agricultural Sector in the Russian Federation

In response to international economic sanctions posed by EU, USA Canada and others, the Moscow government has enforced a set of legally binding obligations for one year imports of vegetables and fruits, dairy and meat products from the above mentioned countries.

The restrictions imposed by Russian Prime Minister Vladimir Putin have had the most significant impact as Russia is the second largest export market for EU food, after the US. In 2013, Russia imported agricultural products of 12.2 billion EUR from the EU, of which almost 11 billion EUR represented food (Table 6). In the years following the sanctions between the EU and the Russian Federation a contraction of trade between the two

can be observed, EU delivering on the Russian market, in 2016, agricultural products of 5.7 billion euros (-53%), and from this amount only 4.8 billion euros for food (-56%), from over 12 billion EUR agricultural products and nearly 11 billion EUR food in 2013 (European Commission - Directorate-General for Trade [EC-DGT], 2017).

Table 6: The Evolution of Trade in Goods between EU and the Russian Federation

- EUR billions -

	IMPORTS				EXPORTS			
	2013	**2014**	**2015**	**2016**	**2013**	**2014**	**2015**	**2016**
Total, of which:	**206.97**	**182.42**	**136.41**	**118.81**	**119.45**	**103.20**	**73.74**	**72.41**
Primary Products, of which:	170.31	147.10	103.05	89.33	14.17	10.74	6.75	6.79
Agricultural Products, of which:	3.94	3.74	3.71	3.69	12.15	9.25	5.62	5.71
Food	1.86	1.79	1.83	1.87	11.00	8.29	4.73	4.80
Raw Agricultural Products	2.07	1.95	1.88	1.82	1.15	0.96	0.89	0.91

Source: European Commission - Directorate-General for Trade (2017)

On November 24, 2014, the Russian Federation's finance minister estimated that the impact of international sanctions on Russia's economy could have been of 30 billion EUR/year, and the oil price would have cut off another 75 billion EUR/year. According to certain analyses from the literature in the field (RCEES, 2014), beyond the effects of the sanctions, the unpredictable actions and decisions of the Kremlin political leader have been worrying both in terms of military responses in Ukraine and the retaliation of international economic actors.

Russia's domestic market reacted immediately in response to the international sanctions. The value of shares traded on the stock exchange fell significantly, the rouble has depreciated, the interest rates spiked, and the accelerated withdrawal of capital reached 98 billion EUR in December 2014 (representing less than half of the regular annual withdrawals).

The direct and immediate impact of the sanctions imposed by Russian government on the food imports from Western countries affected especially the population. They were not longer had access to quality goods that had become a habit in the daily diet, having to buy fruit and vegetables imported from Macedonia and Iran. The food prices have risen by 13% to the end of 2014. In an attempt to block the transit of food from EU origin through Belarus, the Russian Government has banned meat imports from the neighboring countries. The action was unusual because Russia, together with Belarus and Kazakhstan and other states, are part of the Eurasian Economic Union, but those countries were not subject to sanctions by the international community.

The sanctions have led Vladimir Putin's administration to take concrete measures to implement a government-led agricultural development strategy.

Trade policies, agricultural reforms, and the imposition of the economic sanctions by the international community on the Russian Federation have been the trigger factors for the development of the country agricultural market.

After March 2014, when the United States, EU and other Western countries imposed economic sanctions on the Russian Federation, some local officials in the Russian Federation have considered this context to be an opportunity. Supported by the hope that the national currency will depreciate, which was a deterrent effect of the imports, the local authorities have reported that they would foster business development at the local level, they would lead discourage imports and increase the competitiveness of agri-food products for export.

The results from agriculture and related sectors have confirmed the optimism of Russian officials, because the Russian Federation has become one of the world's leading grain exporters, and in the last two consecutive seasons has held its rank among the world's top wheat exporters due to record domestic production. The success of the agricultural sector entailed not only very large domestic crops, but also considerable pork and poultry meat production, which enabled Russia to drastically reduce its dependence on imports of agri-food products (OECD/FAO, 2017).

In order to achieve the consumer autonomy (only covered by domestic production exclusively), the Russian government has increased agricultural subsidies. The Russian Federation also has the advantage that fertile agricultural land in the central and southern regions are located at relatively small distances from the Black Sea ports, where a large quantity of agricultural products is delivered to Russia's strategic importers from North Africa, and The Middle East, among which are Turkey and Egypt. According to government officials, in 2016,

exports of Russian agricultural products amounted to approximately EUR 15 billion, more than out of sales of weapons, but significantly less than out of oil and gas supplies.

This diplomatic and economic conjuncture on that the Russian Federation has had to face it has prompted Vladimir Putin to declare that Russia has a huge potential to become the world's largest supplier of organic and quality agricultural products. In this respect, the Moscow government has banned the planting of genetically modified crops and the imports of such products.

5. Conslusions

The economy of the Russian Federation remains in the top 6 economies concerning GDPgrowth, though its agriculture has a low share to the formation of national GDP, alltough national statistics are showing an increase in agricultural productivity.

The Russia's agricultural area is limited to approximately 220 million hectares, due to climatic and geographic factors, which account for about 13% of its area. Over 50 million hectares of the harvested area (25% of the agricultural area) is predominantly used for crops, especially grains. The distribution of agricultural production in the Russian Federation by types of association is as follows: agricultural enterprises (50% of the production value), followed by household enterprises (35%) and peasant farms (15%).

The cereals are the main crops harvested in the Russian Federation, of which wheat is the most extensive. Since 2016, Russia has become the world's largest wheat exporter due to the achievement of domestic record domestic production backed by governmental incentives for the agricultural sector. As concerning other crop categories and the livestock sector, the Russian Federation does not rank among the world's top countries, but has managed to drastically reduce its dependence on imports.

Russia's agricultural reforms have gone through several important stages, from collectivization in the early years of communism, to the changes of the 1980s, to the transition toward a competitive market agriculture after the collapse of the Soviet Union. All attempts to transform the Russian Federation's agriculture have encountered the major lockout determined by the inaction of the system reinforced by Soviet doctrines. However, at the same time with the 2014 turning point, when the Russian government imposed the embargo on agricultural imports from Western countries due to the existent divergences, Moscow officials have proposed to support agriculture, to ensure the food supply out of the domestic production. In order to achieve this, the Putin administration has implemented a State Program for Agriculture Development, through which funds are in the form of subsidies and investments for agriculture from the central budget.

Considering the subjects analysed in this article, it can be concluded that the Russian Federation agriculture has a significant potential to contribute to the development of the world agriculture, even though the stages of transformation towards modern and sustainable agriculture have yet to be completed and the road is long and difficult.

References:

[1] Curtis, G.E.. (1996). *Russia: A Country Study*. Washington: GPO for the Library of Congress, 1996. Available at: http://countrystudies.us/russia/

[2] Drăgoi, A. & Pop, N. (2016). Scenario Analysis for the Perspectives of the EU-Russian Federation Relationship. *Global Economic Observer* . 4(3), pp.3. Available at: http://www.globeco.ro/wp-content/uploads/vol/split/vol_4_no_2/geo_2016_vol4_no2_art_009.pdf.

[3] OECD/FAO. (2017). *OECD-FAO Agricultural Outlook 2017-2026*: OECD-FAO Agricultural Outlook 1990-2027, by commodity. OECD Publishing, Paris. Available at: http://stats.oecd.org/#

[4] OECD. (2017). OECD.Stat. 2017 - Monitoring and evaluation: Reference Tables: Producer Support Estimate (PSE). Disponibil la: http://stats.oecd.org/#

[5] OECD. (2013). Russia Modernising The Economy. "Better Policies" Series. Available at: http://stats.oecd.org/#

[6] The Research Centre for East European Studies at the University of Bremen. (2017b). *Russian Analytical Digest*. No 205, 12 July 2017. Available at: www.css.ethz.ch/en/publications/rad.html

[7] The Research Centre for East European Studies at the University of Bremen. (2017a). *Russian Analytical Digest*. No 204, 16 June 2017. Available at: www.css.ethz.ch/en/publications/rad.html

[8] The Research Centre for East European Studies at the University of Bremen. (2014). *Russian Analytical Digest*. No 157, 17 December 2014. Available at: www.css.ethz.ch/en/publications/rad.html

[9] European Commission - Directorate-General for Trade (2017). European Union, Trade in goods with Russia. Available at: http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113440.pdf.

[10] Federal State Statistics Service. (2017). Russia in Figures 2017. Official Publication. Statistical Handbook. Moscow, 2017. Available at: http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/publications/catalog/doc_1135075100641
[11] Federal State Statistics Service. (2015). Russia in Figures 2015. Official Publication. Statistical Handbook. Moscow, 2015. Available at: http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/publications/catalog/doc_1135075100641
[12] International Grains Council. (2017). Supply & Demand. Available at: http://www.igc.int/en/markets/marketinfo-sd.aspx. Accesat pe 18 septembrie 2017.
[13] U.S. Department of Agriculture. Foreign Agricultural Service. (2017). Agricultural State Program 2013-2020 Amended in 2017. Global Agricultural Information Network. Gain report RS1736. June 8, 2017. Available at: https://www.fas.usda.gov/data.
[14] United Nations. (2016). Framework Convention on Climate Change. Report of the technical review of the second biennial report of the Russian Federation. FCCC/TRR.2/RUS. August 31, 2016. Available at: http://unfccc.int/resource/docs/2016/trr/rus.pdf.
[15] The Council of the European Union. (2014). Council Regulation (EU) No 269/2014 of 17 March 2014 concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine. *Official Journal of the European Union*. 17.3.2014. Available at: http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32014R0269&from=EN.
[16] The International Grains Council. 2017. Supply & Demand. Available at: https://www.igc.int/en/markets.
[17] The World Bank. (2017). World Development Indicators database. Available at: http://databank.worldbank.org/data/.