RUSSIAN FOOD EMBARGO: MINOR LOSSES IN WESTERN COUNTRIES[1]

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Most of the countries counter-sanctioned by Russia have seen no decline in food exports, increasing them to other countries to compensate for losses in the Russian market. Only a few countries have experienced a decline in exports due to the Russian food embargo, namely Norway (a total decline of 11.3%, of which the Russian market accounts for 10.1%), Finland (respectively 24.5% and 20.9%), Lithuania (20.7% and 20.6%), Latvia (21.5% and 11.5%), Estonia (22.8% and 12.2%), Poland (4.8% and 4.6%).

There is an established opinion in Russia that the countries that support sanctions against Russia have sustained considerable losses due to the Russian food embargo. There are few publications that prove it wrong[2]. Mass media and economic literature generally assess the effect of the food embargo using data showing the decline in import volumes from these countries to Russia[3]. However, the respective losses should be assessed given both the decline in exports to Russia and the changes in exports to the markets of other countries.

The Table (see the Attachment hereto) shows that food exports to Russia from the counter-sanctioned countries fell sharply (by $12.4bn) in 2015, as compared to 2013. The deepest decline was seen in Norway ($1134m), USA ($914m), EU member countries as a whole ($9634m), including Germany ($1162m), Lithuania ($1284m), The Netherlands ($1071m), Poland ($1027m).

The overwhelming majority of these countries have seen exports decline not only to Russia but also to other countries over the same period. The biggest losses ($61.9bn) have been sustained by EU member countries ($14bn by The Netherlands, more than $10bn by France and Germany each, $8bn by Belgium). In fact, these countries sustained inconsiderable losses in the Russian market amid the overall decline in exports from these countries. For example, exports in Slovakia dropped 28.9%, with losses in the Russian market being as little as 0.8%. Exports in France fell 15.6%, losing 0.9% in the Russian market.

At the same time, some countries sustained major losses in the Russian market. For example, Norway lost 11.3% in the global market, of which the Russian market accounted for 10.1%. Finland saw its entire food exports fall

1 This paper was originally published in *Online Monitoring of Russia's Economic Outlook* No.14(32).

2 Shagaida N., Uzun V. Food embargo and choice of priorities /Voprosy Economiki. 2016. No. 7, pp. 93–105.

3 Western countries sustain $8.6bn in losses due to food embargo / https://rg.ru/2016/08/02/poteri-stran-zapada-ot-prodembargo-sostavili-86-milliarda-dollarov.html; The Baltic states conceal real losses of "the War of Sanctions" /http://newvhttp://www.rubaltic.ru/article/ekonomika-i-biznes/200116-sanktsii/z.ru/info/80283.html ;Losses in the war of sanctions against Russia: Brussels count losses / http://newvz.ru/info/80283.html ;Loss count in the war of sanctions. Russia's Ministry of Economic Development have assessed losses sustained due to the food embargo / http://www.newizv.ru/economics/2016-08-02/243960-v-sankcionnoj-vojne-podschitali-poteri.html

24.5%, of which the Russian market accounted for 20.9%, Lithuania (respectively 20.7% and 20.6%), Latvia (21.5% and 11.5%), Estonia (22.8% and 12.2%), Poland (4.8% and 4.6%).

The initiators of sanctions against Russia, namely the United States, Great Britain, Canada, Germany, France, have sustained minor specific losses from the Russian food embargo. Russia's neighbour countries with whom Russia had well established food trade were hurt the most by the counter-sanctions.

An emphasis should be placed on the fact that food prices have recently been on the slide in the global market. And to obtain a more objective assessment, further study of the effects of the embargo is needed using physical values of exports and imports[1].

The EU increased exports (in physical terms) of most types of products in 2015, that is, EU member countries found new markets for the products sanctioned by Russia. And, in terms of value, there was no decline in exports from the EU. Instead, they increased to 482.5bn euro in 2015, as compared to 455.1bn euro in 2013. The decline in value of exports (in USD terms) was driven by the euro-dollar exchange rate (1.11 in 2015 compared to 1.33 in 2013). There is a prevailing view in Russian and European mass media that the agri-food market is facing problems due to the Russian embargo, although the key culprit is the national currency devaluation, both in Russia and the EU.

Meat and meat products, milk and dairy products, vegetables and fruits were the principal items of exports from EU member countries to Russia. In 2013, these products accounted, respectively, for 19.8%, 14.2%, 23.4% and 32.5% of EU member countries' exports outside the EU. Given the exports within the EU, Russia's share was much smaller (respectively 3.7%, 3.4%, 3.7% and 5.1%). *Table 1* shows an overall response of EU markets to the Russian embargo on food imports.

Table 1

EXPORTS OF SELECTED PRODUCTS FROM EU TO RUSSIA AND TO OTHER COUNTRIES

	Meat and meat products		Milk and dairy products		Vegetables		Fruits	
	Russia	Other coun-tries	Russia	Other coun-tries	Russia	Other coun-tries	Russia	Other coun-tries
thousand tonnes								
2013	852	16 985	441	24 367	948	25 827	1 614	20 861
2014	165	18 348	273	25 570	661	26 307	1 074	22 254
2015	10	19 065	49	27 230	81	26 885	104	24 108
Changes (+,-) in 2015 as compared to 2013	-842	2 080	-392	2863	-868	1057	-1 510	3246
million euro								
2013	1 608	41 501	1 462	41 918	769	20 173	1 258	24 477
2014	280	42 866	936	44 357	505	19 484	802	24 826
2015	14	43 691	211	42 034	68	21 664	96	27 621
Changes (+,-) in 2015 as compared to 2013	-1 594	2 190	-1 251	116	-700	1 490	-1 162	4305

Source: Eurostat.

1 Below is analysis that was made using the Eurostat's data, because the Comtrade database provides no data on sales in physical volume.

The decline in exports to Russia was offset by growth in exports to other countries. In terms of value, extra revenues in other countries failed to compensate for the losses in Russia despite growth in volumes of milk exports alone, because exports to Russia used to include more expensive types of food products (cheese, etc.).

The foregoing provide the picture in the EU as a whole. The picture by country differs largely from the EU average. Almost all the major exporters of meat products found a replacement for the Russian market, and not only did they compensate for the loss, but also their exports were increased (*Table 2*).

For example, Poland cut its exports of meat products to Russia by 77,000 tonnes as its exports to other countries were increased by 373,000 tonnes. The sole exception is France that failed to compensate for cutbacks on supplies to Russia with sales in other markets. Germany, Denmark, Belgium saw their revenues from meat exports drop considerably.

Table 2

CHANGES IN VOLUME AND VALUE OF EXPORTS OF MEAT AND MEAT PRODUCTS FROM EU

	Growth (+) / decline in exports in 2015 as compared to 2013.					
	To Russia		To other countries		Total	
	thousand tonnes	million euro	thousand tonnes	million euro	thousand tonnes	million euro
EU-28	-841.69	-1594.09	2080.21	2189.50	1238.52	595.41
Germany	-184.91	-333.39	284.22	-159.93	99.31	-493.32
Denmark	-134.63	-284.45	125.53	-141.03	-9.11	-425.48
France	-86.94	-123.92	-16.67	-139.38	-103.62	-263.30
Poland	-77.73	-159.57	373.25	689.68	295.52	530.11
The Netherlands	-74.06	-138.86	286.52	245.92	212.45	107.06
Spain	-53.64	-116.02	526.05	837.12	472.41	721.11
Belgium	-44.62	-69.68	136.41	-55.26	91.78	-124.93
Hungary	-36.08	-79.99	61.06	77.18	24.97	-2.80
Italy	-35.51	-56.93	43.91	245.27	8.40	188.34
Ireland	-29.49	-69.25	127.30	405.75	97.81	336.50
Lithuania	-27.25	-64.13	38.66	61.43	11.41	-2.70
Austria	-26.86	-48.96	57.77	22.44	30.91	-26.52

Source: Eurostat.

The picture for dairy products is somewhat different. Expensive products ceased to be exported to Russia due to the Russian embargo. It was not always possible to export expensive products to other countries. The export pattern underwent some changes and almost all the exporters saw their revenues decline, although sales volumes increased (*Table 3*).

Lithuania sustained financial losses in the vegetable, although it managed to compensate for cutbacks in exports to Russia (in terms of volume) by increasing exports to other countries (*Table 4*).

Poland was the sole country whose fruits exports were hurt by the Russian embargo. Exports to Russia were cut by 782,000 tonnes, which was partially offset by increasing exports to other countries (433,000 tonnes).

Table 3

CHANGES IN VOLUME AND VALUE OF EXPORTS OF MILK AND DAIRY PRODUCTS FROM EU (FEACN 04)

	Growth (+) / decline in exports in 2015 as compared to 2013.					
	To Russia		To other countries		Total	
	thousand tonnes	million euro	thousand tonnes	million euro	thousand tonnes	million euro
EU-28	-392.15	-1250.83	2863.30	115.74	2471.15	-1135.09
Finland	-86.75	-252.18	73.27	111.97	-13.48	-140.21
The Netherlands	-63.58	-225.97	1042.30	-275.33	978.71	-501.30
Lithuania	-47.19	-152.69	47.17	-27.20	-0.02	-179.89
Poland	-45.86	-139.57	321.55	95.95	275.69	-43.62
Germany	-45.29	-153.49	437.41	-482.94	392.11	-636.43
France	-27.73	-83.63	166.52	56.05	138.79	-27.58
Denmark	-21.44	-77.86	88.81	117.11	67.37	39.25
Estonia	-20.98	-49.24	-11.49	-11.66	-32.48	-60.90

Source: Eurostat.

Table 4

CHANGES IN VOLUME AND VALUE OF EXPORTS OF VEGETABLES FROM EU (FEACN 07)

	Growth (+) / decline in exports in 2015 as compared to 2013.					
	To Russia		To other countries		Total	
	thousand tonnes	million euro	thousand tonnes	million euro	thousand tonnes	million euro
EU-28	-867.73	-700.36	1057.35	1490.39	189.63	790.02
Poland	-297.27	-172.02	234.38	178.90	-62.89	6.88
Lithuania	-264.45	-323.60	470.75	120.73	206.30	-202.88
The Netherlands	-133.76	-48.89	-362.96	414.65	-496.72	365.76
Spain	-69.50	-72.00	567.39	618.47	497.89	546.48
Belgium	-47.89	-40.24	258.95	224.20	211.06	183.96

Source: Eurostat.

Table 5

CHANGES IN VOLUME AND VALUE OF EXPORTS OF FRUITS FROM EU (FEACN 8)

	Growth (+) / decline in exports in 2015 as compared to 2013.					
	To Russia		To other countries		Total	
	thousand tonnes	million euro	thousand tonnes	million euro	thousand tonnes	million euro
EU-28	-1509.54	-1161.59	3246.15	4305.00	1736.61	3143.41
Poland	-781.73	-338.16	433.21	196.66	-348.52	-141.51
Spain	-161.85	-157.79	668.08	1414.94	506.23	1257.14
Lithuania	-151.38	-271.01	802.80	187.73	651.42	-83.27
Belgium	-147.41	-154.23	169.42	189.26	22.00	35.03
Greece	-107.00	-108.23	100.76	80.36	-6.23	-27.87
Italy	-63.64	-61.29	381.57	416.42	317.92	355.13
The Netherlands	-20.60	0.63	148.82	791.96	128.22	792.59

Source: Eurostat.

There were isolated instances where the decline in imports to Russia caused a real decline in volume and value of exports from the counter-sanctioned countries, however, the economic loss was insignificant. Hence the Russian ban on exports of food staples has to date failed to inflict considerable damages to exporters in these countries.

ATTACHMENT

CHANGES IN VOLUME OF AGRI-FOOD EXPORTS FROM COUNTER-SANCTIONED COUNTRIES

Countries	2013			2014			2015			2016 (January–March)			Decline (-), increase (+) in exports in 2015 as compared to 2013			
													to Russia		to other countries	
	total to all countries, millions US dollars	incl. to Russia, millions US dollars	Russia's share, %	total to all countries, millions US dollars	incl. to Russia, millions US dollars	Russia's share, %	total to all countries, millions US dollars	incl. to Russia, millions US dollars	Russia's share, %	total to all countries, millions US dollars	incl. to Russia, millions US dollars	Russia's share, %	millions US dollars	as % of exports to all countries in 2013	millions US dollars	as % of exports to all countries in 2013
USA	146889	1319	0.9	154853	938	0.6	138216	404	0.3	32458	103	0.3	-914.4	-0.6	-7758	-5.3
Australia	31779	351	1.1	32479	168	0.5	30947	60	0.2	6776	32	0.5	-290.8	-0.9	-541	-1.7
Canada	48194	417	0.9	50693	406	0.8	47792	37	0.1	10598	12	0.1	-379.3	-0.8	-22	0.0
Japan	4946	34	0.7	5028	38	0.8	5397	26	0.5	1309	5	0.4	-7.8	-0.2	459	9.3
Norway	11247	1161	10.3	11754	572	4.9	9976	27	0.3	2649	1	0.1	-1134.6	-10.1	-137	-1.2
EU-28, incl.*	595346	15706	2.6	599988	12033	2.0	523806	6077	1.2	129937	1479	1.1	-9629.8	-1.6	-61910	-10.4
Austria	12636	315	2.5	12946	248	1.9	11154	131	1.2	2915	45	1.5	-184.6	-1.5	-1297	-10.3
Belgium	48417	782	1.6	46181	552	1.2	39894	302	0.8	9764	92	0.9	-479.6	-1.0	-8044	-16.6
Bulgaria	5356	71	1.3	4915	67	1.4	4155	49	1.2	906	14	1.5	-21.6	-0.4	-1180	-22.0
Croatia	1567	21	1.3	1735	15	0.9	1723	14	0.8	417	1	0.3	-6.4	-0.4	162	10.3
Cyprus	442	18	4.1	431	8	1.9	370	0	0.1	97	0	0.2	-17.5	-4.0	-55	-12.4
Czech Republic	8203	125	1.5	8690	143	1.6	8059	95	1.2	2016	26	1.3	-29.7	-0.4	-114	-1.4
Denmark	22148	852	3.8	22182	374	1.7	18638	154	0.8	4421	41	0.9	-697.7	-3.2	-2812	-12.7
Estonia	1937	507	26.2	1897	459	24.2	1496	271	18.1	311	43	13.8	-235.6	-12.2	-206	-10.6
Finland	2116	574	27.1	2077	419	20.2	1597	131	8.2	343	26	7.6	-443.1	-20.9	-76	-3.6
France	78953	996	1.3	75931	760	1.0	66687	379	0.6	16532	119	0.7	-617.6	-0.8	-11648	-14.8
Germany	90507	2186	2.4	91709	1595	1.7	79333	1024	1.3	19393	251	1.3	-1161.5	-1.3	-10012	-11.1
Greece	6404	224	3.5	6185	158	2.6	5817	43	0.7	1472	9	0.6	-180.5	-2.8	-407	-6.4
Hungary	10638	356	3.3	10274	307	3.0	8763	199	2.3	2133	69	3.2	-156.4	-1.5	-1718	-16.2
Ireland	13402	297	2.2	14148	171	1.2	12613	53	0.4	3001	14	0.5	-244.1	-1.8	-545	-4.1
Italy	44247	921	2.1	45400	802	1.8	40754	415	1.0	9860	76	0.8	-505.6	-1.1	-2987	-6.8
Latvia	2720	657	24.1	2630	677	25.7	2133	344	16.1	483	48	10.0	-313.1	-11.5	-273	-10.0

Countries	2013			2014			2015			2016 (January–March)			Decline (-), increase (+) in exports in 2015 as compared to 2013			
													to Russia		to other countries	
	total to all countries, millions US dollars	incl. to Russia, millions US dollars	Russia's share, %	total to all countries, millions US dollars	incl. to Russia, millions US dollars	Russia's share, %	total to all countries, millions US dollars	incl. to Russia, millions US dollars	Russia's share, %	total to all countries, millions US dollars	incl. to Russia, millions US dollars	Russia's share, %	millions US dollars	as % of exports to all countries in 2013	millions US dollars	as % of exports to all countries in 2013
Lithuania	6246	1824	29.2	6183	1438	23.3	4958	540	10.9	1136	115	10.2	-1284.1	-20.6	-4	-0.1
Luxemburg	1330	12	0.9	1590	12	0.7	1370	6	0.4	209	0	0.2	-5.8	-0.4	46	3.4
Malta	1	0	2.0	2	0	0.4	1	0	0.1	0	0	0.0	0.0	-1.9	0	0.5
The Netherlands	102217	1971	1.9	103407	1557	1.5	86850	900	1.0	23165	240	1.0	-1071.1	-1.0	-14296	-14.0
Poland	26869	1669	6.2	27965	1194	4.3	25594	442	1.7	6202	94	1.5	-1226.5	-4.6	-48	-0.2
Portugal	7417	65	0.9	7968	55	0.7	7019	30	0.4	1552	7	0.5	-34.9	-0.5	-363	-4.9
Romania	6309	55	0.9	6669	87	1.3	5925	52	0.9	1235	33	2.7	-3.2	-0.1	-381	-6.0
Slovakia	4270	41	1.0	3633	32	0.9	3033	18	0.6	662	3	0.5	-23.4	-0.5	-1214	-28.4
Slovenia	1179	39	3.3	1288	33	2.6	1181	25	2.1	287	6	2.1	-14.1	-1.2	16	1.3
Spain	48717	776	1.6	50803	565	1.1	46220	268	0.6	12385	58	0.5	-508.6	-1.0	-1988	-4.1
Sweden	9743	131	1.3	10084	122	1.2	8919	68	0.8	2237	15	0.7	-62.3	-0.6	-761	-7.8
Great Britain	31355	223	0.7	33066	180	0.5	29549	122	0.4	6802	33	0.5	-101.1	-0.3	-1704	-5.4
Total for sanctioned countries	838400	18988	2.3	854794	14155	1.7	756135	6631	0.9	183729	1633	0.9	-12356.7	-1.5	-69909	-8.3

* Aggregate data are presented for all EU member countries, including each country's exports within and outside the European Union.

Source: Comtrade.