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The review provides a detailed analysis of main trends in Russian economy in 2016. The paper contains 6 big sections that highlight single aspects of Russia's economic development: the socio-political context; the monetary and budget spheres; financial markets; the real sector; social sphere; institutional challenges. The paper employs a huge mass of statistical data that forms the basis of original computation and numerous charts.

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4.6. Growth factors in the agriculture of Russia[1]

In 2016, record-high yields of grain, including wheat, maize, sunflower, soya and sugar-beet were received. A new record in poultry meat production was set. Despite economic recession, gross agricultural output has been growing in the past few years. Such results are attributed by many experts to the effect of the embargo on imports of food from some countries and import substitution measures. However, neither the embargo nor import substitution was a decisive factor behind growth in agriculture. The most important factors were the interest of the business in developing agriculture, depreciation of the ruble and favorable weather conditions of the past few years.

4.6.1. Agricultural production dynamics

As regards output volumes of the main types of crop products, Russia surpassed the pre-reform levels: 1.4–1.7 times over as regards wheat, sugar-beet and vegetables and 3.3–4.6 times over as regards sunflower, soya and maize (*Table 34*).

Table 34

Gross harvest of the main agricultural crops, million tons

	On average in 1986–1990	2014	2015	2016 (preliminary data)	2016 as % of average in 1986-1990
Grain	104.3	105.3	104.8	119.1	114.2
Including wheat	43.5	59.7	61.8	73.3	168.5
Maize	3.3	11.3	13.2	13.8	418.2
Sugar-beet	33.2	33.5	39.0	48.3	145.5
sunflower	3.1	9.0	9.3	10.7	345.2
Soya	0.6	2.6	2.7	3.1	516.7
Potatoes	35.9	31.5	33.6	31.0	86.4
Vegetables and gourds	11.2	15.5	16.1	16.3	145.5
Fruits and berries	3.3	3.0	2.9	3.3	100.0

Source: Rosstat.

High growth rates were observed in industries with the highest levels of profitability. Russia has entered global markets and secured the leading positions: the country is rated the first as regards production of wheat, buckwheat and sugar beet pulp and the second as regards barley, peas, garbanzo, sunflower oil, oilseed meal, protein meal and flax seeds.

Gross harvest growth took place on the back of higher yields of agricultural crops as a result both of favorable weather conditions and technical and technological modernization based on utilization of the latest international breakthroughs. As compared to the 1986–1990 period, the most significant harvest growth was registered in production of sugar-beet, maize and fruits (almost twofold) and grain (70%) and soya, potatoes and vegetables (50%) (*Table 35*)

Table 35

Harvest of the main agricultural crops, centner per ha

[1] Authors of chapter: V. Uzun – IAES RANEPA; N. Shagaida – IAES RANEPA.

	On average in 1986–1990	2014	2015	2016 (preliminary data)	2016 as % of average in 1986–1990
Grain	15.9	24.1	23.7	26.0	163.5
Including wheat	20.1	25.0	23.9	26.3	130.8
maize	28.7	43.6	49.3	54.6	190.2
Sugar-beet	225	370.1	387.8	460	204.4
Sunflower	12.7	14	14.2	15.1	118.9
Soya	10.3	13.6	13.0	14.8	143.7
Potatoes	108	149.6	159.1	152.7	141.4
Vegetables and gourds	154	217.8	225.1	226.8	147.3
Fruits and berries	39.5	75.9	75.7	86.3	218.5

Source: Rosstat.

In livestock breeding, the situation differs by the sector. Production of poultry meat increased 2.6 times over as compared to the pre-reform period. In those sectors, on average by all the categories of farmsteads productivity indices are insignificantly inferior to those of developed countries.

The main specifics of 2016 consist in reduction of growth rates in production of poultry meat due to saturation of the internal market with domestic products. Poultry production reacts promptly both to changes in the market situation (the broiler growing period is the shortest one) and a drop in households' solvent demand (*Table 36*). In the past few years, the authorities and business were aimed at import substitution and were not prepared to enter global poultry meat markets.

At the same time, crisis is still going on in cattle breeding. Reduction of livestock and output has not been stopped. A slump in cattle breeding has a mixed dynamics in different categories of agricultural producers. As state support is rendered primarily to agricultural organizations, their milk production is growing, but its rates do not make up for losses of private subsidiary farms: in 2015 growth in agricultural organizations' milk production amounted to 353,000 tons with a drop of 464,000 tons in that of private subsidiary farms. Small business patterns failed to be integrated into vertical production chains despite the fact that their production is not virtually supported by the state unlike that of agricultural organizations. Sustainable growth in production of milk and cattle meat (with a drop in production thereof with farmsteads and agricultural organizations) by farming enterprises points to growth potential of cattle breeding production amid reduction of access barriers to land and lending resources for small business entities.

Table 36

Gross production and livestock output growth indices of all the categories of farmsteads

	Gross production				
	On average in 1986–1990	2014	2015	2016	2015 as % of average in 1986–1990
Cattle and poultry meat, thousand tons of slaughter weight	9671	9070	9565	9894**	102*
Including cattle stock	4096	1654	1649	n.a.	40.3
Pork	3347	2974	3099	n.a.	92.6
Fowl	1747	4161	4536	n.a.	259.6
Sheep and goats	369	204	205	n.a.	55.6
Other types of livestock	112	77	77	n.a.	68.8
Milk, million tons	54.2	30.8	30.8	30.7	56.6*
Eggs, billion units	47.9	41.9	42.6	43.5	90.8*

* 2016 as % of 1986–1990.
** estimated data
Source: Rosstat

Generally, in the past decade annual average growth rates of the agriculture were below than in the economy as a whole. Such a pattern is typical of developing and developed countries. It

leads to reduction of the unit weight of agriculture in GDP. If the year 2005 is equal to 100% (*Agricultural Sector Development*, a national project and the first State Program of Support to Agriculture were started in 2006 and 2008, respectively), it can be seen that GDP growth rates are more stable – they fell only in 2009 and 2015 – while sustainable growth in added value of the agriculture has been observed only since 2012 (*Fig. 30*).

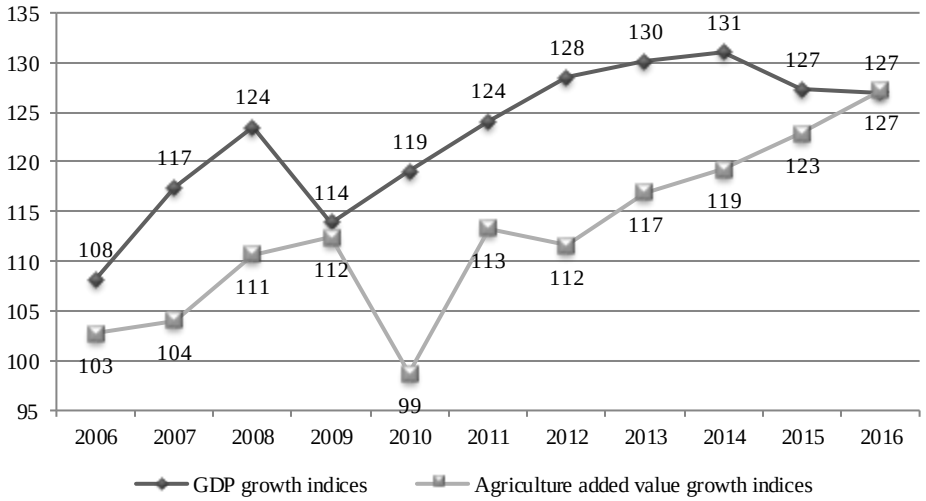


Fig. 30. Growth rates of GDP and agriculture added value (the year 2005 is equal to 100%)

Source: Rosstat.

Such unstable dynamics is largely related to prevalence of crop production in the pattern of agriculture which largely depends on weather conditions (in 2015 the share of crop production was equal to 54%). In the past decade, a dramatic drop in agriculture production growth rates was registered in the drought-ridden year of 2010 (12.1%) and 2012. In the past four years, amid dramatic reduction of economic growth rates or even recession growth in the agriculture was observed. (*Table 37*)

Table 37

Growth rates of GDP and added value in the agriculture, % of the previous period

	GDP growth indices	Agriculture added value growth indices
2006	108.2	102.7
2007	108.5	101.3
2008	105.2	106.4
2009	92.2	101.5
2010	104.5	87.9
On average in 2006–2010	**103.7**	**100.0**
2011	104.3	114.7
2012	103.5	98.5
2013	101.3	104.8
2014	100.7	102.0
2015	97.2	103.0
2016	99.8	104.8
On average in 2011–2016	**101.1**	**104.4**

Source: Rosstat

The main factor behind growth in the agriculture is the agrarian reform carried out early in 1990s. That reform brought about both positive and negative changes.[1] The positive impetus was given by privatization and development of private agrarian business (over 95% of the gross agrarian output is produced by tens of thousands of agricultural organizations, hundreds of thousands of farms and millions of individuals' farmsteads). The driver of development was private farmsteads' motivation to receive profit and accumulate capital. As a result, there was growth in output of the most profitable types of products on the basis of modernization of production facilities, utilization of international R&D achievements and reduction of costs. The above permitted to win competition on the domestic market as regards most products and enter global markets and secure leading positions there as regards grain and oil-yielding crops. At the same time, low-margin and loss-making industries of the agrarian sector either ceased to develop or shrank.

4.6.2. The main growth factors of agriculture in 2016

The Effect of Weather Conditions. In 2016, good weather conditions contributed to the agrarian sector's output growth. Favorable weather conditions had been observed for a few years. To receive an aggregated assessment of weather conditions, the method of correlation of indices of agricultural output with those of the share of lost seeds in the agricultural organizations' total cultivated area was utilized. From 2014, the index of the share of lost seeds has remained at a low level (*Fig. 31*). The above indices' correlation ratio amounts to -0.705. With lost seeds decreased by 1%, the agrarian sector's growth rates rise 1.1%.

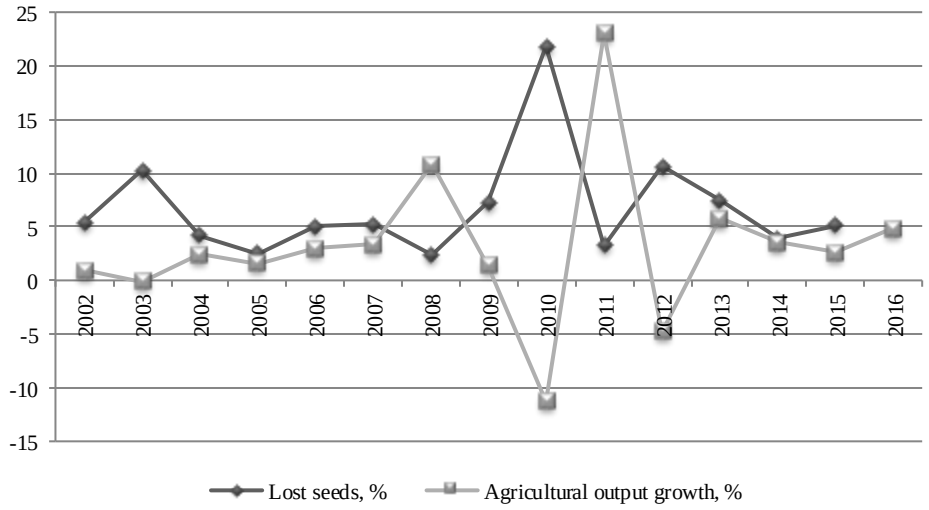


Fig. 31. Dynamics of agricultural output growth and the share of lost seeds with agricultural organizations, %

Source: The Ministry of Agriculture of the Russian Federation

[1] For more details on positive and negative consequences of the agrarian reform in Russia, see the Agrarian Reform in the Post-Soviet Russia: Mechanisms and Results. M. *Delo* Publishers, 2015. p. 352.

With a lack of data on lost seeds in 2016, estimates can be made on the basis of fragmentary data. So, the year 2016 was the warmest year throughout the entire history of agro-weather observations.[1] The state of seeds was estimated as a good one.[2]

According to the estimates of the director of the crop-production department of the Ministry of Agriculture of the Russian Federation, in 2016 the area where seeds were lost was insignificant.[3] So, it can be said favorable weather conditions contributed to output growth in 2016.

Depreciation of the Ruble. With multiple factors simultaneously having an effect on development of the agriculture, it is rather difficult to single out the effect of depreciation of the ruble alone. Shown below is an illustration – with no strong evidence claimed – of the nature of that effect in terms of a pork market (*Table 38*).

Table 38

The effect of the USD exchange rate on competitiveness of domestic pork production

	2011	2012	2013	2014	2015	Price of 2015 against 2011, %
USD exchange rate	29.4	31.1	31.8	38.0	60.7	206.7
Global price: USD a ton	3047	3052	2999	3030	2401	78.6
Thousand RUB a ton	89.4	94.8	95.4	115.0	145.6	153.5
Price of import to Russia: USD a ton	3212	3347	3444	4036	3129	93.5
Thousand RUB a ton	94.3	104.0	109.6	153.2	189.8	182.5
Ex-factory meat price	132.7	131.4	121.0	163.5	151.6	115.3
Ratio of import price to sale price, %	71.1	79.1	90.6	93.7	125.2	158.3

Source: Calculations on the basis of the data of the Comtrade, the Federal Customs Service of the Russian Federation and the Unified Interdepartmental Statistical Information System.

In the period under review (2011–2015), the USD exchange rate against the ruble more than doubled, average world pork prices in US dollars fell by 21.4%, while import prices to Russia decreased by 6.5%. However, due to appreciation of the USD exchange rate import prices in rubles kept growing regularly and in 2015 surpassed by 82.2% the 2011 level. Also, prices at which meat-processing plants sold pork were growing, but at a much lower rate: in 2015 they were only 15.3% higher than in 2011. The dynamics of import and sale prices in rubles consistently contributed to higher competitiveness of domestic pork production. In 2011, pork cost 28.9% less with importers than with domestic producers. In subsequent years, the difference between import and domestic prices shrank and in 2015 domestic producers sold pork at a price which was 25.2% less than with importers. It is quite clear that the above happened due to a dramatic depreciation of the ruble in 2015 as compared to 2014 (the exchange rate rose from RUB 38 to RUB 60.7 per $1). If in 2015 the exchange rate of the US dollar remained the same as in 2014 the import pork price would be equal to RUB 118,900 which is much lower than the price of domestic producers.

Similar processes took places in other industries. The above factors contributed to growth in profitability of production (in 2015 in general it was the highest one across agricultural organizations and most types of products in the past ten years). Growth in efficiency and competitiveness contributed to import substitution. However, depreciation of the ruble had the following negative consequences, too: it caused inflation rate growth, reduction of households'

[1] Rosgidromet, Report by V.A. Trach-Dolgikh, Director of the All-Russian Research Institute of Meteorology. Russian Crop Production-2016-17.

[2] Ibid.

[3] P. Chekmarev. Crop Production is the Foundation of the Country's Food Security. Report delivered at the Russian Crop Production-2016-17 Conference sponsored by the Agroinvestor magazine.

real incomes, a decrease in demand on produce, growth in the share of expenditures on food in families' budgets, particularly, low-income families' and growth in prices on import resources and fuel.

Food Embargo and Import Substitution. The government's signals in terms of a food embargo were heard by agricultural producers. Despite appreciation of import resources due to depreciation of the ruble, agricultural producers increased acres in crops which were in demand on domestic and international markets (*Table 39*).

Table 39

Changes in acres in crops as compared to 2013, %

	2014/2013	2015/2013	2016/2013
Grain and grain legumes	101	102	103
Sugar-beet	102	113	123
Sunflower for grain	95	96	104
Potatoes*	99	100	96
Field vegetables	102	103	103

* Reduction of crops of potatoes is related to a high level of food assistance in the country and a traditionally high share of food production at households' farmsteads and agricultural organizations' low procurement prices.
Source: Rosstat.

By individual products, the import-export balance improved, too (*Table 40*). In some months of 2016, Russia approached the positive import-export food balance (see *Annex*). Such a situation was observed for the first time in the latest history. In the Soviet period it took place for the last time in the 1960s, that is, almost 60 years ago.

Table 40

Import-export balance, % of the respective period of the previous year

	2014	2015	January-September 2016
Meat and processed meat	97	67	78
Milk and dairy products	97	86	98
Vegetables and gourds	101	70	n.a.
Fruits and berries	93	97	n.a.

Source: calculated on the basis of the balance data, Rosstat.

Domestic production has started to play an ever greater role in the pattern of potential volume of consumption: its share increased as compared to the total of domestic production and import-export balance (*Table 41*).

Table 41

The share of domestic production in the pattern of potential volume of consumption*, %

	2014	2015	January-September 2016
Meat and processed meat	83	89	91
Milk and dairy products	78	81	85
Vegetables and gourds	89	92	n.a.
Fruits and berries	35	35	n.a.

*potential volume of consumption is the total of domestic production and import-export balance.
Source: calculated on the basis of the balance data, Rosstat.

Also, the share of imports in consumption is shrinking (*Table 42*).

Table 42

Correlation of volumes of imports and consumption, %

	2014	2015	January-September 2016
Meat and processed meat	18	13	11
Milk and dairy products	23	21	16
Vegetables and gourds	16	14	n.a.
Fruits and berries	64	66	n.a.

Source: calculated on the basis of the balance data, Rosstat.

The Rosstat's data on the share of import products in the retail trade's commodity stocks points to active import substitution, too (*Table 43*).

Table 43

The share of import food in the retail trade's food commodity stocks, %

		%			%
2013	Q 1	36	**2015**	Q 1	29
	Q 2	35		Q 2	26
	Q 3	35		III квартал	27
	Q 4	36		IV квартал	30
	Indicator value for year	36		Indicator value for year	28
2014	Q 1	36	**2016**	Q 1	24
	Q 2	33		Q 2	22
	Q 3	32		Q 3	22
	Q 4	36		Q 4	n.a.
	Indicator value for year	34		Indicator value for year	n.a.

Source: The Unified Interdepartmental Statistical Information System.

If one proceeds from the above aggregate data, it can be concluded that import substitution has crowned with success. However, analysis of actual consumption is required, too, for such a statement to be made. According to the 2015 data, it can be seen that with reduction of imports the actual consumption decreased as well, except for (*Table 44)* vegetables where not only consumption, but exports were growing (see *Annex)*.

Table 44

The volume of potential and actual consumption (personal and industrial), % of the previous year

	Volume of potential consumption (production + + import-export balance)			Actual consumption		
	2014	2015	January-September 2016	2014	2015	January-September 2016
Meat and processed meat	100	99	103	101	98	102
Milk and dairy products	100	97	99	99	98	99
Vegetables and gourds	104	101	n.a.	103	101	n.a.
Fruits and berries	96	97	n.a.	93	97	n.a.

Source: calculated on the basis of the balance data, Rosstat.

Similar conclusions can be made on the basis of analysis of individual most sensitive goods, rather than groups of products. According to the 2015 data[1], it is clear that import substitution was accompanied by simultaneous growth in consumption resources not only in respect of poultry meat and vegetables (from among agricultural products) alone. As regards other numerous products (beef, pork, fruits and berries and cheese), growth in domestic production failed to make up for import shrinkage (*Table 45)*.

[1] The 2016 data for calculation of Table *44* and *45* are not available yet.

Table 45

Import substitution of agricultural products

Types of products	Production, thousand tons			Import, thousand tons			Import substitution, thousand tons	Growth (+) reduction (-) consumption, thousand tons
	2013	2015	Growth in 2015 as compared to 2013	2013	2015	Growth in 2015 as compared to 2013		
Beef, slaughter weight	1633	1649	16.1	661	438	-222.2	16.1	-206.1
Pork, slaughter weight	2816	3099	282.5	620	305	-315.6	282.5	-33.1
Poultry meet, slaughter weight	3831	4535.5	704.6	528	255	-272.8	272.8	431.8
Vegetables	14689	16111	1422.0	3000	2607	-392.6	392.6	1029.4
Fruits and berries (including grape)	3381	3379	-2.1	6412	5105	-1307.5	-	-1309.6
Butter	225	256	31.4	118	90	-28.1	28.1	3.3
Cheese and cheese products	435	589	153.8	440	208	-232.6	153.8	-78.8
Powder milk	116	124	7.4	35	33	-1.1	1.1	6.3
Sugar	4986	5748	761.7	612	1010	398.3	-	1160.0

Source: Rosstat and the Federal Customs Service of the Russian Federation

In the past few years, the pattern of food imports has changed dramatically: the share of meat processed and dairy products has decreased, while fruits and vegetables have gained the leading positions (*Table 46*).

Table 46

The pattern of food imports, %

	2013	2014	2015	2016
Meat and meat by-products	15.6	13.8	11.7	9.2
Fish and fish products	6.6	6.4	5.1	5.6
Dairy products, eggs; honey	10.3	9.7	7.7	8.6
Vegetables	6.7	7.4	7.2	5.6
Fruits and nuts	14.8	13.7	14.9	15.4
Alcohol and soft drinks	7.9	7.7	6.7	7.3
Other products	38.1	41.3	46.7	48.4
Total as regards group 1–24	100	100	100	100

Source: The Federal Customs Service of the Russian Federation.

So, both limitations of the market and positive signals to agricultural producers have crowned with some success in production, but import substitution has actually taken place only in production of poultry meat and vegetables.

Technological breakthroughs. After the reforms, the Russian business has gained access to international breakthroughs in agriculture. During the period of implementation of the national project – Development of the Agrarian Sector (2006–2007) – the linked index of investments into capital assets of agricultural organizations rose by 96%. Throughout implementation of state agriculture support programs (2008–2012 and 2013–2020), the index fell to 36% (in 2010) and then rose to 65% (in 2013). In the past two years, the index started to fall again (*Fig. 32*).

Despite limitation of investment funds, in the above period the Russian business carried out to a large extent technical and technological modernization in agriculture using international R&D breakthroughs. As regards individual crops, utilization of seeds and hybrids of foreign artificial selection was close to 100% (*Table 47*). According to the data of the Ministry of Agriculture, the share of imported component parts for green-houses, pig-breeding units (including slaughter department equipment) and dairy units amounted to 80%, 75% and 70%, respectively. In 2016, the share of imported herbicides amounted to 56%.

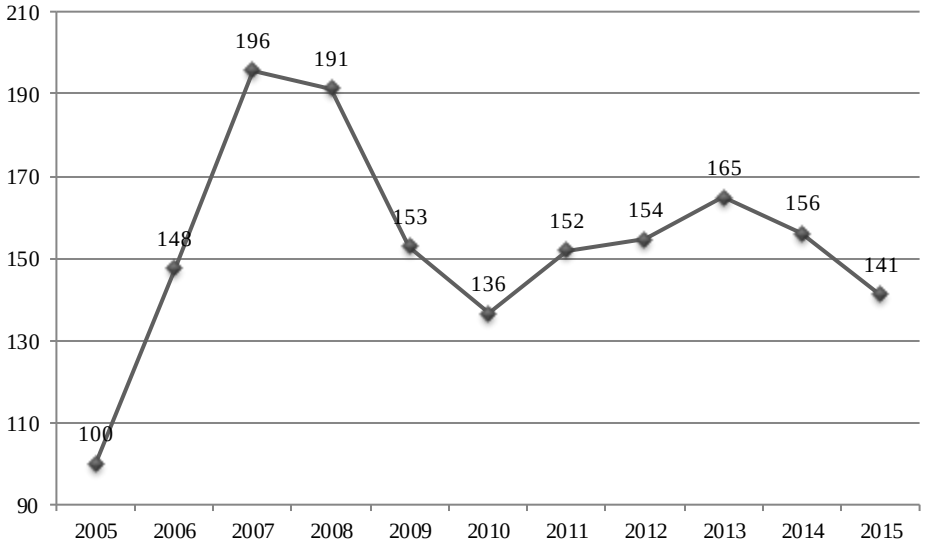


Fig. 32. Linked index of investments in capital assets of agricultural organizations

Source: The Unified Interdepartmental Statistical Information System.

Table 47

The share of imported seeds in the total volume of procurement

	2013	2016 (H1)
Vegetables	66	23
Maize	43	28
Sunflower	46	44
Sugar beet	96	69
Potatoes	62	

Source: The Ministry of Agriculture of the Russian Federation

Application of foreign technologies has contributed to considerable growth in crop yield (*Table 47*). For fairness' sake, it is to be noted that grain crops are cultivated primaraly from Russian seeds.

Productivity of dairy cows at agricultural organizations rose from 4.3 tons in 2011 to 5.1 tons in 2015, while in 2016 it amounted to 5.3 tons (estimate). Expenditures on fodder per kilo of pork and poultry meat fell by twofold. As regards efficiency, Russian pork-breeding units and poultry farms are in no way inferior to similar ones in developed countries.[1] So, state-sponsored technological modernization of the agrarian sector contributed to efficiency growth.

[1] Utilization by the business of the latest international technical and technological breakthroughs contributed to growth in efficiency, output volumes and import substitution in the agrarian sector. However, in that period the government did not carry out an active policy to support national science, so, reduction of dependence on imports of products was accompanied by growing dependence on imports of know-how and technologies. That dependence can hardly be broken with the existing level of financing of the Russian science, however, as in the field of production it is important here to identify breakthrough lines in R&D to secure leading positions not only on the domestic market, but also on the international one.

4.6.3. The population's access to food

By 2015, the population of Russia was on average provided with food in accordance with recommended medical norms and the food pattern improved to become a more balanced one. Meat consumption even exceeded the recommended norms (*Table 48*).

Table 48

Food consumption (on average per consumer a year), kg

	1990	2000	2014	2015	Specified norm*
Bread products	97	109	95	95	96
Potatoes	94	93	59	58	90
Vegetables and gourds	85	82	98	100	140
Fruits and berries	37	27	76	71	100
Meat and processed meat	70	50	85	85	73
Dairy products	378	199	266	266	325
Eggs, pieces	231	202	216	218	260
Fish and fish products	15	14	22	21	22
Sugar and confectionery	32	30	31	31	24

*"Guidelines for Balanced Food Consumption Norms Meeting Modern Healthy Nutrition Requirements". Order No.614 of August 19, 2016 of the Ministry of Health of the Russian Federation.
Source: Rosstat, budget analysis data.

Improvements in consumption till 2014 were accompanied by reduction of the share of households' expenditures on food and that was a positive trend. However, from Q4 2014 expenditures on food started to grow (*Table 49).*

Table 49

The share of expenditures on food and alcohol-free beverages in households' consumer spendings, %

	2013	2014	2015	2016
Q1	28.5	28.2	32.0	33.3
Q2	26.8	30.1	30.7	33.3
Q3	28.3	27.9	31.9	31.6
Q4	26.3	27.8	30.9	n.a.

Source: Rosstat's budget analysis data.

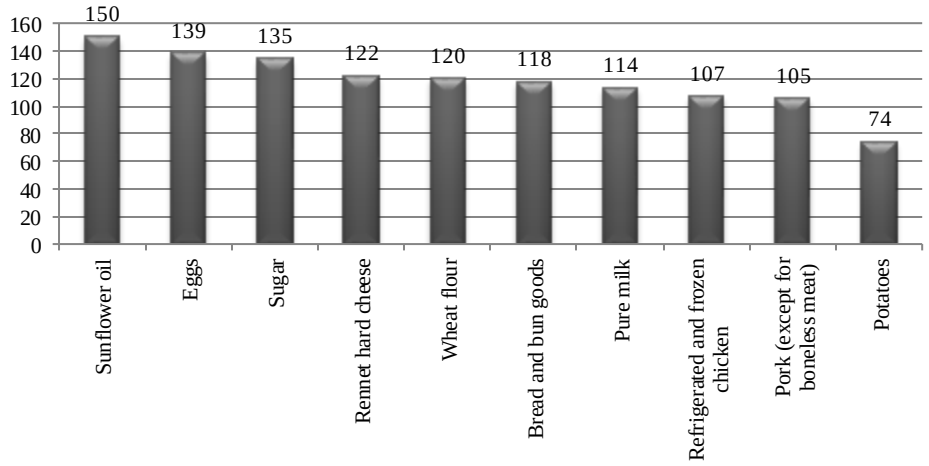


Fig. 33. Food price indices, % (January 11, 2016 against August 4, 2014)

Source: The Rosstat.

Growth in expenditures was primarily related to prices rises. So, after the food embargo was introduced, prices on pork and poultry meat used to grow by nearly 1% a week, but later they hit up against households' solvent demand and started to go down. As a result, general growth in prices on pork and poultry meat during the period of the embargo amounted to 4%-7%. (*Fig. 33*).

Price rises and a drop in households' incomes resulted in a reduction of volumes of purchased food. As early as September 2014, a decrease in sales volumes in comparative prices was observed. The above trend still prevails (*Fig. 34)*.

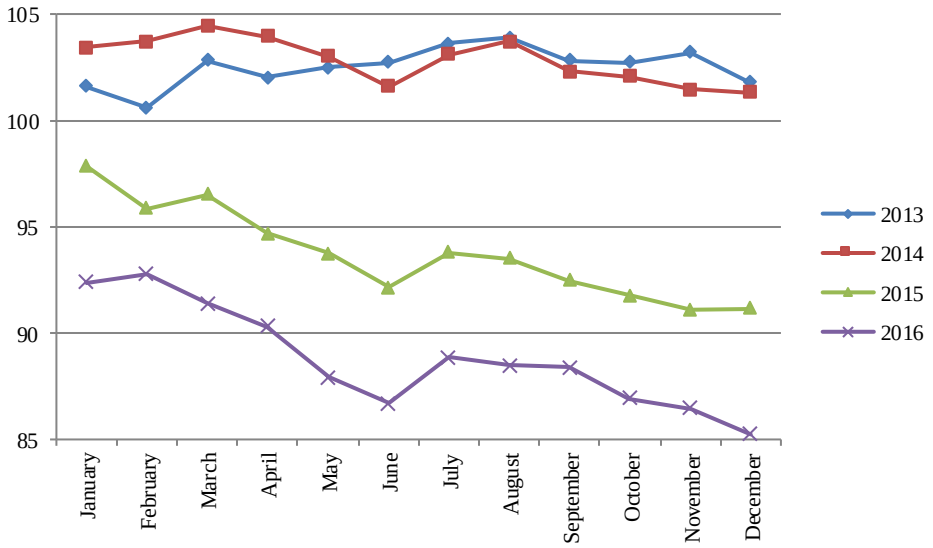


Fig. 34. Indices of the physical volume of food purchasing, % of the respective month 2012

Source: The Unified Interdepartmental Statistical Information System.

* * *

1. In 2016, the agriculture in Russia kept growing. As seen from the analysis, development was aimed at upgrading the level of households' satisfaction with food and ensuring food independence of Russia through import substitution and expansion to the global markets of grain and vegetable oil.

2. The main factors behind growth in the agriculture were favorable weather conditions in the main agricultural regions, depreciation of the ruble and technical modernization of the agrarian sector through utilization of the latest international achievements. The role of the national science and technologies is insignificant, so far. The business gives preference to imported seeds, livestock and fowl breeds, equipment, crop protection agents and biological additives. The above statement should in no way constitute grounds for introduction of limitations, quotas and duties on imports of those resources for agriculture as that may cause their appreciation.

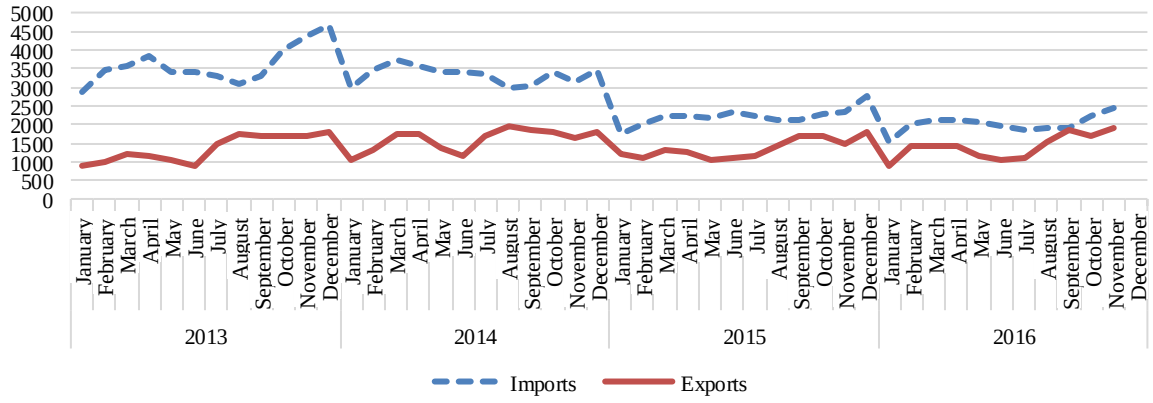
In Russia, funding of the national agrarian science per RUB 1 of the added value of agriculture is tens of times lower than in developed countries. Many transnational companies finance research in agriculture in a volume which largely exceeds the Russian budget. In such a situation, it would be expedient to increase substantially funding, modify the agrarian science,

identify breakthrough research lines to enter the markets of innovative products and stimulate business to make investments in development and promotion of innovative products, rather than impose a ban on import of technologies and know-how.

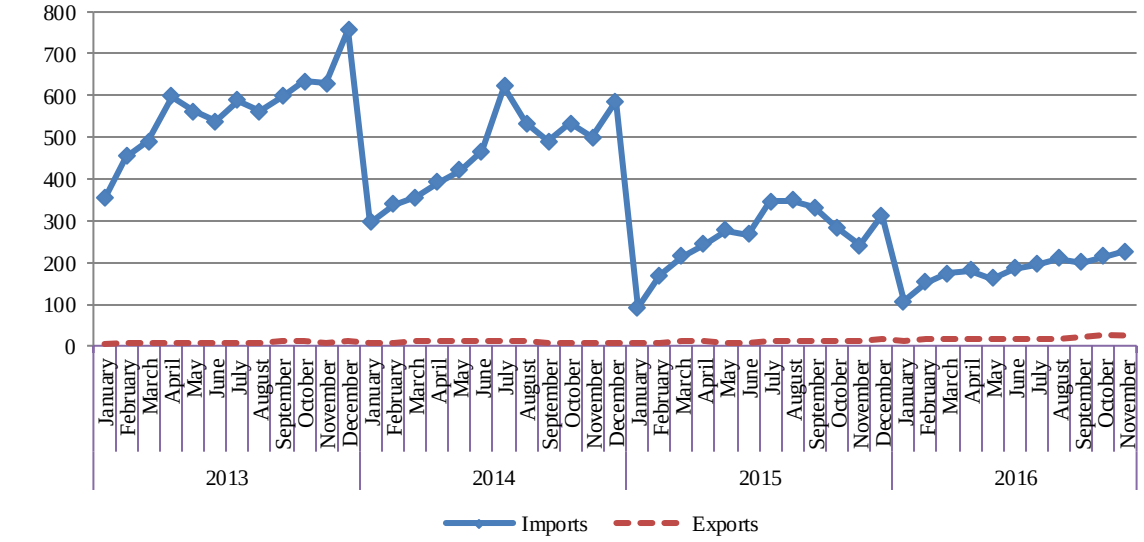
3. Traditional goals of development of agriculture – growth in the level of consumption and import substitution – have exhausted themselves: the advisable medical norms of consumption of the main products either have been achieved or were almost achieved and the main volumes of the earlier imported products have been replaced by domestic ones. An exception is fruits and berries which cannot be produced in Russian natural climate conditions and dairy products. They occupy a leading position in the pattern of food imports. As households' expenditures grow, seasonal consumption of vegetable, gourds, fruits and berries is smoothed over. In the off-season period, it is more advantageous to meet demand on numerous types of products by means of quality and less expensive import products. In such a situation, an increasingly important role should be given to promotion of exports and expansion to the global markets, otherwise, it would be impossible to maintain the existing growth rates of the agriculture.

4. Export-oriented growth in the agriculture requires radical changes in goal-setting for development. If before lines for development were determined proceeding from unsatisfied demand, the long-term policy should now be based on identification of Russia's competitive advantages on global markets. It is necessary to choose from a variety of types of products those products which can be produced with high quality and on a low cost basis thanks to favorable natural climate conditions and traditional industry. In a northern country, efforts to promote in a winter season cultivation of cucumbers, tomatoes and pepper are unlikely to be effective. In Russia, one should cultivate potatoes, carrots, cabbages and inexpensive field tomatoes and cucumbers, that is, traditional vegetables which are easy to grow. Huge areas of unutilized forage lands can become a base for establishment of cattle-, sheep- and horse-breeding ranchos. Rural territories with an excess of labor are advantageous for cultivation of labor-intensive crop-plants: fruits, vegetables, mushrooms and berries. It is to be noted that outdated production of the above types of products with utilization of obsolete technologies at households' backyards will never ensure access to global markets. For production of quality and inexpensive products, it is important to facilitate establishment of commercial farm enterprises equipped with modern production facilities and integrate them into food chains through cooperatives and integrator-companies.

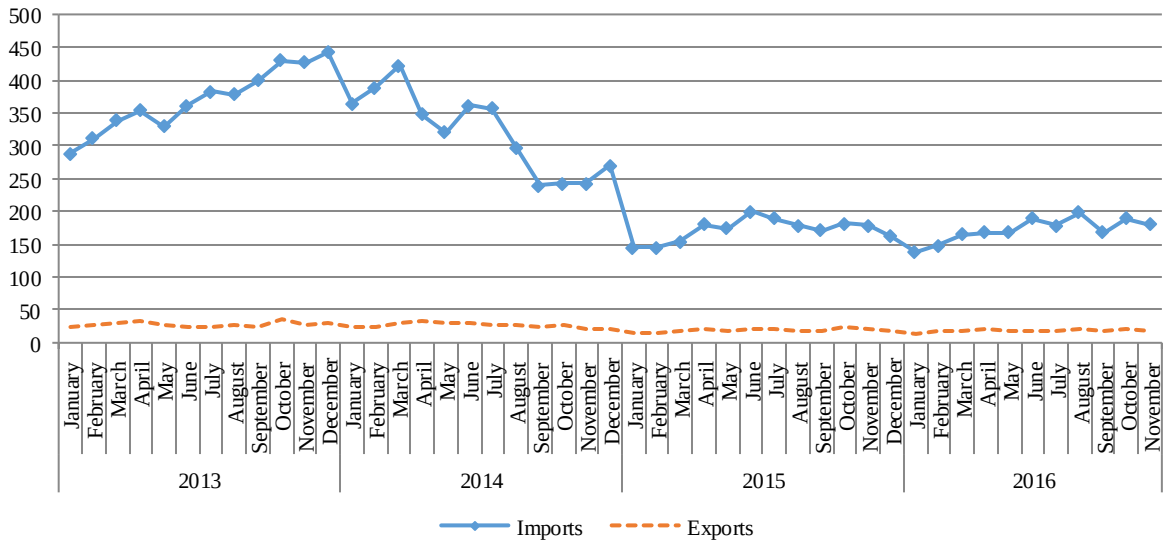
Annex



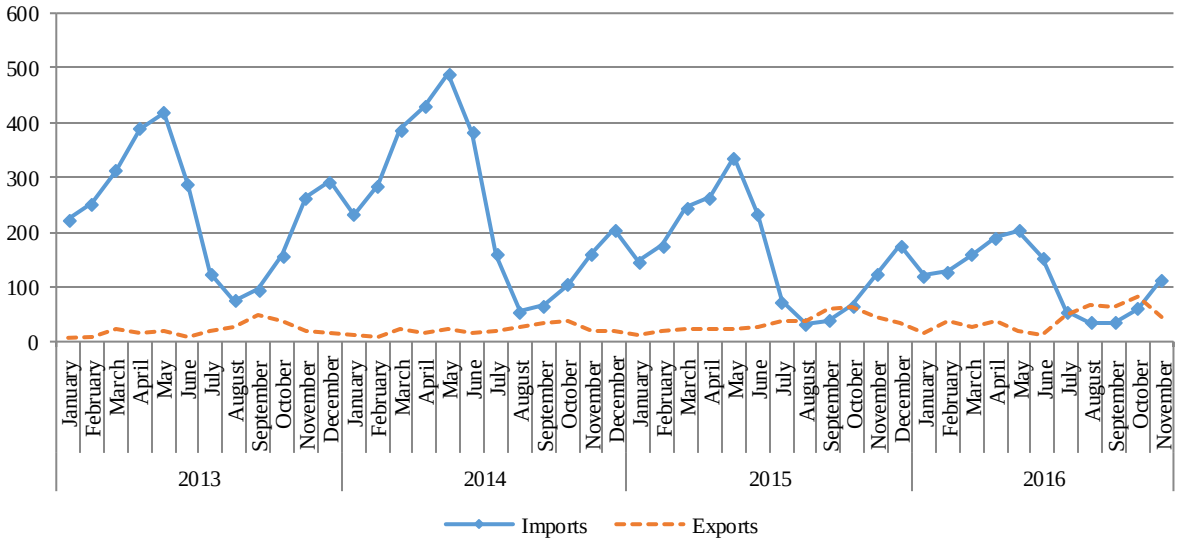
Imports and exports of food and agricultural primary products
(RF, 1-24 Foreign Economic Activity Commodity Classification), million US dollars



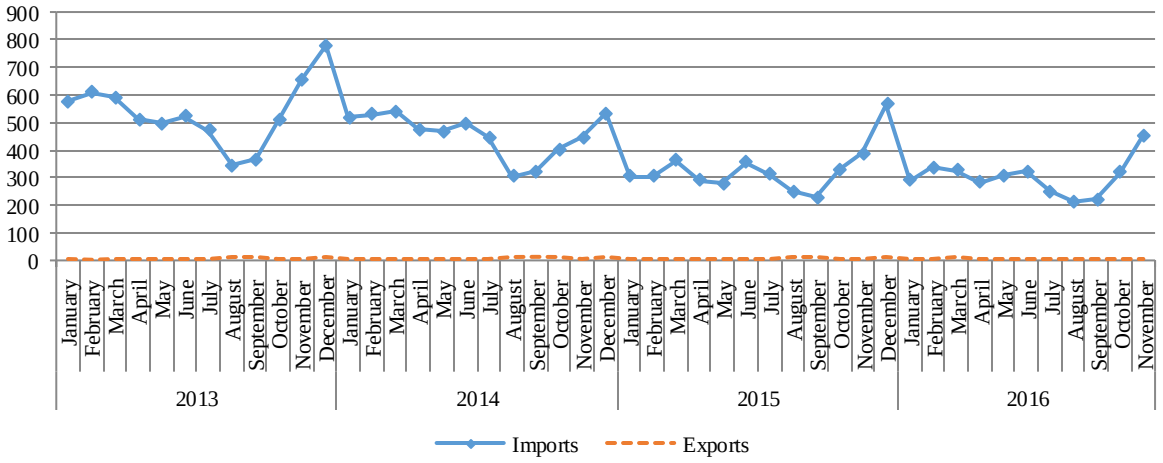
Imports and exports of meat and meat processed byproducts (RF, 02 Foreign Economic Activity Commodity Classification), million US dollars



Imports and exports of dairy products, eggs and natural honey (RF, 04 Foreign Economic Activity Commodity Classification), million US dollars.



Imports and exports of vegetables
(RF, 07 Foreign Economic Activity Commodity Classification), million US dollars.



Imports and exports of fruits and berries
(RF 08 Foreign Economic Activity Commodity Classification), million US dollars.

Source: The Federal Customs Service of the Russian Federation