

The Russian Market: Opportunities for U.S. Agriculture

Russia's Emerging Market Holds Long-Term Potential for U.S. Farmers and Agribusinesses

Home to 142 million consumers with rising disposable incomes, the Russian market offers opportunities for U.S. farmers looking to export their crops and for U.S. firms selling farm machinery or value-added food products. In acceding to the WTO, Russia will be obligated to bind its agricultural tariffs¹, adding more predictability to the trading relationship and opening export opportunities for the U.S. agricultural industry.

U.S. Meat Exporters See Russia as a Key Market

Russia is a significant source of demand for U.S. exports of poultry, pork and beef. WTO membership will require Russia to abide by science-based sanitary and phytosanitary (SPS) standards that will help facilitate U.S. farmers' access to this essential market.

- Russia was the **top market in the world for U.S. poultry exports** in 2009, with the U.S. exporting more than \$762 million (nearly 738,000 metric tons) of poultry to Russia. This followed exports of \$822 million (nearly 834,000 metric tons) in 2008, representing growth of 7% over 2007 levels. While U.S. poultry exports to Russia decreased to \$30 million (34,000 metric tons) in 1H 2010² amid Russian restrictions on imports of U.S. poultry treated with chlorine-based disinfectants, the U.S. and Russia have negotiated terms for the reopening of the Russian market to U.S. poultry.³
- In 2009, Russia was the **5th largest export destination for U.S. pork and swine meat**, totaling more than \$179 million (nearly 90,000 metric tons). In 1H 2010, U.S. pork exports to Russia totaled more than \$48 million (nearly 18,000 metric tons). Previously, in 2008, pork exports to Russia had grown 94% in value and 70% in quantity from the previous year to \$315 million (134,000 metric tons).⁴
- Russia is the **7th largest market in the world for U.S. beef exports**, with U.S. exports to Russia of frozen and fresh bovine meat jumping to more than \$64 million (15,600 metric tons) in 1H 2010. At this rate, full-year 2010 U.S. beef exports to Russia will exceed 2008 and 2009 levels combined. Such high levels of U.S. beef exports to Russia were last seen a decade ago in 2000, when they totaled \$86 million.⁵

Russia's WTO Accession Will Benefit U.S. Farmers of Various Food Products

Lower tariffs will make the Russian market more accessible to U.S. exporters of goods such as nuts and fruits.

- In 1H 2010, U.S. nut exports to Russia grew 60% in value terms over 1H 2009 levels to more than \$31 million, putting them on track to considerably surpass their full-year 2008 total of \$49 million.⁶ Upon accession to the WTO, Russia will bind its tariffs on almonds, walnuts and pistachios to 5%⁷, which may provide for additional increases in U.S. exports.
- In 2009, Russia was the **10th largest importer of U.S. apples in the world**, highlighting a distinct market opportunity for U.S. apple exports. U.S. producers increased and maintained their presence in the Russian market in 2008 and 2009.⁸ In 2008, New York apple farmers launched their first commercial venture with the former Soviet Union with a shipment of 10,000 cartons of apples to Russia.⁹ Within five years of WTO accession, Russia will decrease tariffs on apples by 70%-85%.¹⁰

U.S. Farm Equipment and Food Processing Firms See Export and Sales Opportunities in Russia

- With **8% of the world's farmland**, Russia needs high-quality tractors to farm its 480,000 square miles of arable land.¹¹ U.S. agricultural tractor exports to Russia totaled nearly \$12 million in 1H 2010 after reaching \$39 million in 2009. In 2008, these exports to Russia grew 70% to total \$350 million.¹²
- **Deere & Co.** plans to invest more than \$500 million in its Russian operations by 2015. As part of that plan, the company opened a \$125 million manufacturing and parts center near Moscow in April 2010 and is investing \$61.4 million in an agricultural machinery plant in Kaluga.¹³
- Minnesota-based **Cargill, Inc.** is one of Russia's leading agricultural investors, having invested more than \$650 million in Russia's agriculture and food processing sectors.¹⁴

¹ "Results of Bilateral Negotiations on Russia's Accession to the World Trade Organization (WTO): Agricultural Goods Market Access," Office of the U.S. Trade Representative, November 19, 2006.

² U.S. International Trade Commission Interactive Tariff and Trade DataWeb, Total U.S. Exports to Russia and to All Countries, (HTS-0207) 2006-2009 and 1H 2010 YTD, by FAS Value and by Quantity.

³ "United States, Russia Reach Agreement to Resume Poultry Exports to Russia," Press Release, Office of the U.S. Trade Representative and U.S. Department of Agriculture, June 24, 2010.

⁴ U.S. International Trade Commission Interactive Tariff and Trade DataWeb, Total U.S. Exports to Russia and to All Countries, (HTS-0203) 2006-2009 and 1H 2010 YTD, by FAS Value and by Quantity.

⁵ U.S. International Trade Commission Interactive Tariff and Trade DataWeb, Total U.S. Exports to Russia and to All Countries, (SITC-011) 2006-2009 and 1H 2010 YTD, by FAS Value and by Quantity.

⁶ U.S. International Trade Commission Interactive Tariff and Trade DataWeb, Total U.S. Exports to Russia, (HTS-0802) 2006-2009 and 1H 2010 YTD, by FAS Value.

⁷ "Results of Bilateral Negotiations on Russia's Accession to the World Trade Organization (WTO): Agricultural Goods Market Access," Office of the U.S. Trade Representative, November 19, 2006.

⁸ U.S. International Trade Commission Interactive Tariff and Trade DataWeb, Total U.S. Exports to Russia and to All Countries, (HTS-080810), 2006-2009 and 1H 2010 YTD, by FAS Value.

⁹ "NY Apples Exported to Russia for First Time," Associated Press, May 15, 2008.

¹⁰ "Results of Bilateral Negotiations on Russia's Accession to the World Trade Organization (WTO): Agricultural Goods Market Access," Office of the U.S. Trade Representative, November 19, 2006.

¹¹ Jason Bush, "Farming Makes a Comeback in Russia," *Businessweek*, October 9, 2008.

¹² U.S. International Trade Commission Interactive Tariff and Trade DataWeb, Total U.S. Exports to Russia, (HTS-8701901065, HTS-8701901070, HTS-8701901060, HTS-8701901055, HTS-8701901090, HTS-8701901035, HTS-8701901015, HTS-8701901010, HTS-8701901040, HTS-8701901030, and HTS-8701901005) 2004-2009 and 1H 2010 YTD, by FAS Value.

¹³ "John Deere Plans to Invest \$500M," *The Moscow Times*, July 6, 2009; Maria Antonova, "John Deere to Pump \$125M into New Plant," *The Moscow Times*, September 1, 2009; Maria Antonova, "John Deere Opens Factory in \$500M Russian Initiative," *The Moscow Times*, April 28, 2010.

¹⁴ "Cargill Russia," Cargill, Inc. Website, <http://www.cargill.ru/russia/en/home/about/index.jsp>, (accessed August 12, 2010).