

# Developmental Prospects for Food Trade in World Markets



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**Abstract** The paper presents the results of a study in the service economy in the direction of trade and problems of integration of Russia into the world economy. The authors consider the problems of integrating food products on the example of Russia and China, including the retrospective of the issue in 2012 to present, the situation itself, and prospects for interaction. The analysis of the development paths of transforming Russia into a full-fledged export-oriented agri-food power is given. The paper provides recommendations for the development through strengthening and cooperating with the primary buyers of products in the safety checks of these products, which should lead to a subsequent increase in sales of Russian agricultural products to China and other countries.

**Keywords** International interaction · Russia · China · Service economy · Food

## 1 Introduction

In 2014, the Russian agro-industrial complex [AIC] changed due to well-known international events. In August of that year, the food embargo imposed in Russia against an extensive list of products from the agricultural sector in Western countries allowed

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A. V. Bogoviz (ed.), *The Challenge of Sustainability in Agricultural Systems*,

Lecture Notes in Networks and Systems 205,

[https://doi.org/10.1007/978-3-030-73097-0\\_72](https://doi.org/10.1007/978-3-030-73097-0_72)

domestic food and agricultural producers to get new incentives for self-development. The first years of this embargo were mainly aimed at import substitution, bringing the population with national products of this segment up to 90–95%. However, in the subsequent years, the government established a program of active export expansion, mostly because China, the strategic partner of Russia, decided to open its markets to Russian agricultural products gradually. The authors consider the prospects and opportunities for further development of this direction in this paper.

## 2 Materials and Methods

Varnavsky [10] and Guseva [6] studied the general transformation of the global economy and the services market from 2008 to the present when China took the leading position in terms of GDP. They also studied general trends in the bias created by global GDP in the Asian region.

The studies of the impact on the transformation of the global economy through a block of sanctions from Western countries to Russia and Russian counter-sanctions are performed by such authors [8, 11].

The works on the role of the food embargo of 2014 on stimulating the development of the Russian agricultural sector, both in the format of import substitution and export expansion, were published by the authors Shelamova and Cherkasova [9], Erokhin and Gao [4].

Kovaleva and Sadovnikova [7, pp. 247–249] studied the policy of incrementing imported products in the PRC, including food.

Many authors study the role of food security issues in incremental sales of agricultural products during an increase in the growth of the well-being of the population [1–3].

In the authors' opinion, the above-indicated studies do not fully cover several fundamental questions. Including such questions as:

- Is the current export growth of Russian agricultural products to China at its maximal, optimal, or minimal level?
- Is there any room for further growth of this indicator?
- What segments of the product line can be improved?

The authors of this paper decided to find answers to these questions.

Due to the identified shortcomings in the works mentioned above, current importance, and relevance of these issues, the authors set the following tasks to achieve the stated goal:

- The identification of the role of the food embargo on strengthening the Russian agribusiness in import substitution and active export expansion;
- The determination of countries leading in the import of food products from Russia from 2014 to the present;

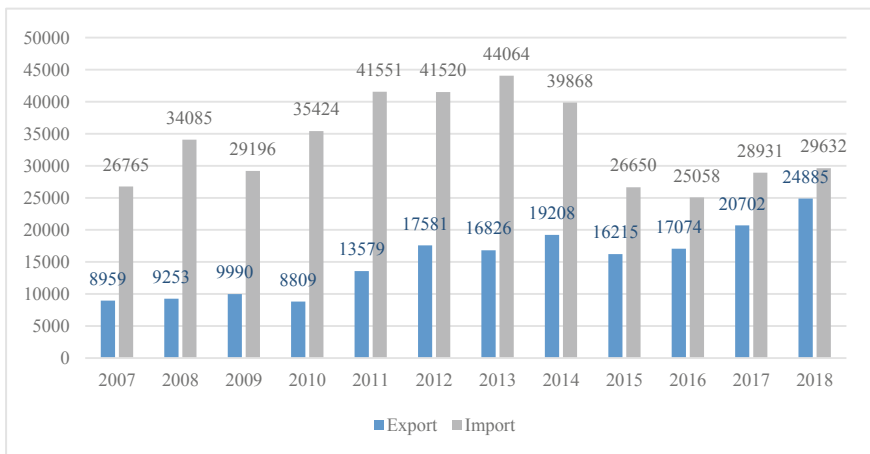
- The comparison of growth rates of similar indicators with leading supplier countries to identify potential growth potentials;
- The identification of the needs of potential consumers in food trade.

### 3 Results

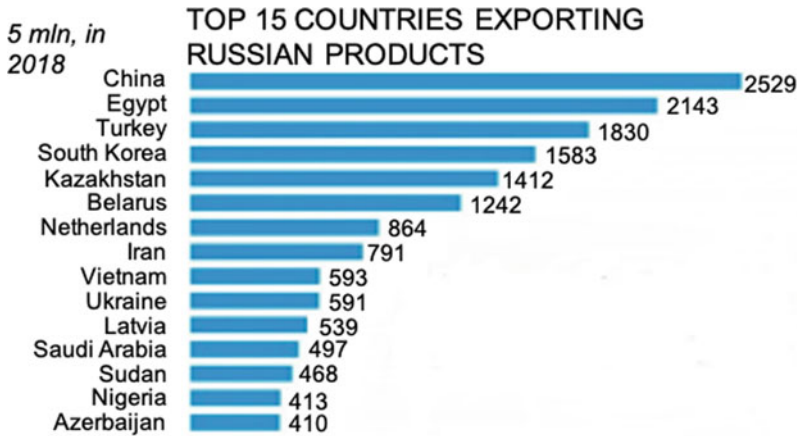
Determining the role of the food embargo on strengthening Russian agribusiness, the authors turned to the official statistics of Federal State Statistics Service regarding the change in the role of economic activities in the total amount of industrial output in Russia in 2012–2017. Monitoring of the data showed that, over the years, the “Production of food products, including drinks” moved from the sixth to the third place, with the most significant separation from the closest competitors at the bottom of the table and approaching the leaders occurred precisely in 2014–2017.

This phenomenon undoubtedly shows the effectiveness of food embargo programs for the development of the industry. In these years, the provision of the population with national products reached a share of 90–95%. In subsequent years, there began a program of active food expansion outside the country. Figure 1 shows the data on issues of export and import of agricultural raw materials and food from the pre-crisis 2007 to the present.

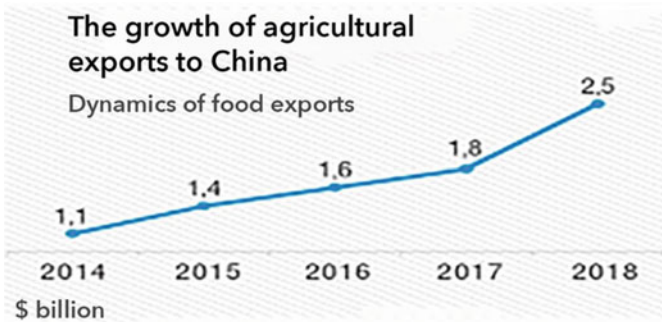
As we can see from the graph, the food embargo introduced in August 2014 allowed Russia to significantly reduce the import of agricultural raw materials and food products by 2015. Starting from 2016, the export of these products steadily increased in absolute number and in the specific weight of products shipped, increasing from 17 to 22–23%. Judging by forecasts [5], this trend should not change



**Fig. 1** Export and import of Russian agricultural raw materials and food products in 2007–2019, \$ million. *Source* [5]



**Fig. 2** Countries importing finished products in the food industry of the Russian Federation in 2018. *Source* [5]



**Fig. 3** Indicators of exports of finished food products from Russia to China for 2014–2018, \$ billion. *Source* [5]

in subsequent years, making the domestic agricultural industry fully export-oriented. Figure 2 presents the general structure of importing countries in 2018.

It should be noted that the dominant role of the People’s Republic of China in this issue appeared only in recent years. Along with the growth in sales volume in China, the dynamics of which are shown in Fig. 3, the share of China in the total volume of export of food products in Russia also grew.

Figure 4 shows the dynamics of changes in sales of finished food products for 2014–2018.

Regardless of the results of the “food wars” of China with the US, there are many possibilities for expanding the export potential of Russia in China due to the increase in the number of wealthy people in China.

Similar situations are still happening, for example, right before the New Year 2020, Russia imposed restrictions on the supply of citrus from China.

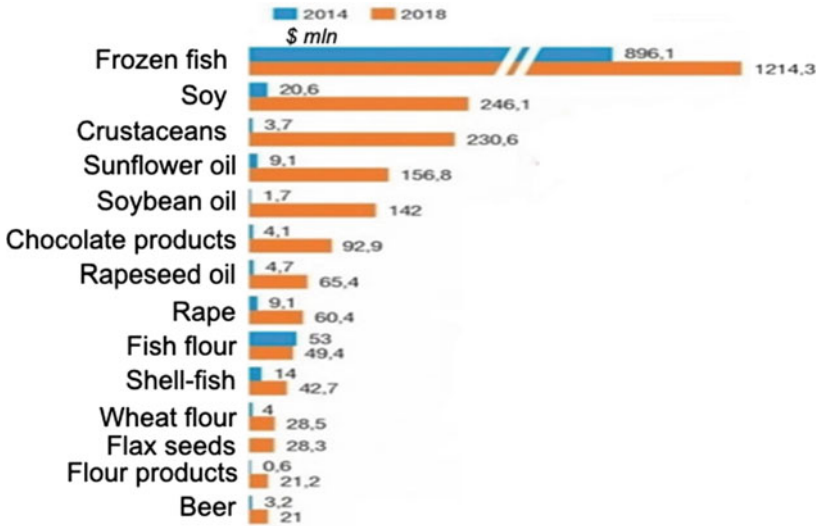


Fig. 4 Exports of Russian agricultural products to the PRC for 2014 and 2018. Source [5]

The development of the AIC determines the state of the national economic potential, food security level, and socio-economic situation [6].

In this regard, the agricultural sector is designed to ensure rapid growth in agricultural production and maximize profits from selling these products.

Currently, Russia can provide its population with basic food products and agricultural products.

The Ministry of Agriculture of the Russian Federation developed a program for the coming years to ensure agricultural development. It includes:

1. Improving the quality of agricultural products and the food industry;
2. The development of human resources;
3. The restoration of abandoned lands;
4. Improving the industry by maintaining soil fertility;
5. The assessment of existing investment needs and search for investment sources.

Following the Federal Law “On Agricultural Cooperation” (December 8, 1995 No. 193-FZ), agricultural cooperation is recognized as one of the organizational and legal forms of farming. It is also an organization created by agricultural producers for joint production or other economic activities, based on the combination of their shareholdings to meet the material and other needs of cooperative members.

In turn, the activities of cooperative groups are based on special corporate laws that recognize cooperative principles and establish rules, which serve as the basis for cooperative activities.

A food cooperative is a cooperative organization created to produce products and sell food products to customers.

Meanwhile, consumer cooperation is a separate type of cooperative organization based on the following principles:

- 1) An alternative form of agricultural entrepreneurship, which operates simultaneously in the interests of producers and buyers of agricultural products;
- 2) Consumer cooperation is marked with the performance of the social functions of the state, but also communicative;
- 3) Consumer cooperation also acts to solve the fundamental social and economic problems and problems arising from the economic and managerial activities.

Consumer cooperation has certain advantages over other types of cooperation. In consumer cooperation, there is a cooperative identity; in other words, it has the status of a non-profit, socially-oriented social system. Consumer cooperatives have a cooperative ideology, culture, mentality, principles, and values. These advantages are due to the combination of the personal initiative of the cooperation employees and the social nature of work.

Thus, we can conclude that the AIC is one of the leading indicators for developing the economy of the country. The state of the Russian AIC reaches high levels of development, contributing to the development of imports between countries, thereby improving the state economy.

## 4 Discussion

Based on the statistics, we revealed the role of the food embargo on strengthening the Russian agribusiness in import substitution and active export expansion. On the one hand, it caused a radical reduction in the consumption of imported products by the population. On the other hand, we notice a significant increase in food export and their share in the country's aggregate of this production.

Based on the materials of statistical and analytical works, the authors identified the countries leading in the import of Russian food products from 2014 to the present. Egypt and Turkey lost ground to China.

The growth rates of similar indicators are compared with leading supplier countries, primarily the USA, EU countries, and partially South American countries. These rates show that Russia can still increase volumes of food export several times.

The needs of potential consumers of the supply of food products were identified. The need includes high quality, environmental friendliness, and meeting the food safety criteria.

## 5 Conclusion

The state's food export support program is undoubtedly an essential point in the continuation of the Russian agribusiness development, including infrastructure

matters. However, in our opinion, it is more important to strengthen the environmental standards for export products, including those formulated and regularly adjusted by China, the leading importer of Russian products.

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