

Press release (August 16<sup>th</sup> 2013)

**agri benchmark Cash Crop Conference in Russia**

**Economics of Russian grain production –  
Driven by low competition for land and strong political support**

Many Western wheat growers are wondering about future competition from Russian and Ukrainian agro holdings. From July 1<sup>st</sup> to July 4<sup>th</sup> the annual *agri benchmark* Cash Crop Conference took place in Voronezh, Russia. Several scientists from Thünen Institute as well as from DLG were among the roughly 50 global experts.

Most recent *agri benchmark* results for large Russian and Ukrainian farm operations whose performance tends to be above the national average indicate that their key advantage is low land cost. When it comes to operations as well as to seeds, fertilizer and crop protection cost per ton, they are not significantly below well managed farms in the EU, the US or Australia. The main drivers for these findings are:

- Significantly lower yields (at least compared to large parts of the EU)
- Rather low physical labor productivity which compensates rather low wage rates
- Relatively low physical productivity of the fertilizers applied

Land prices and land rents however are only 1/10 or even less of what growers in other comparable parts of the world have to pay. Low land cost reflects both, the lack of competition from well trained and well equipped growers as in countries like Brazil and Argentina and the perceived high risks for investors.

At the same time Russian agriculture is subject to massive governmental support – the so-called producer support estimate is at the same level as in the EU. On average, in recent years total farm subsidies were even higher than farm profits. A major share of those subsidies is paid as interest rate support. Producers have thereby been encouraged to heavily invest in new machinery. Relative to 2005, this has led to a sharp increase in farm debt (+250 %) even though farm profits increased significantly (+120 %).

Russia's accession to the WTO in 2012 will lead to a change in domestic support policy, since interest subsidies as well as subsidies for fertilizers and diesel will be at least partially abandoned. At the same time Russian oilseed production and exports will be boosted because current export tariffs will be reduced by about 2/3 to 6.5 % in sunflower and rapeseed, and abolished at all in soybeans.

**agri benchmark** Cash Crop is a global non-profit network of agricultural economists. Its aim is to generate and disseminate reliable and usable information and analysis on major trends in global crop production. It is coordinated by the German Thünen-Institute and DLG. For detailed information on *agri benchmark* please visit our website [http://agribenchmark.org/cash\\_crop.html](http://agribenchmark.org/cash_crop.html)

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