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(Issue 45)

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R95 **Russian economy in 2023. Trends and outlooks. (Issue 45)** / [V. Mau et al; scientific editing by Kudrin A.L., Doctor of sciences (economics), Radygin A.D., Doctor of sciences (economics), Sinelnikov-Murylev S.G., Doctor of sciences (economics)]; Gaidar Institute. – Moscow: Gaidar Institute Publishers, 2024. – 422 pp.: illust.

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The review "Russian economy. Trends and outlooks" has been published by the Gaidar Institute since 1991. This is the 45th issue. This publication provides a detailed analysis of main trends in Russian economy, global trends in social and economic development. The paper contains 5 big sections that highlight different aspects of Russia's economic development, which allow to monitor all angles of ongoing events over a prolonged period: the monetary and budget spheres; financial markets and institutions; the real sector; social sphere; institutional changes. The paper employs a huge mass of statistical data that forms the basis of original computation and numerous charts confirming the conclusions.

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3.4. Production and consumption of agricultural products in Russia in 2023¹

1. Production

In 2023, the volume of production in agriculture decreased against the high base of the previous year. The index of physical volume of agricultural production by the agricultural organizations, peasant (farmer) farms and household farms amounted to 99.7%, while the value of output in current prices decreased by 2.6%.

The highest production growth in crop production was observed in sunflower seeds and potatoes (2.0 and 8.7%, respectively), vegetable production rose (1.3%).

The grain harvest decreased by 9.5% compared to the record harvest of the previous year. Livestock production grew in all main types of products: livestock and poultry for slaughter (live weight, +2.0%), milk (+2.5%), and eggs (+1.2%).

Despite the decline in grain production in 2023, agricultural organizations increased its sales by 16.4%. The reasons: a good grain harvest in 2023 and large reserves of the 2022 harvest. With the increase in production, the volume of sales of livestock and poultry (live weight) increased by 2.7%, milk – by 6.3%, eggs –by 1.2%. Traditionally, the number of cattle continues to decrease. The rate of its reduction in household farms exceeds the rate of reduction in agricultural organizations. The number of cattle in peasant (private) farms is growing. At the same time, the reduction in the number of cows does not lead to a decrease in milk production, on the contrary, its output is steadily increasing on the back of a rise in specific milk yields (*Fig. 9*). In 2023, this indicator increased by 5.6% compared to the previous year and by 24.3% compared to 2019. The average milk yield per cow in 2023 amounted to 8.1 tons against 7.6 tons in 2022 and 2.5 tons in 2000.

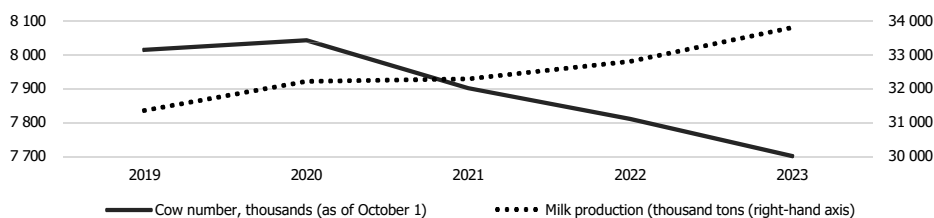


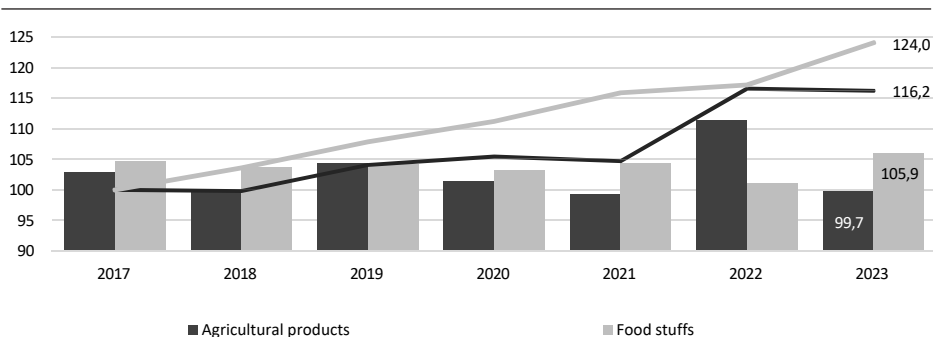
Fig. 9. Dynamics of cow population and milk production in Russia in 2019–2023

Source: Own calculations on Rosstat data.

The growth of agricultural production stimulated the food industry dynamic – in 2023, the index of food production totaled 105.9%, and the volume of shipped goods increased by 9.8% (*Fig. 10*).

Despite the persistence of geopolitical tensions in the Black Sea basin, the restrictions under which the export of agricultural products was carried out, the export of food products and agricultural raw materials (TN VED codes 01-24)

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Note. Columns to the previous year, lines - to 2017.

Fig. 10. Production indices of agricultural products and food stuffs in 2017–2023

Source: Own calculations on Rosstat data.

reached \$43.1 bn (10.1% of total Russian exports, 2.1% of GDP), increasing by 4.3% on the previous year. Food imports in 2023 amounted to \$35.1 bn, having decreased by 1.7%. The export-import balance continues to increase. While in 2022 this value amounted to 13.4% of exports, in 2023 the figure increased to 18.4%.

During 2023, some negative developments in the Russian agricultural sector emerged: a decline in poultry and egg production, which led to a price crisis in the fall of 2023, worsening price disparity for agricultural products and the resources required for their production, as well as a shortage of labor resources.

Chicken meat and eggs

A noticeable increase in production and sales of chicken meat and eggs in the first months of 2023 in the second half of the year was replaced by a decline: for chicken meat - since July, for eggs - since August (in September, the decrease in production of this product relative to August was already almost 7%). In H2 2023, the lag from the corresponding period of 2022 amounted to 1.7% for eggs and 2.1% for chicken meat (*Fig. 11*).

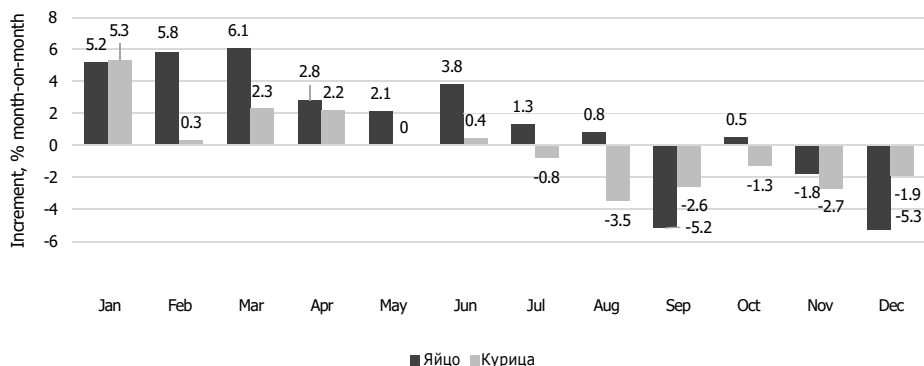


Fig. 11. Chicken meat production and egg sales by Russian agricultural organizations in 2023

Source: Own calculations based on Rosstat data.

Widening price disparity

In December 2023, the producer price index for agricultural products amounted to 109.1% vs. December 2022, outpacing the consumer price index by 1.7 p.p. This being said, the price growth for agricultural products was ensured by a sharp rise in prices for livestock products (+13.5%), while prices for crop products (+1.7%) increased at a much slower pace than the headline inflation.

Compared to 2019, the last year before the COVID-19 pandemic and the price crisis on the global food market, in December 2023, wheat, the main Russian crop, rose in price by 5.5%, which is several times lower than the general inflation rate. This being said, prices for the resources required for its production increased to a much greater extent: the increase in prices for nitrogen fertilizers amounted to 55.5%, for fuel – 28.9%, the average wage increased by 67.6%. The price of Russian-made combine harvesters increased by 27.7% (Fig. 12), while their share in the market is about 50%, and the dynamics of multiply increased prices for imported machinery is difficult to assess due to the change in the nomenclature of supplies.

Expectations of a significant increase in global and Russian grain export prices by the end of 2023 did not materialize. Average domestic prices are at their lowest level since 2019 as a result of falling prices on the external market. This complicates the state of the agricultural producers after the record harvests of the last two years.

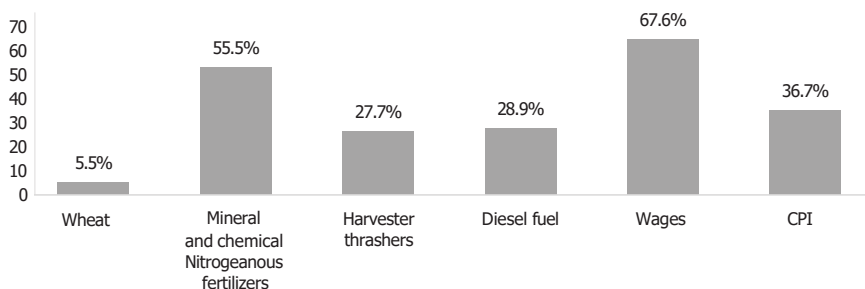


Fig. 12. Price movement on wheat and resources required for its production in Russia (December 2023 on December 2019)

Source: Own calculations based on Rosstat data.

Shortage of labor in agriculture

In 2023, the Ministry of Agriculture of Russia stated that there was a shortage of 200,000 persons¹ in the industry. Meanwhile, from 2020, the beginning of the pandemic, the reduction in the number of average employees, according to Rosstat, has amounted to only about 88,000 persons. There are also no grounds for the formation of a resource deficit of 200,000 people on the back of the growth of production – the growth of labor demand does not correspond to the increase

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- 1 URL: <https://rns.online/economics/51733694-v-minselhoze-otsenili-defitsit-kadrov-v-otrasli-v-200-tsyach-chelovek/>

in agricultural production. Obviously, statistical observation and reporting forms of agricultural organizations did not reflect the real actual number of workers employed in agricultural production on the territory of the organizations.

The issue that the data of organizations on the number of workers who work for these agricultural organizations are understated has been raised before Rosstat. For example, after the interim agricultural census in 2021, it turned out that the workers employed through outstaffing and later through outsourcing (even for milking cows, for example) were not counted. Most likely, they were foreign labor migrants, which is indirectly indicated by the data on the dynamics of the ruble exchange rate and vacancies in agriculture:¹ when the ruble is weak, there are many vacancies, and vice versa. Russian workers do not react to fluctuations of the ruble against the dollar in this way. Today the problem of import substitution of labor resources in agriculture is becoming urgent.

The wide attraction of migrant workers in agriculture has an economic explanation, if we do not consider the low transaction costs of attracting cheap labor through third-party organizations. Russia has built huge facilities in livestock farming, where animals are concentrated on one production site. These facilities are disproportionate to the ability of the territory to provide labor resources, which predetermines the use of migrant labor in the future.

Attraction of Russian labor migrants in agriculture is feasible, as there are labor-surplus regions with young population. However, Russian labor migrants are more protected and their costs are higher than those of foreign migrants.

There is an accepted opinion about the low mobility of labor resources in Russia. This opinion is only partially true. Workers are not inclined to radically change their place of residence, as it requires high costs for settling in a new place, but they are quite mobile when it is necessary to leave for a while. Thus, while the share of rural residents employed in agriculture (from 49% of the able-bodied population in 2000 to 18% in 2022) and public administration (from 27% to 26%) has decreased, employment in businesses that are most likely to be located outside the employee's locality (mining, construction, trade, restaurants, financial activities, etc.) has increased significantly (from 17% to 43%). This means that the share of workers who are likely to leave for work but return home is increasing. In order for them to work in agriculture, they need material incentives no less than in extractive and other industries.

In public discussions, as a goal in terms of increasing the attractiveness of agricultural employment, it is often said about achieving wages in agriculture at least at the level of 80% of the average level of wages in the region.² But there are territories where the average level of wages in the region has already been achieved and even exceeded. The problem is that the level of wages in these territories remains low compared to the average wage in the country. For example, in the Tambov oblast, wages in agricultural organizations are more than 125% of the regional average, but only about 75% of the national average. Moreover, in an

1 On the basis of website hh.ru – the largest recruiting website.

2 URL: <https://proftat.ru/otraslevoe-soglashenie-analiziruem-itogi-stroim-budushhee-interv>

absolute number of regions, wages in agricultural organizations are lower than the average for the economy of these regions.

All these aspects of the problem are unfolding against the background of a general decline in the working-age population in Russia. Even taking into account the fact that the working age increased after the pension reform, the share of able-bodied people in rural areas fell from 63% to 57% from 2000 to 2022. Since 2015, fewer children per 1,000 inhabitants have been born in rural areas than in urban areas. The rural resource is shrinking.

In a situation when the total volume of labor resources for the whole economy is decreasing, agriculture, despite its success in agricultural production, is at a disadvantage. Consequently, labor issues in agriculture will continue to persist in the future.

2. Consumption

The food demand in Russia is met mainly by domestic production. The Doctrine of Food Security of the Russian Federation provides indicators of self-sufficiency in basic agricultural products. In 2022, these indicators were achieved for almost all products, excluding dairy products (86% with the indicator of 90%), vegetables and melons (89% with the indicator of 90%), fruits and berries (47% with the indicator of 60%). Taking into account the data on production in 2023, the situation with food self-sufficiency has not deteriorated.

Indirectly, the change in food consumption in 2023 – information on this is not yet available – can be judged from the data on retail sales of food products.

Fig. 13 shows the dynamics of the level of food consumption relative to the corresponding month of 2019 (to calculate changes in consumption through the volume of retail sales, all data are given in 2019 prices). This year is chosen as the last year before the pandemic, when normal consumption levels were established.

Fig. 13 shows that the index of physical volume of retail food sales in 2023 increased greatly versus 2022. This situation varies greatly by region (*Table 16*). Most likely, the changes in sales are caused by different rates of income growth by regions.

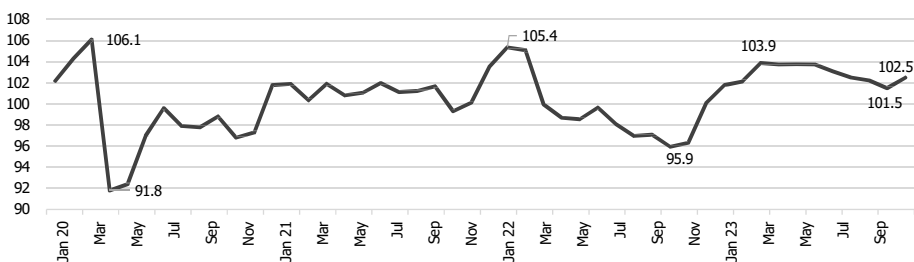


Fig. 13. Index of physical volume of retail sales turnover in food products, including beverages, and tobacco products, month-on-month, 2019

Source: Own calculations based on Rosstat data.

Table 16

**Retail sales turnover in food products, including beverages and tobacco products
(in comparable prices, % on January-December 2019)**

Region	January-December 2023	Region	January-December 2023
Kabardino-Balkar Republic	147.4	Kursk oblast	96.8
Republic of Adygea	132.0	Khabarovsk krai	96.5
St. Petersburg	123.8	Kaluga oblast	96.4
Leningrad oblast	122.9	Perm krai	96.3
Republic of Ingushetia	122.3	Arkhangelsk oblast minus autonomous okrug	95.9
Republic of Mordovia	121.0	Omnsk oblast	95.8
Novosibirsk oblast	121.0	Vologda oblast	94.6
Yamal-Nenets autonomous okrug	119.2	Stavropol krai	94.2
Krasnodar krai	117.6	Lipetsk oblast	93.6
Irkutsk oblast	117.1	Moscow	92.9
Tomsk oblast	116.0	Briansk oblast	91.8
Chechen Republic	115.4	Tambov oblast	85.0
Rostov oblast	115.2	Sverdlovsk oblast	84.9

Source: Own calculations based on Rosstat data.

Sales prices

By December 2023 as compared to December 2022, retail prices for food stuffs (excluding public catering) went up by 8.9%, while the prices of goods included in the list of socially important goods rose to a greater extent – by 12.2%. In general, food inflation in 2023, unlike in the previous year, outpaced the general inflation.

Despite the public attention to the price rise for chicken meat and chicken eggs, tropical fruits and grapes were the leader in price growth among commodity groups (+46.5%), which is obviously owing to the weakening of the ruble. The price for chicken eggs grew by 61.3%, for poultry – by 23.9%. The price of vegetables, both those included in the borsch set (+26.1%) and other vegetables, represented mainly by the greenhouse crops (+30.8%), went up significantly. In addition to potatoes, the decrease in prices was observed for sunflower oil (-1.4%), flour (-1.6%), cereals (-2.8%), pasta (-3.8%), which is probably associated with the decline in world prices for vegetable oils and grain. The contribution of individual commodity groups to the growth of retail food prices is shown in *Fig. 14*.

After a relatively stable period from mid-2022 to mid-2023, from July 2023 the FAO quarterly price anomaly indicator moved into a zone of moderate to high volatility, where it remained for the next 6 months (*Fig. 15*).

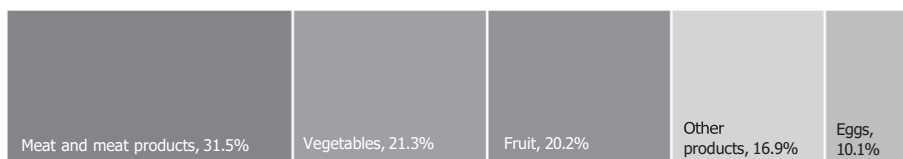
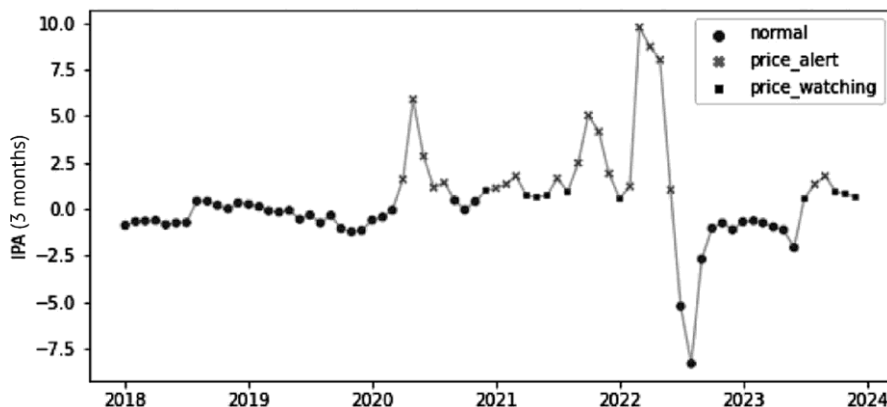


Fig. 14. Contribution of certain commodity groups to the sales price growth on food stuffs adjusted to the consumption structure in 2023, p.p.

Source: Own calculations based on Rosstat data.



Note. Volatility level - difference in the rate of price growth in the observed year and the average for the previous 3 years, related to the standard deviation of growth rates.

Fig. 15. Level of annual volatility of food stuffs in Russia (FAO methodology, price anomaly indicator, units)

Source: Report of the High-Level Panel of Experts on Food Security and Nutrition of the Committee on World Food Security. Rome, 2011. P. 104. URL: <https://www.fao.org/publications/card/en/c/ca7b994d-715a-5f6e-84ee-6879701d75b2/>

3. Regulation and support policies in agriculture in 2023

In 2022, the Chairman of the RF Government Mikhail Mishustin stated that an unprecedented amount of support to agriculture was allocated in 2022. Indeed, if the federal amount of support was meant, it was only slightly less than the consolidated support (from the federal, regional and municipal budgets) a year earlier (*Table 17*).

Table 17

Consolidated budget expenditure on agriculture, Rb bn

Year	GDP deflator index	Budget expenditure (in real prices) Rb bn	Budget expenditure (in 2012 prices) Rb bn	Chain index deflator of GDP	Share of agriculture in the total budget expenditure, %
2012	1.09	277	277	1	1.2
2013	1.05	361	343	1.05	1.43
2014	1.08	314	277	1.13	1.14
2015	1.07	362	298	1.21	1.22
2016	1.03	332	266	1.25	1.06
2017	1.05	344	262	1.31	1.06
2018	1.10	366	253	1.44	1.07
2019	1.03	435	291	1.49	1.16
2020	1.01	419	279	1.50	0.99
2021	1.19	475	265	1.79	1.01
2022	1.16	423*	204	2.07	0.77***
2023	1.03	471**	221		n/a

* Explanatory Note to the Draft Federal Law "On the Federal Budget for 2024 and for the Planning Period of 2025 and 2026".

** Share of agriculture in the federal budget expenditures.

Source: Own calculations based on Rosstat data.

However, the explanatory note to the draft Federal Law “On the Federal Budget for 2024 and for the planning period of 2025 and 2026” shows that the budget of the three state programs, which received payments from the federal budget, amounted to a record Rb471 bn in 2023. This budget will be supplemented by payments from the budgets of the subjects of the Federation and municipalities (*Table 18*). The main funding from the federal budget goes through the “State Program of Agricultural Development and Regulation of Markets of Agricultural Products, Raw Materials and Foodstuffs” (about 79% of budget expenditures for these purposes).

Table 18

Main budget expenditures for support of agriculture and rural areas¹

Support directions	Rb bn	%
State program for the development of agriculture and regulation of markets of agricultural products, raw materials and foodstuffs	370 841.20	78.8
State program “Integrated rural development”	65 093.30	13.8
State program “Effective involvement in turnover of agricultural land and development of land reclamation”	35 014.50	7.4
Total	470 949.00	100

Source: Explanatory note to the draft of the Federal Law. Amounts as of September 1, 2023.

In addition to these programs, the federal budget funds the “Federal Scientific and Technical Program of Agricultural Development for 2017–2030”.² The state also supports manufacturers of agricultural machinery by indirectly helping them.

The main funding of the “State Program for the Development of Agriculture and Regulation of Markets of Agricultural Products, Raw Materials and Foodstuffs” is provided by federal projects (more than 90% of the State Program budget), the main of which is “Stimulation of Investment Activity in the Agro-Industrial Complex” (46.5%) (*Table 19*).

Table 19

Directions of funding under the “State Program of Agricultural Development and Regulation of Markets of Agricultural Products, Raw Materials and Foodstuffs” from the federal budget, 2023

Title	Rb mn	%	Title	Rb mn	%
Total	370 841.20	100			
Federal projects	334 087.60	90.1	Federal project “Development of vegetable and potato growing industries”	4658.2	1.3
Federal project “Stimulation of investment activity in the agro-industrial complex”	172 564.50	46.5	Federal project “Promotion of wine-growing and winemaking development”	3496	0.9
Federal project «Development of branches and technical modernization of the agro-industrial complex»	97 088.20	26.2	Departmental projects	1136.4	0.3

- 1 Indicators of the consolidated budget statement as of September 1, 2023
- 2 URL: <https://specagro.ru/fntp>

Title	Rb mn	%	Title	Rb mn	%
Federal project "Export of agro-industrial products"	48 377.80	13.0	Federal project "Creating the context for independence and competitiveness of the domestic agro-industrial complex"	1040.4	0.3
Complexes of process measures	35 617.20	9.6	Departmental project "Strengthening of material and technical base of the Federal Service for veterinary and phytosanitary supervision"	902.6	0.2
Complex of process measures "Supporting the activities of the Ministry of Agriculture of the Russian Federation and subordinate organizations"	20 260.20	5.5	Federal project "Rural tourism development"	500	0.1
Complex of process measures "Organization of veterinary and phytosanitary supervision"	15 357.00	4.1	Departmental project "Digital agriculture"	233.8	0.1
Federal project "Acceleration of small and medium-sized businesses"	6 362.60	1.7	Federal project "Promoting demand for domestic unmanned aerial systems"	0	0.0

Source: Explanatory note to the draft deferral law.

The State Program "Integrated Development of Rural Areas" continued to support activities under the federal project "Development of Transportation Infrastructure in Rural Areas, Development of Housing Construction and Improvement of Rural Areas, Promotion of Agricultural Employment". This State Program is complementary, as the main funds for the development of rural areas are allocated under the relevant programs for the development of education, health care, road construction and other programs aimed at the development of the entire territory of Russia.

In December 2023, the Russian Government allocated more than Rb7.9 bn from the Reserve Fund to reimburse part of the costs of agricultural producers for the creation and modernization of agro-industrial complex facilities. These funds will help implement more than 100 investment projects in the country.

Investments in the authorized capital of agricultural organizations continued to decrease in 2023, but the rate of reduction has contracted (*Fig. 16*).

In 2023, measures were taken to regulate markets to meet domestic demand.

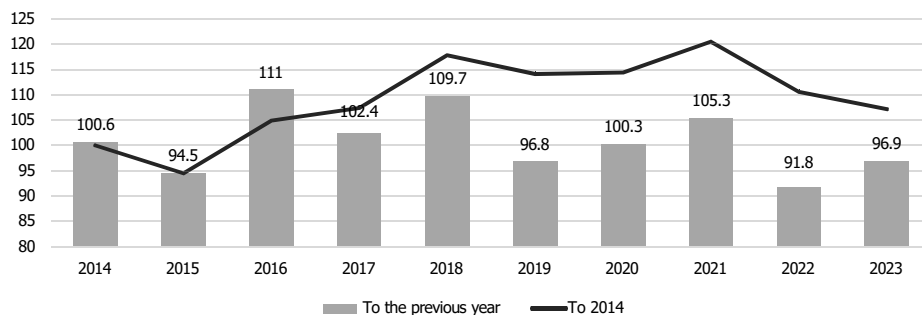


Fig. 16. Investment volume index in fixed capital of agricultural sector, %

Source: Own calculations based on Rosstat data.

Regulation of the grain market

In H1 2023, tensions on the grain market were linked to grain exports under the Black Sea Grain Initiative – grain deal. In mid-July, Russia's refusal to participate in the deal exacerbated risks with regard to both Ukrainian grain, which was supplied through this corridor, and Russian grain. The latter was caused by the fear of aggravation of the situation in the Azov-Black Sea basin when exporting Russian grain, which threatened a new price crisis, although by that time grain prices had been falling for 14 months in a row from the peaks reached in May 2022.

Despite a number of "apocalyptic" forecasts, the market's reaction to these events was quite restrained. Probably, its participants were optimistic about both the prospects of the deal's resumption and the possibility of exporting Ukrainian grain via alternative routes. In addition, the market's restrained reaction was largely due to fundamental indicators – high predicted volumes of global wheat production in the current season and corresponding international trade flows.

For example, according to the International Grains Council (IGC), despite wheat production in the 2023/2024 crop year declining 2.1% from the previous crop year, this year's crop of 784 million tons is the second largest in history and will exceed the previous 5-year average. World trade volumes are also expected to grow 4.6% to the 5-year average. In other words, the threat of famine due to physical grain shortages is not supported by current statistics and forecasts.

World grain prices, having briefly reacted sharply to the news background about the deal breakdown, quickly returned to a fairly stable level. According to FAO, average cereal prices in July were 0.5% below the June level and 14.5% below a year ago. Wheat prices rose by 1.6% in July (for the first time in the previous 9 months), mainly due to uncertainty about export supplies from Ukraine. However, such growth is probably explained by short-term fluctuations. The dynamics of the wheat price sub-index of the International Grains Council's (IGC) Grain and Oilseeds Price Index shows that as of mid-August, world wheat prices were at their lowest level for the last year, lower than before the termination of the grain deal, and the peak values of growth associated with the termination of the grain deal (+7.4% from the level of the last days of its operation) were observed at the end of July.

For Russian grain producers such fluctuations are not something extraordinary. Two other events were more important: the change in the base price for calculating the export duty and the depreciation of the ruble. The floating export duty was introduced in June 2021, and the mechanism of its calculation implies charging and payment of duty in the amount of 70% of the excess of the indicative price, which shows the current level of export prices over the base price, which reflects some "normal" price level. In 2022, the base price became determined in rubles instead of dollars. In June 2023, an increase in the base price from Rb15,000 to Rb17,000 from June 2023 is estimated to increase selling prices by 14%. A rise in the exchange rate from 80 to 100 rubles/dollar at the same time added 13% to the domestic price, taking into account the damping effect of the duty. For consumers in Russia who buy food products, in the production of which wheat and other grains are used to a greater or lesser extent, the impact of fluctuations

in world prices is even less than for producers. In addition to the damping effect of the duty, the relatively small contribution of the cost of grain to the sales price of the final product plays a significant role. The supply of grain to the Russian domestic market is not a cause for concern. Against the backdrop of a record 2022 season, the 2023 harvest is still well above the multiyear average. High yields and carryover grain residues from the previous season create a significant export potential.

In addition to the duty, Russia also applied a tariff export quota of 25.5 million tons in 2023. The quota mechanism has been in effect in Russia since 2020. For 2024, the Ministry of Agriculture and the Ministry of Economic Development of Russia proposed to establish a tariff quota of 24 million tons for the export of major grains. The size of quotas does not hinder exports, which confirms the correctness of their calculation based on the harvest and domestic needs. Moreover, the logic of export quota use over the last few years has been based on the absence of its impact on domestic prices in the context of absence of external shocks. In previous years, the regulator confirmed its readiness to increase the quota if the grain stocks by the end of the season are higher than forecast, taking into account the full satisfaction of domestic needs.

A new regulatory tool for the market was the introduction of a temporary ban on export of durum wheat (from December 2023) against the background of rising domestic and world durum wheat prices. The increase in durum wheat prices may logically lead to an increase in the price of durum wheat products, such as pasta, which in the current context will be paid by the consumer. Prices for pasta products made of top-grade flour are now lower than a year ago, so the increase in their production costs, associated with the rise in wheat prices, can be directly transferred to the prices on the shelf of the store.

Russia produces enough durum wheat to meet its own needs and for the usually small exports. Last year was a combination of unfavorable factors: a decline in the quality of Russian grain due to unfavorable weather conditions in the context of a widening gap between soft and durum wheat prices on the world market. This, on the one hand, reduced supply for domestic consumers and, on the other hand, stimulated exports. Small production volumes of durum wheat relative to soft wheat are associated with higher growing costs and the risk of not obtaining the required quality crop, which is often not compensated by higher prices.

The production and export of durum wheat accounts for a very small part of the Russian wheat market. For producers who diversify their grain production, the impact of the restrictions is likely to be negligible. In addition, durum wheat prices at the end of 2023 are at an abnormally high level relative to other grains, and an export ban is more likely to bring them back to some normal level.

Regulation of the chicken meat and egg market

According to the November report on measuring inflation expectations and consumer sentiment based on the Central Bank's surveys of the population, 54% of respondents named chicken meat and 34% egg among the goods whose prices

increased very much over the last month, which is the highest value among all commodity items included in the survey. In addition, the 2023 maximum was recorded regarding the share of respondents (53%) who believe that the prices for food products, non-food products and services have increased very much over the last month. Taking into account the noticeable increase in retail prices for meat of domestic chickens and eggs in autumn 2023, the regulator made attempts both to limit their export, which was not realized ultimately and to take measures to increase their supply on the market.

The data presented above show that current production volumes of chicken meat and eggs are insufficient to saturate the market while maintaining the same price level. In addition to measures to stimulate output, measures to stimulate imports were proposed at the end of 2023, such as duty-free import quotas. The quota for chicken meat in the volume of up to 160 thousand tons is comparable to the total volume of imports in previous years. If we take into account that the bulk of these supplies were duty-free imports from EAEU countries, mainly Belarus, imports from other countries, exempted from duty within the quota, could triple, and the total increase in imports could exceed 50%. Despite the fact that the share of imports in the balance of production and consumption is small (it does not exceed 5%) and import prices are not able to have a strong impact on domestic prices in general, additional volumes of products may be enough to stabilize the market - to compensate for the difference between the increasing volumes of consumption and domestic production.

An alternative to reducing import duties on chicken meat is to restrict its export. However, there are risks for export development in the long term: despite the current price crisis, the meat market in Russia is saturated, its consumption exceeds the rational norm. Export is the logical direction for the development of meat production; relations with foreign partners in the highly competitive global market have been built over the years, and the consequences of their suspension or rupture should be taken into account when making decisions.

In turn, the use of an operational measure to counter the rise in egg prices – a duty-free import quota of 1.2 billion eggs in H1 2024 - could provide an additional incentive to stabilize prices. However, this measure is unlikely to have a decisive effect on both consumers and producers. This is due, firstly, to the limited global trade in this product (the volume of the entire world market is comparable in value to Russian production, and more than half of the world trade is with the EU countries); secondly, to the historically low prices for eggs on the domestic market relative to the world market, in contrast to the same chicken meat. Russian egg is a highly competitive product. Thirdly, this measure may be detrimental to the producer, since its effect will come during the period of production recovery and lower demand after the mass purchases of eggs by the households.

When planning measures aimed at reducing the current high prices for chicken meat and eggs and preventing such crises in the future, the following characteristics and peculiarities of this market should be taken into account. The domestic meat market in Russia is saturated: while the Ministry of Health

recommends a consumption rate of 74 kg per person per year, the actual 2022

consumption exceeded 94 kg. The consumption of eggs does not reach the recommended norm (240 pcs. vs. 260 pcs.), but this is largely due not to economic factors, but – taking into account the price of this product – to the peculiarities of the consumer model. Production oriented only to fully satisfy the needs of such a market may be unsustainable. It is not advisable to increase capacity only to compensate for production temporarily idle due to avian influenza – excess capacity after normalization of the epizootic situation will reduce the efficiency of competitive industries.

Regulation of the wine market

From August 1 to the end of 2023, import duties on wines from unfriendly countries were raised from 12.5 to 20%, but not less than \$1.5 per 1 liter. At the end of 2023, the Russian Ministry of Agriculture advocated the extension of this measure for 2024. In H1 2023, the growth of wine imports, according to expert estimates, amounted to more than 40%, while a year earlier it already increased by 10% (Federal Customs Service). Such an increase in imports, of course, inspires fears of domestic wine producers, who are afraid of losing shelf space, but also alarms informed consumers, who fear a reversal of trade policy towards greater restriction of foreign supplies and the associated price rise.

The increase in imports in the first months of 2023 compared to the same period of 2022 is obviously due to the low base effect – the failure of supplies in the first half of last year, caused by the reconfiguration of logistics after February 2022. In terms of the year, the increase in 2022 indicators compared to 2021 can be explained by the favorable ruble exchange rate for importers and the desire to create stocks against the background of uncertain trade prospects with European countries, the main suppliers of imported wine to the Russian market. The influence of these factors has already been largely exhausted: the next statistics for 2023 will be compared to the high base of H2 2022, and the weakening of the ruble will reduce the price attractiveness of imports. Despite this explanation, the long-standing proposals to tighten imports testify to the real problem of price loss of Russian wine, which is proposed to be resolved through changes in trade policy and consumers.

Among the proposals aimed at strengthening the position of Russian wine, there are measures aimed at regulating both foreign and domestic trade. The former traditionally include an increase in import customs duty, while the latter include the establishment of a minimum price for imported wine. The measures of foreign trade regulation should also include proposals to abolish zero duty on imports of wine from Georgia, which takes about 10% of the physical volume of the Russian market of still wines. The most extreme proposals include a complete ban on imports from certain countries.

The proposal to establish minimum retail prices for imported wine looks the least traumatic for the market. It allows increasing the objectively low level of competitiveness of domestic wine in the lower segment, where the price is determined by the cost of growing and processing large volumes of grapes, development of effective practices of management and support of the industry. But

in practice this proposal is hardly feasible, as it will not allow to achieve the goals of the competing parties. Winemakers will get access to the low-margin segment of the market, which will not allow them to significantly increase their income, while competition in the middle and upper segments will remain at the existing price ratio. On the contrary, importers, including large retailers, will lose a significant share of revenue with high turnover, which generates a significant part of income.

The increase in import duties will reduce the role of price in the competition between Russian and imported wines. In a situation when the import price is determined by their consumer qualities (which stimulates the supply of many types of wine from different wine-producing countries and regions), and Russian wine – by the costs and appetites of the winemaker, the choice in favor of the domestic product is not always obvious. The growth of the duty will lower the bar for comparing the quality of domestic and imported wines of the same price category. At the same time, of course, we cannot talk about the complete ousting of imports from the Russian market – domestic winemaking even under extremely favorable conditions will be unable to double production volumes in a short period of time. On the contrary, in the context of the current weakening of the ruble, we can consider the risks of reducing the volume of consumption of quality wine due to a decrease in imports, which will not be able to compensate for domestic production.

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The existing system of statistical observation does not keep up with the changing forms of providing agricultural (and not only) organizations with labor resources. If it were clear how many foreign labor migrants work in agricultural organizations that use such “advanced forms” as outsourcing and outstaffing, it would be possible to assess the risk of outflow of these labor resources when the ruble depreciates.

The shortage of personnel in agriculture has reasons that can only partially be resolved by increasing the attractiveness of rural life, student contracts, agrarian classes, linking budget students to rural employment, rural mortgages, which is now widely discussed. It is obvious that there are no internal resources at the current level and distribution of productive forces in agriculture to reduce the deficit of labor resources to such an extent. If the current trends persist, the deficit of resources in Russian agriculture will only increase, which will negatively affect the production of agricultural products and their diversity.

Increasing labor productivity remains the main direction in reducing the deficit of labor resources in the long term. Accordingly, all measures that limit the use of global scientific and technological achievements in agriculture should not be applied.

In order to produce cheap products at already established large complexes, for seasonal and labor-intensive work in crop production, cheap foreign labor is needed, which will come if the ruble exchange rate rises. It is possible to offset the decrease in material interest due to the weakening of the ruble by reducing the transaction costs of foreign labor migrants to find work, providing acceptable conditions, including living conditions, and protection from harassment. This

problem exists in other sectors of the economy as well, but it is more acute in agriculture due to the low level of wages. To overcome this problem, efforts of many agencies are needed: a coordinated procedure of the Ministry of Agriculture of Russia, the Ministry of Internal Affairs of the Russian Federation, and the Ministry of Foreign Affairs of the Russian Federation. Perhaps reasonable measures can be targeted recruitment in place of residence, registration of stay in the Russian Federation, which will be undertaken by the receiving party, development of requirements for dormitories for migrant workers, guarantees of protection in case of violation of obligations on payment and work conditions, etc. Increasing such attractiveness can mitigate the negative consequences of the ruble depreciation.

Targeted recruitment in Russian labor-surplus regions might be useful for attracting seasonal Russian workers. But here, competitive wages, decent living conditions, subsidies, and social guarantees are more important.

In the future, in order to prevent the placement of large livestock breeding facilities out of context with rural settlement, it is advisable to promote only those projects that are oriented to local labor markets within the framework of state support.

In order to smooth out the seasonality of earnings in crop production organizations and in the territories where agricultural organizations are engaged mainly in crop production, it is advisable to provide state support to small businesses to organize all-season production, to create incentives to stay in rural areas with agricultural production.

In order to improve the quality of labor resources in rural areas and small towns, it is advisable to consider a reform of secondary vocational education, which would involve the creation of a network of modern colleges with a wide range of professions (not only agricultural), close to high-density rural areas, with scholarships for students who wish to work in rural areas. Obviously, innovative programs, scholarships for guest teachers to transfer experience to local staff, modern campuses and equipment will be needed. There are such colleges now, but they are few. Rural residents have lower incomes than urban residents, and it is very problematic for rural families to send their children far from home for education. Ideally, it is necessary to have training centers with a different set of professions in each district center.

In view of ensuring a high degree of food security in Russia, it is advisable to discuss a paradigm shift in the development of industries: refusal to support exports of relatively cheap products, which is ensured by cheap labor; raising wages in agriculture through the establishment of a minimum hourly wage. The increase in the cost of agricultural products insignificantly affects the price of many food products (for example, a 50% increase in the cost of grain increases the price of bread by 7%). If wages increase, it will stimulate the use of technologies with high labor productivity, which will lead to a decrease in the price of a unit of agricultural products. Within the framework of the topic under consideration, it is possible to discuss the issue of shifting to more marginal

products to support exports. For example, it is possible to analyze the U.S.

policy of partial reorientation from cheap wheat to more marginal soybeans and soy products.

In 2023, the Russian grain market avoided any major shocks. By the end of the year, expectations of a significant increase in world grain prices and the need to restrain grain sales did not materialize. The regulator's consistent approach to determining the size of the export quota for grain, which does not limit exports in the normal market context, has had a positive impact on the market for several years in a row. Grain producers were supported by such a measure as an increase in the base price used in calculating the floating export duty, while the duty itself, in the context of a cooling world grain market and rising prices for resources, is more fiscal than regulatory in nature.

The situation in the poultry sector in 2023 has shown the constraints of the current production model to sustainably meet domestic needs. Its further development is possible on the basis of the following approaches. Firstly, it is possible to meet part of domestic needs through imports, which can compensate for fluctuations in domestic output. The disadvantages of this approach are partial loss of control over prices - their dynamics will be determined by the world market and exchange rate - and, which is the main thing for today, leveling of efforts of the last decades to create their own production base. Time-limited measures to stimulate imports to compensate for the unsystematic decline in domestic production are quite justified (for example, a duty-free import quota), but regular imports into a saturated market will lead to a halt in the activities of some domestic producers, who rarely in any years are competitive with the world's leading agricultural producers. Secondly, the stability of supplies to the domestic market can be ensured by expanding exports. Then inevitably occurring fluctuations in production will be transferred not to the domestic market, strongly changing prices, but to the external market, the volume of which allows to more effectively dampen price fluctuations.

Steps are being taken: meat exports have increased by a wide margin over the past decade. However, it is important that the current measures to expand production, which are being proposed against a backdrop of rising prices, are linked to increased export plans. Such export-oriented production growth can be achieved by expanding concessional short-term and investment lending, leasing, and compensation for the cost of insuring poultry losses. However, it is important that the current measures to expand production, which are proposed against the background of rising prices, be linked to an increase in export plans. Such export-oriented production growth can be ensured through the expansion of preferential short-term and investment lending, leasing, and compensation for the cost of insuring losses from poultry losses.

The wine market, which is less important for the consumer, but indicative from the point of view of its development dynamics, is following a similar path: import restriction with the orientation of the manufactured products mainly to the foreign market. A window of opportunity is opening for Russian producers, but it is very narrow and short in time. The actions of Russian winemakers should be

aimed not at strengthening their positions on the market, which is falling under

the influence of duties, but at expanding the market and securing the growth of consumption in physical and monetary terms. Otherwise, the simultaneous reduction of competition and price growth will undermine consumer confidence, transform the market of opening new wineries and wine bars, wine tourism routes into a market of price competition of products of dubious content and origin.