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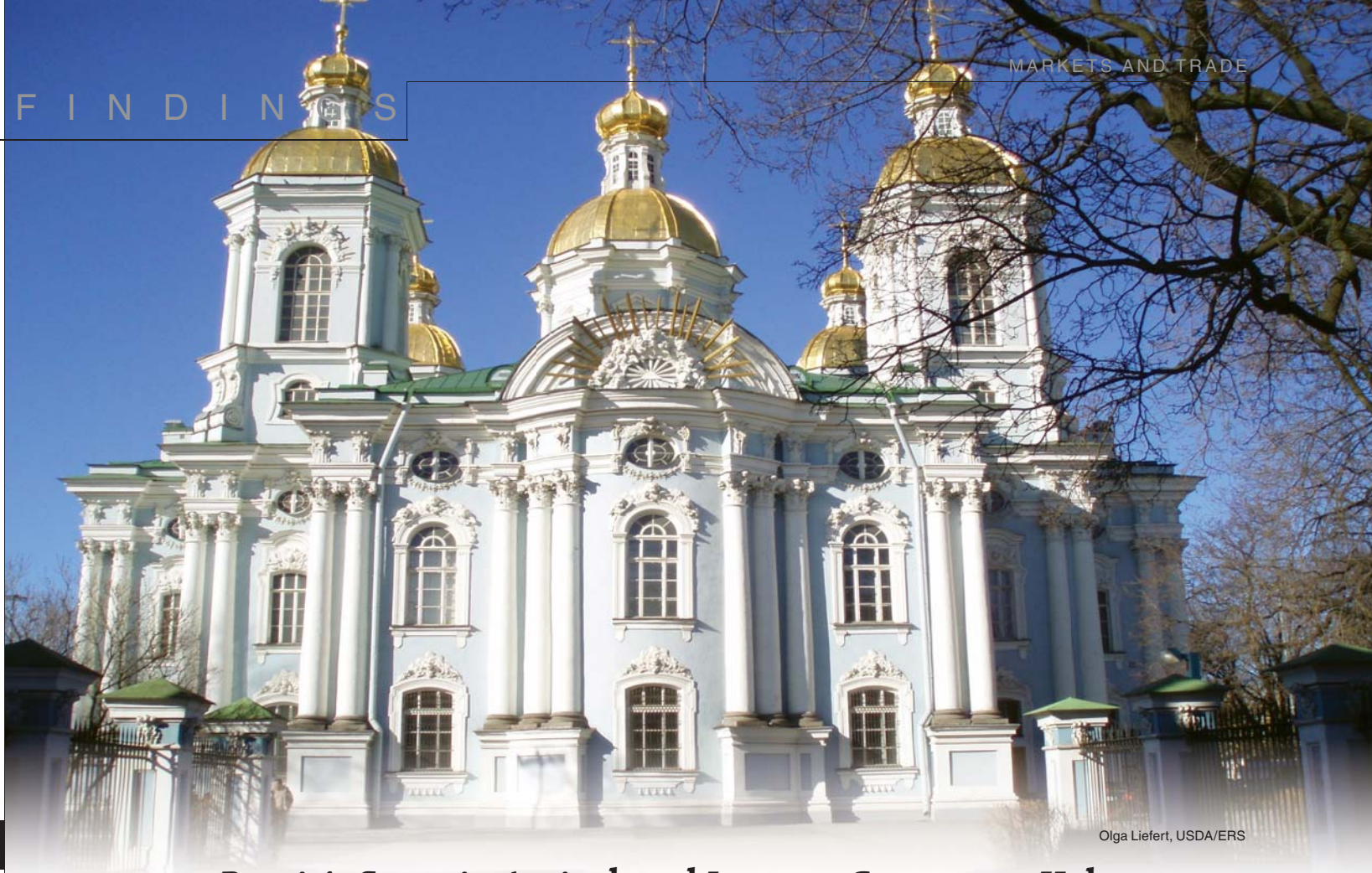
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Russia's Surge in Agricultural Imports Comes to a Halt

Russia's agricultural imports increased from \$7 billion in 2000 to \$26 billion in 2007, and Russia now trails only China as the largest agricultural importer among emerging markets. Russia's main imports are meat, highly processed products, fruit, and vegetables. The European Union (EU) is the largest supplier to the Russian market, while the U.S. share of Russia's imports was only 5 percent in 2007. Even so, Russia is an important market for U.S. poultry, taking a quarter of U.S. poultry exports in 2007.

The main reasons for the rise in imports were macroeconomic changes. High growth in Russian Gross Domestic Product (GDP) increased consumer income and the demand for food. At the same time, changes in the ruble's exchange rate made imports more price competitive than domestically produced goods. Over the current decade, the ruble's nominal

exchange rate (the rate actually used to buy and sell rubles and the rate used in international trade) was fairly stable against the U.S. dollar and other major currencies. However, Russia has had higher price inflation than the United States, the EU, and most other countries that sell goods to Russia. In terms of the real exchange rate (Russia's nominal exchange rate adjusted for its level of inflation relative to that of its trading partners), the Russian ruble appreciated against the dollar by over 100 percent between 2000 and 2007. As goods produced in Russia became more expensive compared with imports, Russians switched to buying more imported products.

Russia, like the United States and other countries, has been hit hard by the financial and economic crisis that began in the autumn of 2008. The crisis should cause agricultural imports to decline. GDP and consumer income

growth in 2009 will likely be negative. The ruble fell against the dollar and other major currencies (in nominal terms) by about a third from July 2008 to February 2009. The declining value of the ruble means imports are now more expensive, compared with Russian goods. If the Russian economy stabilizes within 1-2 years, Russian agricultural import growth could resume, but probably at a lower rate than in recent years. *W*

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This finding is drawn from . . .

Russia's Growing Agricultural Imports: Causes and Outlook, by William Liefert, Olga Liefert, and Mathew Shane, WRS-09-04, USDA, Economic Research Service, May 2009, available at: www.ers.usda.gov/publications/wrs0904/