

Agricultural Logistics in the Russian Far East: A Driver of Agroindustrial Growth

CONCLUSIONS

Agriculture exports from Russia should more than double

“We face an ambitious task assigned by the President’s decree of more than doubling exports to USD 45 billion. If we more than double exports and the price per tonne of exports increases, total exports will grow by 70%. And if we take the conservative scenario, and the cost of products does not increase and the depth of processing does not expand, then [...] our logistics capacity should expand by 120%. And this is a significant challenge”, Dmitry Krasnov, Director of the Department of Information Policy and Special Projects at the Ministry of Agriculture of the Russian Federation said.

“At present, exports from the regions of the Far East to the market of Japan, China, and Korea are [worth] roughly USD 3 billion and do not consist of raw commodities or energy. Meanwhile, imports by the agro-industrial complex of these countries amount to more than USD 200 billion”, Russian Export Center General Director Andrey Slepnev said.

State support expanding for agro-industrial exports from the Far East

“The government is allocating unprecedented funds – more than RUB 9 billion for Rosselkhoz nadzor over six years, and another RUB 6 billion for epizootic well-being”, Slepnev said.

“We have roughly RUB 30 billion in additional funds earmarked under the national project for the modernization of checkpoints, and the schedule currently includes 24 priority checkpoints [...] We are already implementing a major trade finance programme, [...] and have launched a good programme for pre-export financing”, Slepnev said.

PROBLEMS

The high cost of delivering export goods

“For a Russian manufacturer, costs associated with the delivery of export goods are significantly higher than for exporters of rival countries. For example, tariffs on the cost of grain transshipment at Russian ports are among the highest in the world”, Krasnov said.

“Almost 40% of our fruits and vegetables spoil. [...] In this regard, the question is how can we be competitive with such expenses on foreign markets”, RosAgroMarket Chairman of the Executive Board Alexey Vanchugov said.

Underdevelopment of transport infrastructure

“Total investments in Russia’s infrastructure needs are significantly lower than the similar indicators of a number of competing countries. The average annual growth rate of investment in the transport sector is lower than in other industries [...] We have to admit that the current state of Russia’s transport infrastructure is a significant deterrent”, Krasnov said.

“For example, in terms of grain there isn’t a single specialized grain terminal in the Far East through which Russian grain products could be supplied to any countries of Southeast Asia in bulk [container-less cargo transportation onboard a ship]”, Summa Group Vice President for Government Relations Viacheslav Bakaev said.

SOLUTIONS

The state’s active participation in developing agricultural exports

“There are a number of things [...] that require total state participation, where a private participant would not trust another private participant”, Russian Deputy Minister of Agriculture Sergey Levin said.

Effective use of transport capacity

“It’s no secret that a rather large volume of empty containers is coming back through the Far East [...] This is essentially free or very cheap transportation”, said Vitaly Sheremet, a partner and Head of Agribusiness at KPMG in Russia and the CIS.

“The empty containers that are going back to China under the Belt and Road Initiative [...] can be used”, Bakaev said.

Construction of wholesale distribution centres

“We are now considering a rather large project [...] wholesale distribution centres, which could become a sort of backbone of the distribution system for fresh products above all else. Most of the fresh products today involve grey, shadow processes with goods that spoil quickly and are redistributed quite chaotically. This is a very big problem”, First Deputy Chairman and Member of the Management Board of the Bank for Development and Foreign Economic Affairs (Vnesheconombank) Nikolay Tsekhomsky said.

Change in tariff policy

“We won’t survive without efficient and cheap refrigeration transportation over long distances by rail [...] With railway tariffs for refrigeration transportation that are twice as high as those through [...] the ports of Baltic States, we will never transport agricultural products [...] through the Far East,” Bakaev said.

Development of transport infrastructure

“We need to develop containers and vessels that will allow us to transport refrigerated products to other countries”, Rusagro Group of Companies CEO Maxim Basov said.

Enhancing the degree of agriculture processing

“Right now, the Far Eastern Federal District is above all else a resource centre whose potential can be realized through enhancing the degree of processing of agricultural products [...] We conducted a survey [...] and, according to the regions, we can expect growth of up to USD 4.4 billion compared with the current USD 2.8 billion”, Krasnov said.

Engaging private investors

“It is very important for us that commercial banks become interested in these projects [...] Our participation will be a maximum of roughly 40%. We will definitely attract partners [...] There is a separate IT-platform that unites all these centres”, Tsekhomsky said.

Creating information and service platforms

“Without an information and service platform that will verify all the data on localization, temperature, and shelf life, our products with a high degree of processing will not have export potential [...] This should be a state system because everyone should trust this information [...] The state platform should really not be interested in selling a rate and not be interested in buying and selling goods”, Slavtrans-Service Chairman of the Board of Directors Andrey Gollandtsev said.