

Integration of the Far Eastern Agriculture Sector into the Food Industry System of the Asia-Pacific Region

KEY CONCLUSIONS

Improving the export potential of agriculture in the Far East is a key factor in the region's development

"Right now, we are probably at the most important stage in recent years. We are at the stage of launching the transformation of the agricultural sector and transitioning it to export-oriented production [...] For the Far East, the problem of exporting agricultural products poses a greater challenge than it does for the rest of the country [...] There are several reasons for this, but the most important one is our border of China, which is the most important market for the potential sales for our agricultural products", Russian Deputy Minister of Agriculture Sergey Levin said.

"Today, Russia is already the fifth largest pork producer in the world. The cost of producing pork in Russia is, if not the lowest, then among the lowest in the world. This is due to the cost of feed [...] As for the Primorsky Territory, there are rather significant opportunities, particularly with the production of soy and corn [...] I think that the Primorsky Territory and the Far East in general will become a major centre of livestock production in Asia", Rusagro Group of Companies CEO Maxim Basov said.

Foreign investors are showing interest in Far East agriculture

"Not only major Russian companies and banks, but also foreign investors and our neighbours, primarily from China, Japan, and South Korea, already believe in the prospects of the Far East", Agrifood Strategies President Albert Daveleyev said.

"For China, Russia is a very important country, and this is why we have had special programmes for the Far Eastern region's cooperation with the province of Heilongjiang since 2014. This region is very important for the development of agriculture and especially dairy products", Zhongding Dairy Farming Co. President Sun Guoqiang said.

PROBLEMS

Infrastructure shortage for the production and promotion of agricultural products

“Export infrastructure is far from sufficient to have stable and clear exports”, Sodruzhestvo Director Aleksandr Shenderyuk-Zhidkov said.

“Officially, with the current rice production level, losses due to climatic conditions, worn-out equipment, and the insufficiency of elevators and drying amount to roughly 20–40% depending on whether they manage to harvest it or not”, MKR Capital General Director Mikhail Krylov said.

Inadequate specialization of production with respect to the needs of the APR

“At present, people think rice is only produced in Krasnodar. Russia now produces roughly 1 million tonnes [...] and the Primorye Territory’s share is less than 1%. As far as the Primorye Territory’s incorporation into the rice production of APR countries, I would like to note that the varieties currently produced in the Kuban are more oriented both to domestic consumption and consumption by Turkey, Egypt, and possibly North Africa. There is absolutely no demand for these varieties in Southeast Asia”, Krylov said.

SOLUTIONS

Transformation of production and agricultural logistic chains

“The first goal that we would like to see for the Far East with regard to the potential increase in sales volume is the conversion of production itself, its significant scaling and increase, and the substantial transformation of agricultural logistics chains”, Levin said.

Developing the processing of agricultural products

“We need to invest in order to grow and process livestock products and deliver the finished product to China. We can see a fairly good return on investment here [...] Legislation needs to be amended in order to attract investors [...] Maybe a free trade zone could be created so that businessmen can freely invest”, Kangrow General Director Gerard Birkbeck said.

“More than two-thirds of our products are processed products [...] We are increasingly trying to transition to the product’s added value and keep this added value of the product in the country”, Shenderyuk-Zhidkov said.

Creating a legal framework and infrastructure for export development

“I would like to point out the important conditions, which it doesn’t cost anything for us to change, but which will significantly strengthen the

export positions of the Far East and, among other things, will be a big incentive for these exports to grow. The first is the uniform rules of the game [...] market regulation for customs services. The second and no less important thing is the consistent economic conditions of activities [...] The third thing is the development not only of export, but internal infrastructure above all else [...] The fourth issue is crop rotation”, Shenderyuk-Zhidkov said.

“An export support programme has been launched as part of our state programme for supporting agriculture [...] In accordance with the May decrees issued by the President, we have been tasked with increasing the volume of exports to USD 45 billion by 2024, which for us means more than doubling it”, Levin said.