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Russian ban hits German food preparations industry

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Dairy and Products

Livestock and Products

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Report Highlights:

Russian sanctions have the potential to harm over USD 0.8 billion in German agricultural exports. The German food preparation producers and some horticultural sectors will be hit hardest by the Russian ban. The German Minister for Food and Agriculture has announced to discuss the situation with his Polish and French counterparts on September 2, 2014.

General Information:

Germany is one of the largest exporters of agricultural products worldwide. The Russian import sanctions on agricultural products announced on August 6, 2014, which impose an immediate year-long ban on some agricultural imports from the EU and other countries, will hit hard German agricultural exports. The Russian Federation is, after Switzerland, the most important agricultural export market for Germany outside of the European Union. In 2013, Germany exported agricultural and food products with a value of over US\$ 2 billion to Russia. This compares to about 2.6% of the total German agricultural export value of US\$ 82 billion.

Russia banned "all imports of meat, fish, and fruit, vegetables, milk, and milk products" on August 6, 2014 and it is estimated that German exports worth over US\$ 0.8 billion will be affected. However, the immediate influence of the latest Russian import ban on German pork and dairy exports is limited because previous Russian restrictions had already banned German pork exports in late January, 2014 due to outbreaks of African Swine Fever in East Europe. Exports of chilled and frozen pork to Russia were worth US\$ 0.3 billion in 2013. That's about 6% of total German pork exports. German exports of dairy products to Russia were halved in 2013 and again in the first four months of 2014. The German dairy industry sent products worth US\$ 0.2 billion to Russia in 2013 which was close to 2% of total dairy exports.

The sectors that will be hit hardest by the Russian ban are the fresh produce and food preparations industry. German companies that produce food preparations like yeast, seasonings, food concentrates, glucose- and lactose syrups, and others are heavily dependent on the Russian market. In 2013, these companies exported products worth over US\$ 0.2 billion to Russia, which compared to nearly 7% of their total exports. Some products in the horticultural sector are also heavily affected by the Russian ban. Germany sent apples worth US\$ 9 million to Russia in 2013 which was nearly 9% of total apple exports. For German exports of dried fruit mixtures, Russia has been the third biggest market worldwide. German companies shipped dried fruit mixtures worth over US\$ 5 million to Russia in 2013 (8% of total exports).

Representatives of German agriculture are highly concerned about the Russian import bans of agricultural and food products. Both, the German Farmers Union ("Deutscher Bauernverband") and the German Raiffeisen Association (Deutscher Raiffeisenverband) appealed to the German Government and the European Commission to continue their efforts to expand existing markets and open access to other interesting markets. This was supported by the German Minister for Food and Agriculture, Christian Schmitt. He underlined that, in case of clear market imbalances, actions will be discussed and initiated on European level for individual product groups. He announced that the situation will be discussed at the Weimar Triangle Meeting between Germany, France and Poland on September 2, 2014. It is also planned to hold a special meeting with the European Council of Ministers for Agriculture beginning of September.

On August 18, 2014 the European Commission has announced emergency funding of US\$ 170 million for fruit and vegetable growers hit by Russia's ban. The funding compensates for fresh produce which will not be sold. It will be distributed free to schools, hospitals and other institutions.

Germany Agricultural Exports to Russia

Agricultural Imports banned on August 7, 2014
in million US\$

Commodity	2009	2010	2011	2012	2013	Share of total exports for that group in 2013
Pork*	228.6	354.7	414.5	337.6	318.7	6,0%
Milk and dairy products*	214.3	428.4	390.6	372.3	211.8	1,8%
Food Preparations	183.2	148.0	167.2	188.4	211.3	6.7%
Malt extract	21.7	23.3	28.3	31.7	38.2	5.8%
Fruits and Nuts	21.1	31.6	37.0	30.5	24.5	1.4%
Vegetables, edible roots and other tuber crops	7.9	29.0	45.5	21.4	11.9	0.9%
Beef	19.7	82.7	76.0	32.7	7.9	0.6%
Poultry Meat	66.2	65.8	26.1	12.4	2.9	0.2%
Fish and crustaceous, mollusks, and other aquatic invertebrates	3.3	1.3	4.4	2.3	1.4	0.1%
Sausages	1.4	1.9	2.2	2.2	0.9	0.1%
Prepared Meat	0.5	0.2	0.1	0.2	0.0	>0,1%
Total Agricultural Exports						
World	63168.9	65817.3	77857.6	76182.7	82028.2	
Russia	1880.8	2368.0	2671.9	2393.2	2129.8	
Share of Exports to Russia	3.0%	3.6%	3.4%	3.1%	2.6%	

*: Pork and dairy exports are already affected by other restrictions

Source: Global Trade Atlas, FAS Berlin