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## Agri-Food Trade between the United States and Russia<sup>1</sup>

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### Abstract

U.S.–Russia agricultural trade has undergone significant change. This article provides an overview of bilateral agri-food trade. Particular attention is devoted to agri-food trade since 2000. The article concludes that American agricultural exports are now less important to Russian food security than at any time since 1992.

During the Cold War, the link between the U.S.–USSR political relationship and agri-food trade was often weak: agricultural exports held steady or increased even as the political relationship deteriorated. This divergence between worsening political relations and increasing agri-food exports ended in the post-Soviet period, whereupon the relationship between politics and U.S. agricultural exports to Russia became convergent: the political relationship and agri-food trade began to move in the same direction. Since 2014, U.S. agricultural exports to Russia have fallen to the point of being insignificant. This downward trend predates 2014 but has become more pronounced since then, reflecting the poor state of relations.

### U.S. Agricultural Exports During the Soviet Period

During the 1970s and 1980s, the United States was a major supplier of grain to the Soviet Union. Much of this grain was used for animal feed, helping to support the regime's goal of increasing meat consumption. Starting in the 1970s, the USSR became a consistent importer of grain from the United States due to frequent harvest failures. Between 1972 and 1979, U.S. grain accounted for over 60 percent of Soviet grain imports.

Soviet purchases continued during the 1980s. The five-year period between 1980 and 1984 saw significant divergence between political relations, which fell to their nadir, and agricultural trade, which increased in value. Instead of the US maximizing its leverage at a time when Soviet agriculture was vulnerable, the value of U.S. agricultural exports increased from \$1.1 billion USD in 1980 to \$2.8 billion USD in 1984. Even as the two sides threatened each other militarily, the volume of U.S. grain sales increased from 6.6 million metric tons (mmt) in 1980 to over 18 mmt in 1984. Moreover, U.S. grain sales averaged 10.7 mmt in 1980–1984, more than double the level of the *détente* years 1970–1974, when

political tensions waned. Overall, U.S. grain sales to the USSR in 1981–1985 accounted for between 22 percent and 39 percent of total annual grain imports.

Good harvests in the USSR in the second half of the 1980s complicated the fulfillment of the 1983 Long Term Agreement between the US and USSR, under which the Soviets had agreed to purchase a minimum of 4 mmt per year. The agreement was further affected by a weak international market in which other countries heavily subsidized their grain sales to the USSR. Consequently, U.S. grain sales to the USSR declined in 1985–1986, although they rebounded thereafter, to the point that U.S. agricultural exports to the USSR totaled more than \$10.55 billion USD in 1988–1991, more than in any other four-year period. This high point in U.S. agricultural exports to the Soviet Union reflected the partial opening of the Soviet economy and improvement in the bilateral political relationship as divergence ended.

In 1989, the US sold a record value of grain—\$3.59 billion USD—to the USSR. In 1990, the United States and the Soviet Union signed a new grain agreement that raised the Soviet Union's minimum annual purchase to 10 mmt and included barley and sorghum for the first time. The Soviets were given the right to buy up to 14 mmt without advance notification, up from 12 mmt. The Soviets also agreed to buy a minimum of 4 mmt of wheat and feed grain. As a result, 1990–1991 witnessed continued high levels of U.S. agricultural exports to the USSR—more than \$4.5 billion USD—despite the Soviet Union's limited hard currency reserves.

### U.S. Agricultural Exports During the 1990s

With the fall of communism and the emergence of a democratic and market-oriented government in Moscow, it was reasonable to expect that warmer political relations would be accompanied by significantly increased agricultural trade. In reality, however, the value of agricultural exports declined from \$2.45 billion

<sup>1</sup> This paper draws on a chapter titled “Agri-Food Trade between the United States and Russia: From Divergence to Irrelevance,” in *Russia's Role in the Contemporary International Agri-Food Trade System*, edited by Stephen K. Wegren and Frode Nilssen (London and New York: Palgrave Macmillan, 2022).

USD in 1991 to \$1.12 billion USD in 1992 and would not exceed \$1.5 billion USD in the rest of the decade. The value of U.S. agricultural exports to Russia during the 1990s was lower than 1990–1991 or 1980–1984. The volume of grain, which had historically been the principal U.S. agricultural export, declined precipitously, from 16.5 mmt in 1991 to about 6 mmt in 1992 and 1993, and thereafter did not come close to 500,000 tons for the rest of the decade. The primary reason for this was a significant reduction in livestock herds in Russia: during the first half of the decade, they fell by a greater percentage than during the first five years of Stalin's collectivization, when peasant households killed off their animals rather than turn them over to the state. In 1996, for example, the number of cattle stood at 70 percent of the 1990 level and the number of pigs at 59 percent. These figures would continue to decline, falling to 49 and 48 percent of the 1990 level, respectively, by 2000.

Grain exports were replaced by the export of poultry meat. Russia's poultry imports rose from about 46,000 tons in 1992 to 500,000 tons in 1994, and then to 1.14 million tons in 1997. By mid-decade, Russia was the world's largest purchaser of U.S. poultry. U.S. poultry exporters earned in excess of \$1 billion USD annually from trade with Russia from about mid-decade onward, despite periodic disputes spearheaded by the Russian side. In 1997, 70 percent of Russia's poultry imports came from the United States.

### U.S. Agricultural Exports Since 2000

Since 2000, U.S. agricultural exports to Russia have gone through different stages. The first (2000–2006) was a decline compared to the 1990s, the second (2007–2012) was a brief and modest increase, and the third (since 2014) has been a continued decline to the point of irrelevance. U.S. agricultural exports declined for three reasons: (1) the recovery of Russia's agricultural sector, which began to not only meet domestic demand but also generate surplus for export; (2) a diversification in Russia's trading partners; and (3) a significant deterioration in the political relationship—stemming from the crisis in Ukraine in 2014—that continues to this day. U.S. agricultural exports to Russia in 2000–2020 are presented in Table 1 on p. 5.

In the first period (2000–2006), the value of U.S. agricultural exports did not exceed \$1 billion USD in any given year. For context, during this period the dollar value of Russia's agricultural imports increased from \$7.3 billion USD in 2000 to \$21.5 billion USD in 2006, a rise that reflects a rebound in consumer demand within Russia due to higher personal incomes. The European Union in particular became a major trading partner. In 2013, the EU exported €10.9 billion of agricultural goods to Russia, accounting for more than 10 percent

of its total agricultural exports. By 2016, however, EU food exports to Russia had declined to €5.4 billion before rebounding in 2019 to €7 billion, or about 3.9 percent of non-EU food exports.

In contrast, U.S. agricultural exports to Russia became progressively less important and by 2006 accounted for less than 5 percent of Russia's food imports by value. The relatively low level of U.S. agricultural exports to Russia marked a departure from the 1990s, when these exports surpassed \$1 billion USD in all but two years (1998–1999)—and then only because the financial crisis and the devaluation of the ruble made imports more expensive. Thus, the dollar value of U.S. agricultural exports to Russia in 2000–2006 was lower than in the 1980s and 1990s. During this first period, the overwhelming majority of U.S. agricultural exports to Russia consisted of foodstuffs.

During the second period (2007–2013), U.S. agricultural exports to Russia increased in value, quickly rising from \$832 million USD in 2006 to \$1.32 billion USD in 2007. Exports stayed above the \$1 billion USD threshold through 2013, though they never exceeded \$1.65 billion USD. During the period, foodstuffs remained the primary U.S. agricultural export to Russia, but their share of the total declined over time. Whereas foodstuffs accounted for 88–90 percent of U.S. agricultural exports to Russia in 2007–2009, this percentage declined to 71 percent in 2012 and 60 percent in 2013, even as the level of agricultural imports from the U.S. remained above \$1 billion USD.

The third period (from 2014) witnessed a significant decrease in U.S. agricultural exports to Russia brought about by Russia's countersanctions, which ban the importation of most agricultural products from the United States and other Western nations. Prior to Russia's food embargo in August 2014, U.S. agricultural exports were on track to surpass \$1 billion USD for the year, but the food embargo immediately curtailed this. After 2014, U.S. agricultural exports continued to decline, falling to just \$208 million USD—or about 0.1 percent of total American agricultural exports—in 2020. For its part, Russia imported more than \$29.7 billion worth of agri-food products in 2020, which means that purchases from the U.S. accounted for less than 1 percent of total Russian food imports.

Within the overall decline in the value of agricultural exports, American exports of foodstuffs to Russia fell from 55 percent of total U.S. agricultural exports in 2014 to 41 percent in 2020. Bulk goods, or crop products, declined from 27 percent in 2014 to 13 percent in 2020. Intermediate goods increased from 17 percent in 2014 to 45 percent in 2020. Thus, the third period brought about a significant redistribution in U.S. agricultural exports away from foodstuffs and toward processed intermediate goods, as shown in Table 2 on p. 6.

In sum, since August 2014 the U.S. has been almost entirely shut out of the 146-million-consumer Russian food market due to Russia's countersanctions. As a consequence of countersanctions and increased domestic food production within Russia, U.S. agricultural exports to Russia declined in value by more than 80 percent between 2013 and 2020. Quite simply, Russia needed less American food and, after 2014, wanted less American food. Russia's food embargo against the West has been widely discussed in the media and among scholars, but the fact is that even prior to 2014, American agricultural exports to Russia were declining in dollar amount and quantity. Russia's 2014 food embargo merely exacerbated the existing reality. In this respect, the decline in the agricultural trade relationship reflects the poor state of bilateral relations in general.

### Outlook

U.S. agricultural exports have gone from being a pillar of the USSR's food security to being essentially irrelevant to Russian food security by 2020. This contemporary irrelevance is reflected in the low dollar valuation of U.S. agricultural exports to Russia and the transition away from the export of foodstuffs. The importance of the decline in U.S. agri-food exports to Russia is twofold. First, U.S. food exports—grain in the 1970s and 1980s, poultry meat in the 1990s—have helped to ensure Russian food security. While Russia has increased its domes-

tic food production and has not had a harvest catastrophe since 2010, the effects of climate change make another harvest disaster a question of when, not if. The current countersanctions against the US mean that its food reserves may not be available during the next food crisis in Russia. Nor will food reserves from other Western nations be available. As such, Russia's leaders will have to hope that alternative suppliers—such as Argentina, Brazil, or China—have surpluses to sell.

Second, trading patterns during the Cold War demonstrate that agricultural trade is not dependent on good political relations. However, the difference between then and now is that Russia now has a strong agricultural sector that provides food self-sufficiency in many basic commodities, including grain. For this reason, the outlook for U.S.–Russian agricultural trade appears reasonably clear. Russia's 2014 food embargo against the West, which has been extended through the end of 2022, has rendered U.S. agricultural exports insignificant to Russia.

It is difficult to see how U.S. exporters could regain significant market share in Russia's food market in the near to medium term even if political relations improve. Putin himself has noted that once markets are lost, they are hard to recapture. Thus, the contemporary story of U.S.–Russia agricultural trade represents the loss of the “food weapon” as leverage by the exporter, and the rise of the power of the importer.

#### *About the Author*

*Stephen K. Wegren* is Distinguished University Professor and Professor of Political Science at Southern Methodist University.

#### *Further Reading*

Stephen K. Wegren and Frode Nilssen, eds., *Russia's Role in the Contemporary International Agri-Food Trade System* (London and New York: Palgrave Macmillan, 2022).

**Table 1: U.S. Agricultural Exports to Russia after 2000 (dollar values are USD)<sup>a</sup>**

	Total value of US agricultural exports to Russia <sup>b</sup>	Value of grain exports to Russia	Quantity of grain exports to Russia <sup>c</sup>
2000	\$580 million	\$116 million	779.5 tt
2001	\$917 million	\$65 million	133.9 tt
2002	\$552 million	\$21 million	53.9 tt
2003	\$579 million	\$11 million	13.4 tt
2004	\$802 million	\$84 million	90.1 tt
2005	\$972 million	\$72 million	25.2 tt
2006	\$820 million	\$53 million	43.6 tt
2007	\$1.32 billion	\$86 million	60.2 tt
2008	\$1.83 billion	\$92 million	35.1 tt
2009	\$1.42 billion	\$90 million	116.7 tt
2010	\$1.13 billion	\$67 million	65.6 tt
2011	\$1.24 billion	\$71 million	69.1 tt
2012	\$1.65 billion	\$99 million	102.2 tt
2013	\$1.20 billion	\$230 million	309.0 tt
2014	\$900 million	\$246 million	362.0 tt
2015	\$426 million	\$236 million	524.8 tt
2016	\$250 million	\$95 million	164.7 tt
2017	\$193 million	\$24 million	6.6 tt
2018	\$233 million	\$17 million	5.1 tt
2019	\$191 million	\$17 million	4.7 tt
2020	\$208 million	\$28 million	6.2 tt

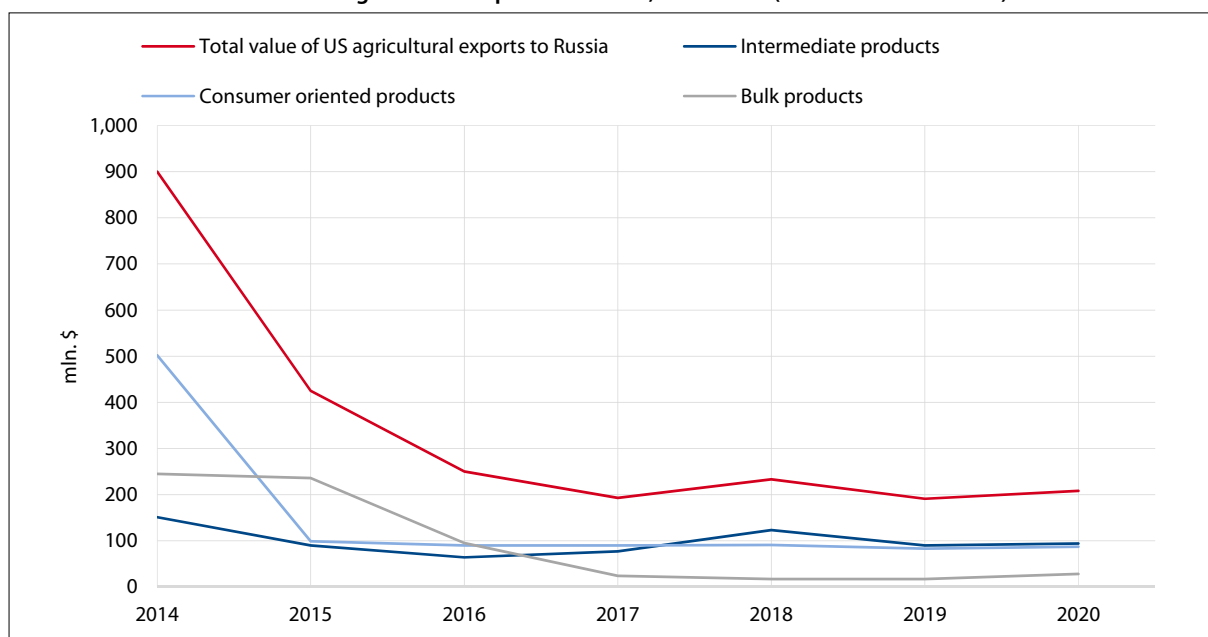
Notes:

a. Numbers have been rounded.

b. Total value of U.S. agricultural exports includes foodstuffs, intermediate products, and bulk goods. In this table, grain exports are defined as bulk goods. The value of U.S. exports excludes agriculture-related products that are non-food products as defined by the USDA. See Table 2 for full definitions.

c. tt=thousand metric tons

Sources: Kathryn A. Zeimet, USSR Agricultural Trade, Statistical Bulletin 808 (Washington, DC: United States Department of Agriculture, Economic Research Service, 1991), 37, 39; Foreign Agricultural Service database at <https://apps.fas.usda.gov/GATS/default.aspx>; and author's calculations.

**Table 2: Distribution of U.S. Agricultural Exports to Russia, 2014-2020 (dollar values are USD)<sup>a</sup>**

	Total value of US agricultural exports to Russia <sup>b</sup>	Intermediate products <sup>c</sup>	Consumer oriented products <sup>d</sup>	Bulk products <sup>e</sup>
2014	\$900 million	\$151 million	\$502 million	\$245 million
2015	\$425 million	\$90 million	\$99 million	\$236 million
2016	\$250 million	\$64 million	\$90 million	\$95 million
2017	\$193 million	\$77 million	\$90 million	\$24 million
2018	\$233 million	\$123 million	\$91 million	\$17 million
2019	\$191 million	\$90 million	\$83 million	\$17 million
2020	\$208 million	\$94 million	\$87 million	\$28 million

**Notes:**

- Numbers have been rounded.
- Agriculture-related goods are excluded from the total value of agricultural exports. They are defined as: distilled spirits, ethanol, biodiesel, forest products, and fish products. All definitions are taken from United States Department of Agriculture.
- Intermediate goods include: soybean oil, soybean meal, vegetable oil, animal fat, live animals, hides and skins, hay, distiller grain, planting seeds, sugars and sweeteners, and other intermediate goods.
- Consumer-oriented goods are essentially foodstuffs and include: beef and beef products, pork and pork products, poultry and poultry products, eggs and egg products, dairy products, fresh fruit, fresh vegetables, processed vegetables, fruit and vegetable juices, tree nuts, chocolate and cocoa products, snack foods, breakfast cereals, condiments and sauces, prepared foods, wine and beer, non-alcoholic beverages, dog and cat food, and other consumer oriented products.
- Bulk goods are crop products and include: wheat, corn, coarse grains, rice, soybeans, cotton, pulses, tobacco, and other bulk commodities.

Source: Foreign Agricultural Service database at <https://apps.fas.usda.gov/GATS/default.aspx>.