

Special Report: Impact of the Russian Food Embargo on Australian Agriculture

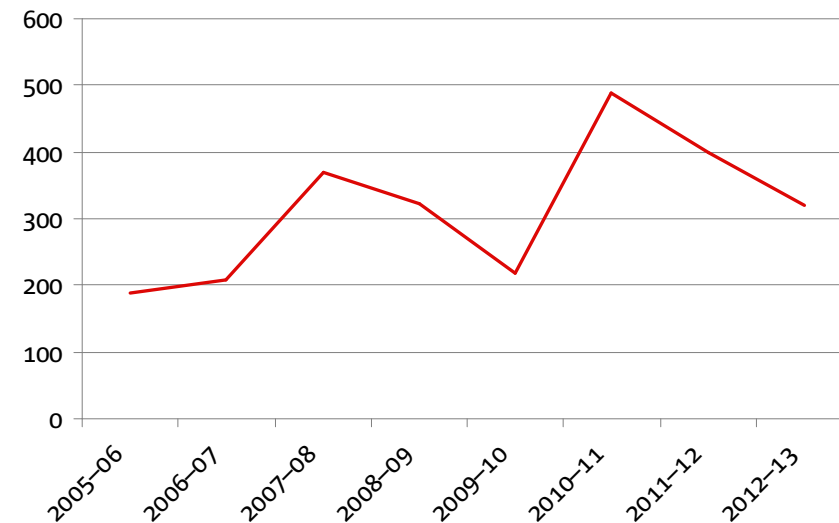
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Summary:

- The Russian Government announced in early August that it would introduce a full embargo on most food imports from the European Union, the United States, Canada, Australia and Norway. The ban covers meat, dairy, fruit and vegetables and will apply for one year.
- The direct impact of the embargo on Australian agricultural producers is likely to be relatively small, as less than 1% of Australian agricultural exports (AU\$321 million in 2012-13) are destined for Russia. Most Australian agricultural exports to Russia are beef products, however dairy has been growing strongly in recent years.
- The secondary impacts of the embargo are likely to be of greater concern for Australian producers. Russia imports around US\$11.5 billion of food products annually from the countries now subject to an embargo, of which around US\$10 billion is from the European Union. There is a risk that prices will slump as these products are sold to other markets.

Chart 1: Australian agricultural exports to Russia – 2012-13 (AU\$ million)



Source: ABARES

Potential impacts

Beef:

- FAOSTAT data indicate that 82% of Australia's food exports to Russia are beef products, although no Australian beef has been exported to Russia since April over protocol and quality concerns. Total Russian beef imports now subject to embargo are less than US\$900 million, which suggests that any secondary price impacts for Australian producers are likely to be moderate. It remains possible that exports of live breeder cattle to Russia will continue despite the ban.

Lamb:

- Russia imported US\$20 million of Australian lamb in 2011. Of the countries now subject to the embargo, Australia is far and away the biggest lamb supplier to Russia. Although Australia exports 54% of its lamb, it is mostly to the Middle East, China and the United States. Consequently, we expect the impact of the embargo on lamb producers to be small.

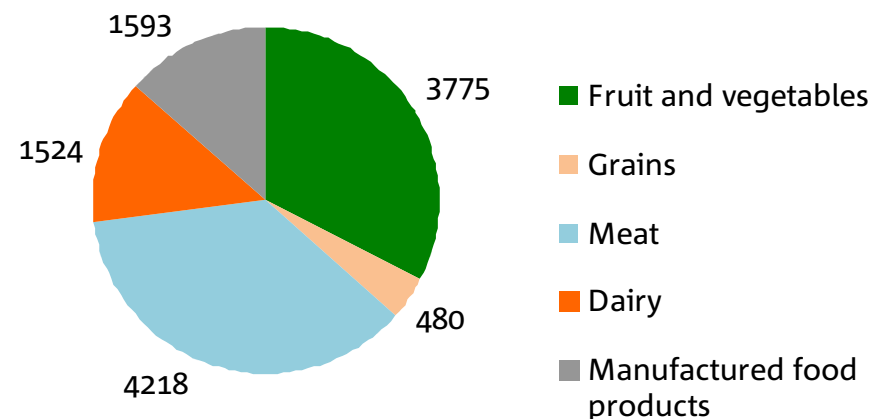
Dairy:

- Australian dairy exports to Russia have been growing strongly in recent years. While FAOSTAT data indicate that Australian dairy exports to Russia were worth around US\$20 million in 2011, recent reports from Murray Goulburn suggest that the exports could be approaching \$100 million in 2014. While this represents a small portion of Australia's AU\$2.2 billion dairy export industry, there is a risk that international prices will fall further as European Union producers look to find alternative buyers.

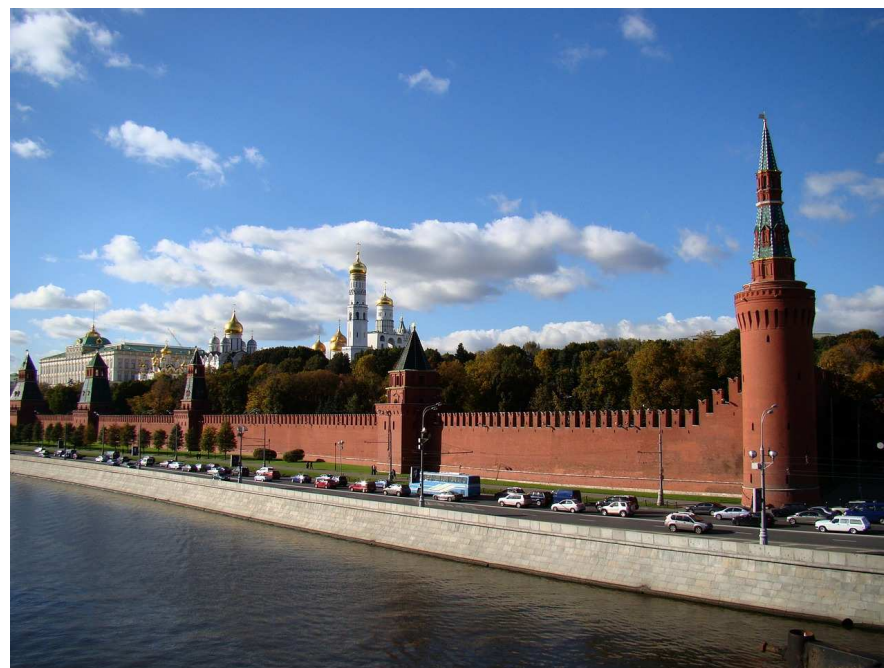
Wheat:

- Russia is a wheat exporter and as a result the embargo will not directly affect Australian wheat producers.

Chart 2: Russian imports from now embargoed countries – 2011 (US\$ million)

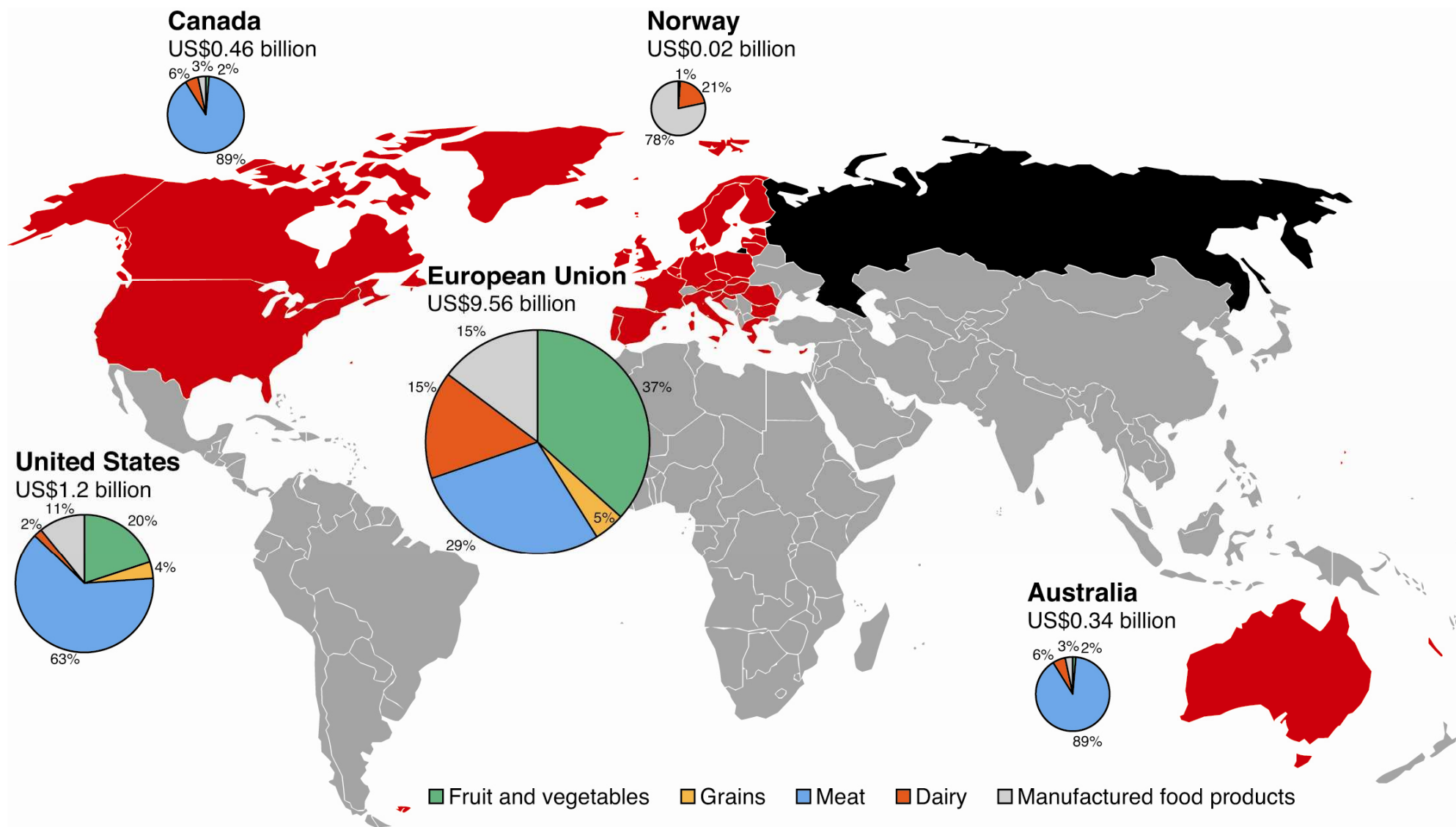


Source: FAOSTAT, NAB Group Economics



Russian food imports from now embargoed countries – 2011

Excludes live animals, fibres, alcohol and tobacco



Source: FAOSTAT, NAB Group Economics

Note: Greenland has been grouped with the EU for trade purposes

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