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THE RUSSIAN GRAIN MARKET DEVELOPMENT PROSPECTS IN THE WTO

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Purpose: the identification of the perspective directions of development of the domestic grain market, the evaluation of the factors affecting its potential in the context of the WTO. *Discussion*: the authors conduct a study of the obstacles to the adaptation of the Russian grain market to the WTO. They analyze risks and threats to Russia's accession to the WTO on the basis of an assessment of the consequences of Russia's accession to the WTO. The benefits from Russia's accession to the WTO are revealed. The scientific works and the research developments in the field of the agrarian policy and the grain market are used as the theoretical and methodological basis of the study. The general scientific and the special methods and approaches such as system, balance, monographic, statistical and economic are applied in the process of the study. *Results*: the authors prove that the prospects of the grain market should be achieved by building up competitive advantages. The authors consider that the implementation of the defined objectives of the state regulation of the grain market will compensate for the losses and will realize the potential of agro-industrial complex of Russia in the WTO.

Keywords: problems, prospects, risks, state regulation, market of grain.

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1. Introduction

The Russian Grain Market development prospects in the modern world will be determined by both the potential of the country and the ability to adapt to the WTO.

Prospects for development of the grain market in Russia under current conditions are determined not only by the potential of the country, but also the ability to adapt to the WTO.

Grain, along with oil and gas, is viewed as the strategic raw material in Russia, characterizing the global market power of the country, its political, economic and food security.

Russia, with more than 2% of the world's population, more than 9% of the world productive arable land, 52% of black soil, 20% of fresh water and 9% of mineral fertilizers should act as a key player in the global food market [1].

Adopting a 6,2% yield grain crops in the world, Russia produces only 4,1% of the grain, that is traditionally associated with low-yield crops, resulting from:

- The worst bio-climatic conditions of grain production;
- Technical and technological backwardness of the country;
- Undeveloped market infrastructure;
- Insufficiently effective mechanism of state regulation.

In spite of this, Russia is the 4th largest grain producer in the world after China, the United States, India, which together with Russia accounted for over half of the world gross collection.

Today, the Russian agro-industrial sector is entering a new phase of development which will be determined by three main factors: Russia's accession to the WTO, the formation of Common Economic Space (CES) and the food security.

The present economic conditions of Russia's accession to the WTO, arose at the present times, necessitate management of the new, risky to our economy situations that require new approaches to the development of the grain market and the improvement of the regulation mechanisms, adequate to the rapid changes in the external environment and to the inevitable increasing competition.

2. Discussion

Integration of the Russian agro-industrial sector into the world economic system is in the context of liberalization of international trade, which is evident in the reduction of import tariffs, reducing the level of support, rejection of export subsidies.

Problems related to the Russian Grain market adaptation to the WTO, are determined by a number of factors:

1. Russian grain production has not fully overcome the consequences of reforms 90-s, and the crisis 2008-2010. Existing problems with the accession to the WTO are compounded by the need to reduce direct public support, improving the access import on the internal market and the rejection of export subsidies [2].

2. The deteriorating condition of the material and technical base of grain production which significantly hinders the modernization of industry and the growth of commodity supply is of the particular concern. At the same time Russia's agricultural machinery industry is encountering the crisis, which can be prolonged by improved access of imported equipment. The need to significantly strengthen government regulation and support of agricultural producers is unquestionable (Table 1).

Table 1

The provision of the Russian agricultural organizations with the tractors and combined harvesters (at the end of the year) and the power capacity [2]

Indicators	1990	2000	2005	2009	2010	2011	2012	2013
Load of arable land per 1 tractor, ha	95	35	181	226	236	247	253	274
Accounts for cereal grain for 1combine, ha	152	198	253	344	327	354	369	399
Energy capacity, mln.h.p.	419,7	240,0	156,9	114,9	109,6	106,3	102,6	98,9
Inc. in the calculation: per 1 employee, h.p.	50,5	51,3	58,6	61,4	66,9	69,0	69,8	72,0
100 hectares of crops, h.p.	364	329	270	227	227	212	211	201

3. Agro-environmental risks and losses caused by a degradation of quality agricultural land remain high. The share of erosion-prone land accounts for more than half of their total area, including more than 30% of arable land [2].

4. The profitability of the agricultural producers from the realization of the their products remains extremely low. That leads to the increased accounts payable and significantly hinders modernization of the sector and its innovative development.

5. Lack of insurance deprives the farmers income in case of adverse weather conditions.

6. The level of development of the Grain Market infrastructure and the level of protection of domestic wholesale trade remains low. Most WTO members view this activity as being subject to national legislation, not the WTO rules. Keeping in mind that the direct government support agro industrial sector is limited by WTO rules, the development of the grain market infrastructure is essential for reducing the costs, because in this sector the restrictions are not imposed by the WTO rules, and the infrastructure development in Russia is ten times lower than in the countries with developed market economy. In this regard it must be considered that the loss of the grain market infrastructure, particularly wholesale trade, in principle means the loss of markets outlets, and its recovery will require significant resources and time.

7. There are grave questions about technical status and the availability of storage capacity for grain, the disparity between the development of transport infrastructure (the presence and technical condition besides cars, roads, power river ports and river transport, facilitating accomplishment for elevators, etc.) and the growing market turnover of grain.

8. Recently the most important factor of the grain market development has been its export. Export faces a number of infrastructure constraints: lack of transshipment facilities in the Far East severely limits access to the Asia-Pacific region. Undeveloped competition environment in the area of rendering services to the exporting companies leads to extremely high transaction costs.

9. However, Russian government is providing a large-scale support, its efficiency is low, and the level is inadequate. Moreover, measures for supporting agricultural production are dominating (crop science and livestock breeding: «yellow basket»), measures for regulating the grain market are implementing on a remarkably limited scale (purchasing intervention, reserve funds, development of exchange activities, infrastructure, «green basket»).

In this situation, Russia joining the WTO on the terms agreed upon protocol, opens its market to competitors, fully delivering to the present time their national food independence and having excess food, which is required to implement.

The government role in dealing with the structural problem of future functioning of the grain market is determined by the objective necessity to develop market, production and social infrastructure, to alleviate negative social and economic consequences of the current functioning of the «immature» markets, as well as to rationalize and optimize management of natural resources. The state should ensure that:

- The formation of an effective competitive environment;
- The maintenance of conditions of the grain market and increase the efficiency of economic activity;
- Favorable conditions for access of all subjects of the grain business in the financial, logistical, labor and innovation resources.

The solution of these tasks is not possible without the ongoing and constructive dialogue between the authorities and agribusiness, and first and foremost, grain producers.

The analysis of the first consequences confirms that the Russian agricultural sector as a whole has proved to be insufficiently prepared for the access to the WTO. Considering current, incomparable to the U.S. and EU amounts of support and agreed with Russia changes of import duty will inevitably lead to cutting of national production and reducing competitiveness [3].

Russian Agricultural Academy scientists use econometric models to evaluate the consequences of Russian accession to the WTO. Finally, they have performed calculations and have identified the following risks and threats:

- A significant slowdown in the development of agriculture and increasing job losses in the rural areas;
- Failure to comply with the 2020 doctrine of food security of the Russian Federation;
- The increased technological dependence on imports of agricultural machinery;
- Reduction in federal budget from the reduction in tax revenues from agriculture and customs duties and fees;
- The increase in negative trade balance for the agricultural raw materials and food.

The foreign experience entry to the WTO of China, Ukraine, and Kyrgyzstan, which had suffered significant losses is evaluated in order to prepare scientifically sound recommendations and the necessary measures to compensate for negative effects of Russia's accession to the WTO. The result shows that only producers of competitive products could benefit from accession to the WTO. The competitive products in the agricultural sector include the production of oil seeds: sunflower, oil seed rape, and sunflower oil.

Benefits of the Russia's access to the WTO are the following:

– The ability to improve access of agricultural products to the world market;

– Inflows of foreign capital in the agricultural sector;

– Access to the arbitration system for the settlement of disputes in the WTO.

The above-mentioned benefits relate to the long-term. The benefits within the entry to the WTO of China, Ukraine, and Kyrgyzstan failed to be realized.

Considering the balance of all these pros and cons, it may be concluded that the WTO accession before the large-scale modernization of national agricultural production complicates the solution of the problem of food security and food sovereignty of the country, therefore there is a need:

- Develop and adopt a program of the domestic agricultural machinery development for agriculture;
- Adopt a federal targeted program of land reclamation as the most important factor for the sustainable development of grain production;
- Create the conditions necessary for the early transfer of the grain industry to a new technological base, improving its competitiveness through the development of domestic breeding and seed.

3. Results

As a result, the existing level of competitiveness of domestic grain and products of its processing capabilities of the grain industry is not sufficient enough to make full use of agroclimatic potential, sustainable reproduction of material, technical, human and natural ecological potential agriculture. As a result the forward-looking development of the grain market in the WTO can face problems.

The prospects for the grain market are determined by the key competitive advantage in the build-up of the gross charges and the grain exports. The main prospects are the following:

1. Significant growth potential yield and quality of grain due to the intensification of production, especially in the fertile lands of southern Russia.

2. A significant opportunity to increase plantings, through participation in the revolution temporarily unused fallow land; a forward-looking resource of Russia for sowing areas, estimated at no less than 14% of the world crop.

3. Many years of experience in production, in fact, environmentally sound grain products that are in high demand abroad.

4. The proximity of the world's largest grain consumers with a fast-growing population in North Africa, the Middle and Middle East, in the south-east Asia.

Already in the 2008/09 crop year after a record harvest (108 million tons) our country has been able to supply abroad about 23 million tons of grain, the main receivers s of which were Egypt, India, Turkey, Jordan, Libya, Yemen, Tunisia, Bangladesh, Israel, Greece, Italy. With its potential to expand acreage and significant water resources, Russia is capable under appropriate conditions as soon as possible to increase grain production to 120-125 million tons and to enhance its exports to 30-40 million tons per year (Table 2).

Table 2

Grain export from the Russian Federation [4]

Indicators	2000	2005	2006	2007	2008	2009	2010	2011	2012	2013
Quantity, million tons	1,4	12,3	11,2	16,7	13,6	21,8	13,9	18,3	22,5	19,0
Cost, mln. dollars of the USA	146	1374	1569	4114	3296	3458	2416	4456	6252	4752
Cost of 1 ton, dollars. of the USA	104	112	140	246	242	159	174	243	278	250

4. Conclusion

Thus, being the largest grain importer in the past, Russia has become one of the leading grain exporters in recent years. A number of countries have achieved food security and alleviated the food crisis due to the supply of Russian wheat.

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ПЕРСПЕКТИВЫ РАЗВИТИЯ ЗЕРНОВОГО РЫНКА РОССИИ В УСЛОВИЯХ ВТО

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Цель: выявление перспективных направлений развития отечественного рынка зерна, оценка факторов снижения его потенциала в условиях ВТО. *Обсуждение*: авторы проводят исследование проблем, препятствующих адаптации российского зернового рынка к условиям ВТО, анализируют риски и угрозы присоединения России к ВТО на основе оценки последствий присоединения России к ВТО, раскрывают преимущества от вступления России в ВТО. Теоретико-методологической основой исследования послужили научные труды и разработки ученых в области аграрной политики и рынка зерна. В процессе исследования применены общенаучные и специальные подходы и методы: системный, балансовый, монографический, статистико-экономический. *Результаты*: авторами обосновываются перспективы развития зернового рынка за счет наращивания конкурентных преимуществ, определяются задачи государственного регулирования рынка зерна, решение которых будет способствовать компенсации потерь и реализации потенциала агропромышленного комплекса России в условиях ВТО.

Ключевые слова: проблемы, перспективы, риски, государственное регулирование, рынок зерна.

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