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## **GRAIN MARKET INFRASTRUCTURE DEVELOPMENT IS THE INDISPENSABLE CONDITION OF RUSSIAN EXPORT POTENTIAL REALIZATION**

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*Purpose:* show that development of infrastructure of the grain market is an important condition of realization export potential of Russia. *Discussion:* the defining part in increase of competitiveness domestic grain production is assigned to proportional development of infrastructure. Improvement of storage, primary processing, transportation, realization of grain will promote stable functioning of the grain market. At the moment grain becomes strategic goods for the country. Export of grain becomes a necessary component development production of grain in the Russian Federation, a key to increase of economic and political positions of the country in the world. However record harvests and volumes export of the Russian grain showed not only progress of Russia, but also revealed restrictions for development of branch. One of the main obstacles for increase in production and export grain is the infrastructure of the grain market which was outdate and not meeting the modern requirements. *Results:* in article the strategic role the grain market of the country, important influence infrastructure on development of the grain market is noted, the structure export of the Russian grain is shown, the weak places of modern infrastructure which are negatively affecting effective functioning of the grain market and increase in an export potential are revealed.

**Keywords:** grain market, market infrastructure, grain export, government program support of agricultural sector, realization export grain potential.

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### **Introduction**

Grain for Russia along with oil and gas is a strategic raw material that characterizes the power of the country, its political, economic and food security

in the world market. Therefore the long-term outlook is associated with grain market development and the world food market integration.

For effective functioning of the grain market and maximum use of the market potential it is necessary to have developed, appropriate market infrastructure that takes into consideration marketing features of the grain output, its peculiar properties and transformation while achieving the ultimate consumer. The main function of the grain market infrastructure is the effective interaction support among all spheres of the social production along with the uninterrupted operation of trade, funds and data flows in the sectoral and regional directions. Therefore dynamic and effective development of the grain market and its infrastructure in current conditions is not only the prerequisite solution of the majority of financial and production problems but is also the coordination method of the goal for strong economic growth on a national scale. In connection with our membership of the World Trade Organization (WTO) the significance of the grain market development especially increases.

Effective functioning of the grain market supposes harmonious combination of economic entities, procurers, convertors and consumers' interests.

### **Discussion**

The prime condition of agricultural sector investment attractiveness and global competitive advantages expansion of Russia in the agricultural market is the development of elevator facilities, transport and port infrastructure of the home market together with increasing of the export grain potential of the Russian Federation.

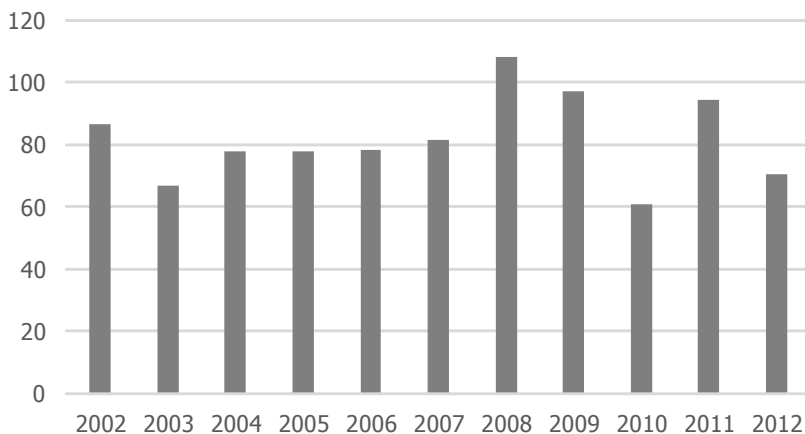
The determining role in rising competitiveness of home grain production is taken by the proportional development of the commodity-production infrastructure. Improvement of grain storage, primary processing, transportation and realization will promote further stable functioning of the grain market.

The main grain producers in our country are agricultural organizations. Their part in grain production is 75%. In 2012 58% of the total harvest acreage was for cereal acreage. Traditionally core grains of the planted areas are wheat and barley the part of which is more than 75% in total.

Russia performs the strong growth of the planted areas along with the grain production volume. Obvious tendency to crop capacity increase is evident, which means that deep processes of transition to technological and management innovation in agriculture sector take place.

The Russian Federation used to be a large-scale importer but the recent years turned Russia into one of the leading grain exporters. Russian wheat delivery to several countries supplied their food stability and removed the food crisis acuteness.

Russia possesses significant grain export potential that is not used in plentitude. In different developmental periods such as crisis of 1990-ies the material effect upon export was influenced by the political reasons.

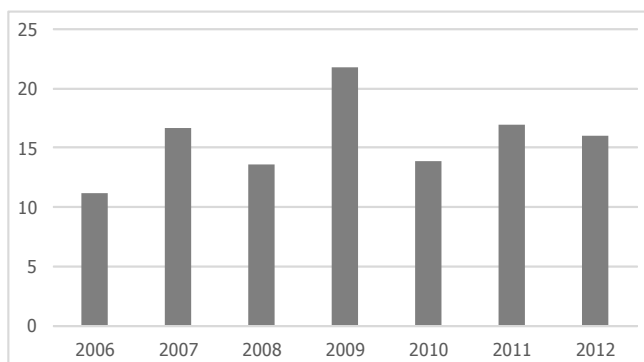


Pic. 1. The moving trends of croppage in 2002-2012, million tons

Passive role of the state, spontaneous exchange relations and various agents (mediators) impeded the effective grain market building. As a result the grain market represented an uncontrolled, unorganized sphere of grain exchange purchase. The main figures of it were numerous trade agents (mediators). Consequently the agricultural commodity producers became the most aggrieved party (starting with purchasing price understatement up to profit distribution) together with people (who suffered from high prices for lower quality products) and the state (that uncollected taxed).

At the same time grain is becoming the strategic export commodity for the country at present. Grain export becomes a vitally important component of the grain production development in the Russian Federation, becomes a key to political and economic position improvement.

In 2009 for the first time in last 20 years Russia became one of the three leaders in grain export. However in 2010 because of the drought and fires embargo was put on grain export for wheat, barley, rye and corn. Nevertheless, on the 1st of July, 2011 grain export was recommenced.



Pic.2. The moving trends of Russian grain export in 2006-2012, million tons

Russian grain export is realized to Egypt, Turkey, Syria, Iran, Azerbaijan, Mozambique, Tanzania, Eritrea, Nigeria, Mauritania, Jordan, Bangladesh,

Philippines, Vietnam, Myanmar, Nepal, Cuba, Brasilia, Peru and other countries.

Egypt purchases Russian grain actively. Export to this country in 2012 exceeded 4,5 million tons, Turkey bought more than one and a half million tons, Iran – more than 900 thousand tons. The quantity of essential types of grains increased, too. In 2012 35 types of grain were sent abroad while there were only 29 types in 2011 [1].

Wheat remains the feature article of Russian grain export – 14309 thousand tons (131,9% to 2011 level), then barley with 2971 thousand tons (barley export in 2012 exceeded the level export for the same period in 2011 in 2,2 times).

The recent years' tendency shows the increasing role of Russian grain export, that influences the grain sector of the country and its current situation formation more and more.

It is worth noting the numerous of international large-scale holding companies, such as Louis Dreyfus, Cargill, Bunge and others, which form Russian export.

According to the experts assessments mass production of the food wheat is the essential Russian specialization in the world division of labor. In perspective export potential of Russian grain is valued at 10-12 billiards dollars per year.

However, the record harvests and export volumes of Russian grain not only showed Russian success, but also uncovered the restrictions for the sector development. One of the main obstacles in increasing of grain export and grain production is out-of – date and inadequate infrastructure of the grain market.

It is obvious that there is a deficit in modern elevators, port terminals; internal logistics does not satisfy the increasing transportation volumes. According to the official assessments Russian park of combine harvesters is out-of-date; the decrease of technical equipment in the majority of the agricultural organizations is also observed.

Infrastructural costs are disproportionally high and lead to decrease of Russian grain competitiveness in the world market and delay the grain production development in Russia.

The next constraint of Russian grain export development is grain quality. Having the substantial potential opportunities Russia does not produce adequate quantity of grain with required flour-grinding and baking quality. The main difficulty here is the fact that Russian grain does not satisfy the requirements of European Union. Russian Grain Standards do not satisfy the ISO Standards completely.

For Russian grain export potential realization two main problems should be solved:

- structure development of the export-oriented grain logistics corridor;
- modernization and increasing of grain infrastructure capacity.

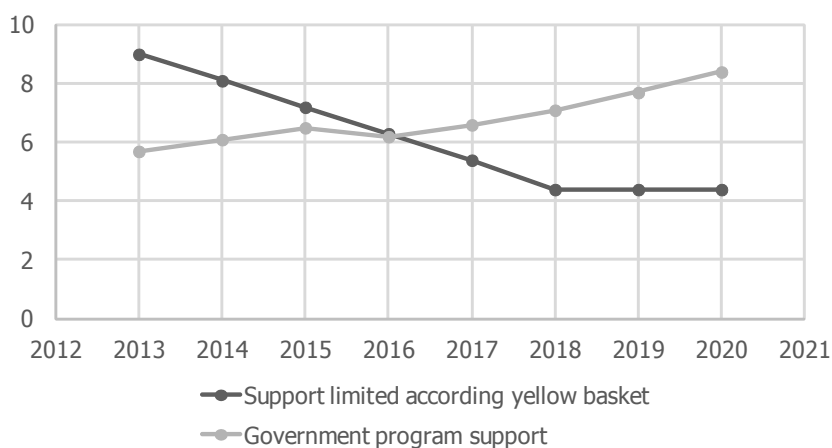
Modernization of the present market infrastructure objects and creation new ones requires significant investments volume, which is long term recoupment;

this means the necessity of fundamental government support both financial and technical-organizing, that should be realized in the form of state-private partnership.

In view of joining WTO on the 14th of July, 2012 government program of agricultural sector development and agricultural production, materials and food market regulation for 2013-2020 was approved. Program arrangements take into accounts risks and are adapted to Russian membership in WTO.

According to WTO regulations government support of trade influence and financial volumes is divided into two boxes: yellow and green ones.

Yellow box arrangements contain arrangements which directly influence on the production and are to be limited according to WTO regulations. Financial grants volume of the yellow box is limited and differentiated per year.



Pic. 3. Agricultural government support for the period up to 2020, million dollars

The difficulty of the situation is that during the first years of the government program realization at possible 9 billion dollars as a support for the sector, Treasury Department planned only 5,7 billion dollars. Following years, when the project provides supporting increase, lower limited size allowed by WTO will start to realize. According to the government program project financial necessity of yellow box arrangements in 2017 will be 6,6 billion dollars while its allowed size will be only 5,4 billion dollars. The same situation will be formed the following years.

### Results

Green box arrangements influence production indirectly. Market infrastructure perfection (road construction, building of elevators, electrical communication system, land-improvement constructions, logistic systems development) concerns to green box arrangements. Financial grants volume of the green box is not limited.

At positive tendency of grain crop production development in Russia and at increasing of planted areas it is possible to raise the croppage up to 120-125 million tons and grain export – up to 45 and more million tons [2]. Therefore the

most important condition for investing attractiveness of the agricultural sector and widening global competitive advantages expansion of Russia in the agricultural market is the development of elevator facilities, transport and port infrastructure of the home market together with increasing of the export grain potential of the Russian Federation.

Thus, the grain market infrastructure perfection is the significant reserve for increase of the Russia's competitiveness in the world grain market.

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# РАЗВИТИЕ ИНФРАСТРУКТУРЫ ЗЕРНОВОГО РЫНКА – ВАЖНОЕ УСЛОВИЕ РЕАЛИЗАЦИИ ЭКСПОРТНОГО ПОТЕНЦИАЛА РОССИИ

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*Цель:* показать, что развитие инфраструктуры зернового рынка является важным условием реализации экспортного потенциала России.

*Обсуждение:* определяющая роль в повышении конкурентоспособности отечественного зернового производства отводится пропорциональному развитию инфраструктуры. Совершенствование хранения, первичной переработки, транспортировки, реализации зерна будет способствовать стабильному функционированию рынка зерна. На данный момент зерно становится стратегическим товаром для страны. Экспорт зерна становится необходимой составляющей развития производства зерна в Российской Федерации, ключом к повышению экономических и политических позиций страны в мире. Однако рекордные урожаи и объемы экспорта российского зерна показали не только успехи России, но и выявили ограничения для развития отрасли. Одним из основных препятствий для увеличения производства и экспорта зерна является устаревшая и не отвечающая современным требованиям инфраструктура зернового рынка. *Результаты:* в статье отмечена стратегическая роль зернового рынка страны, важное влияние инфраструктуры на развитие зернового рынка, показана структура экспорта российского зерна, выявлены слабые места современной инфраструктуры, негативно сказывающиеся на эффективном функционировании зернового рынка и увеличения экспортного потенциала.

**Ключевые слова:** рынок зерна, инфраструктура рынка, экспорт зерна, государственная программа поддержки сельскохозяйственного сектора, реализация экспортного потенциала зерна.

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