The Moscow Times
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Polish Apple Farmers Hammered By Russian Import Ban

By The Moscow Times

August 07, 2014

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NOWE GROBICE, Poland — Slawomir Kedzierski's workers had just finished loading 20 tons of Polish apples onto two trucks destined for Russia when news came through of the embargo. The fruit, and his business, had fallen foul of the geopolitical crisis over Ukraine.

"The man who had placed the order rang up and told me not to bother because the apples wouldn't make it through customs on time," said Kedzierski, whose Sun-Sad company is one of 800 Polish apple producers exporting to Russia.

Two days later, on Aug. 1, Russia officially closed its borders to Polish fruit and vegetables, depriving farmers and exporters of a market worth more than 300 million euros ($400 million) last year.

Moscow blamed repeated sanitary infringements by Polish farmers, but the move was widely seen as retaliation for Poland's staunch support of Ukraine in its fight with pro-Russian separatists and Warsaw's push within the European Union for tougher sanctions on Russia.

"This is not about an infringement of any quality norms. The decision is strictly political," Polish Agriculture Minister Marek Sawicki said. "Russia is abusing [sanitary] regulations for political reasons," Foreign Minister Radoslaw Sikorski told a news conference.

The ban represented a targeted strike against the biggest producer of apples in Europe, underscoring the EU's vulnerability to retaliation as the bloc turns the screws on the Russian economy, hoping to force President Vladimir Putin to drop his support for rebels trying to break away from Kiev.

The EU and United States have slapped sanctions on allies of Putin, businessmen close to the Kremlin and most recently the Russian energy, defense and banking sectors.

This week Russia acknowledged its true motives. Putin signed a decree on Wednesday ordering economic retaliation against any country that had imposed the sanctions.

Then on Thursday, Prime Minister Dmitry Medvedev announced sweeping bans on fruit, vegetables, meat, fish, milk and dairy imports from the U.S., the EU, Australia, Canada and Norway, effective for one year.

Medvedev also said he was considering banning flights by EU and U.S. airlines through Russian airspace to the Asia-Pacific region, responding to the grounding of a subsidiary of Russian national carrier Aeroflot. This was forced by the cancellation of a leasing agreement for the budget airline's fleet due to the EU sanctions.

Banning such flights over Siberia would hurt Aeroflot, which gets the fees foreign airlines pay for the right, but it would also inflict significant costs on European carriers, which would be forced to fly longer routes and burn more fuel.

Winners and Losers

Russia has traditionally reserved such punishment for upstart members of its ex-Soviet backyard that are not part of the EU but are trying to get there. These include the likes of Georgia and Moldova, which have both suffered from Russian import bans on their popular wines.

With the EU and U.S. frozen out, others stand to gain from the huge Russian market. Timothy Ash, head of emerging market analysis at Standard Bank, noted the potential for pork and fruit exporters in Serbia, the dairy and meat sector in Belarus, fruit and vegetables from Armenia — each country well-placed due to their traditional ties with Russia. "Inevitably, there will be some winners," Ash said in a note.

Agriculture Minister Nikolai Fyodorov said Thursday that Russia planned to step up imports of Brazilian meat and cheese from New Zealand. The import bans would also be discussed with Kazakhstan and Belarus.

Brazilian producers have already said they could ship more chicken to Russia.

According to the Polish statistics office, Poland sold Russia about 316 million euros' worth of now-embargoed fruit and vegetables last year. Apples accounted for nearly 90 percent, with Poland having recently overtaken China as the world's largest exporter of the fruit.

The Agriculture Ministry says that more than a third of Poland's annual apple production of 3 million tons is sent abroad, with about 700,000 tons going to Russia alone.

While farmers will take a hit, the overall effect on Poland's $517 billion economy may be limited. But the accumulated effect of escalating tit-for-tat trade measures between Russia and the EU will take a toll.

Last week, in an interview with the daily Rzeczpospolita, Polish Deputy Prime Minister Janusz Piechocinski estimated that mutual sanctions would trim 0.6 percentage points from his country's economic growth this year, previously forecast at 3.4 percent.

"In macroeconomic terms, the impact of the Russian embargo on Polish fruit will not be significant," said Jakub Borowski, chief economist at Credit Agricole Bank Polska. "It will, however, deepen the deflationary tendencies, decreasing the inflation rate by 0.1 or perhaps even 0.2 percentage points."

Political Fallout

The government, trying to limit any fallout on the coalition that includes the Peasants' Party, is scrambling to support farmers. Sawicki, the agriculture minister, said he planned to meet executives of the largest supermarket chains and would encourage them to give priority to Polish apple suppliers.

He also said he would ask the government to scrap taxes on cider production until the end of the year and talk to the Health Ministry about lifting a ban on cider advertising, imposed as part of a drive to discourage young Poles from alcohol abuse.

Even with such emergency measures, Sawicki estimated the damage at about 160 million euros this season.

This week, Polish campaigners took to social media posting pictures of themselves taking a bite out of the forbidden fruit, using the hashtag #jedzjablka, or "eat apples."

Statistics suggest the average Pole ate 13.5 kilograms of apples last year, down from 23 kilos a decade earlier. "Eating just one apple a day would provide significant relief for Polish producers," Miroslaw Maliszewski, head of the Association of Polish Fruit-growers, told a news conference last week.

Sawicki said the European Commission had recently granted 4 million euros for a marketing campaign to promote Polish apples in India and China, part of an attempt to tap into new markets, but success will take time.

The government is already showing the strain, with some in the Peasants' Party, junior partner to the center-right Civic Platform, lamenting Warsaw's vocal criticism of the Kremlin.

Maliszewski, who is also a Peasants' Party member of parliament, said Poland had got

"carried away."

This week, the agriculture ministry filed a preliminary compensation request to Brussels. "The EU stood together when it imposed the sanctions on Russia," Sawicki said. "It must show its solidarity with Polish farmers and take responsibility for the situation."

Kedzierski, whose trucks were held up by the ban, took little solace. He usually exports to Russia a third of the 20,000 tons of apples he produces each year.

"Now I need to figure out where to send the 7,000 tons of apples I used to send east," he said. "I don't get involved in politics, nor do I want to. I'd much rather politics stayed out of my business too."

See also:

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