The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Small European Farmers Bear Brunt of Russia's Sanctions

By The Moscow Times

August 08, 2014

Cows are seen at a milk farm in Larissa, central Greece.

LONDON — European dairy firms halted production of cheese and butter destined for Russia and Norwegian salmon prices fell as a wide array of small fresh food producers felt the first impact from Moscow's tit-for-tat ban on their goods.

Russia stopped imports of most food from the West on Thursday in retaliation for U.S. and EU sanctions imposed over Russia's actions in Ukraine. Roughly 10 percent of EU agricultural exports go to Russia, worth around 11 billion euros ($14.7 billion) per year, according to European Commission figures.

While Western multinationals are counting on their local manufacturing plants to help them weather the ban, small farmers are not so lucky.

They said trucks bound for Russia were turning around mid-route, 8,000 tons of peaches

were stranded in northern Greece and fears were spreading about the impact on products ranging from Spanish ham to Scottish mackerel.

Norwegian salmon prices are expected to fall 10 percent in the next week as a result of Russia's food sanctions, traders and analysts said Friday, forcing farmers to scramble for new markets at a time when prices are already under pressure.

"It's important that the producers cut their output next week," said one exporter, who declined to be named. "When this ban was announced yesterday, it was complete chaos."

Scotland's fishing industry also expected to be hit given Russia's importance as an export market for mackerel. The industry's main body said it was "extremely concerned."

Dairy Hit

Arla Foods, which says it is Europe's largest dairy cooperative, said Friday that it had stopped production of all goods for the Russian market on Thursday night. The market accounts for 1 billion Danish krone ($180 million) a year, or 1.3 percent of Arla's global annual revenue.

A company spokesman said it was trying to ship output elsewhere or switch to other products destined for other markets. "The immediate challenge is the market shut-down," said a spokesman. "But there will be after-effects as well."

Milk prices are likely to come under pressure as companies scramble for new buyers.

In Ireland, a major dairy producer, about 70 million euros ($94 million) of the country's 230 million euros ($308 million) of food and drink exports to Russia were affected, its food board said.

"It's the knock-on effect on cheese markets throughout Europe that's worrying farmers. You take out the biggest export market and that cheese has to go somewhere," said Sean O'Leary, a dairy farmer in the south of Ireland and Chairman of the Irish Farmers Association's dairy committee.

"The timing of it is just bad. Milk prices are already falling. Farmers are expanding before EU quotas are ended next year and Russia would have been identified as a growth market," he said.

Finland's dairy cooperative Valio said it was planning talks with labor unions concerning 800 jobs. The company produces about 85 percent of the Finnish exports hit by Russia's sanctions, Valio said on Friday. "The manufacture of all products for the Russian market was halted on Thursday," it said, with cheese, butter and milk the most popular items.

The company also said it was looking at how to cut its operations in Russia, where it employs just under 500 staff.

Finnish food exports to Russia totaled 400 million euros ($536 million) last year. Just under 300 million ($402 million) of those fall under the Russian ban, which represents 0.5 percent of total Finnish exports, data from the Customs office showed.

Greek Peaches, Spanish Ham

Greece exported about 160,000 tons of fruit to Russia last year worth 180 million euros ($241 million), according to Greece's fruit exports association, Incofruit-Hellas.

Christos Yiannakakis, head of an association representing about 5,000 producers in Imathia, a peach-producing region in northern Greece, said they were reluctant to ship to Russia in case they were forced to turn back. As a result, around 8,000 tons of peaches are held up in refrigerators in the area.

"Russia is our main market," Yiannakakis said, adding that about 50 to 60 percent of the region's peach exports go to Russia.

The producers have already suffered this year from the crisis in Ukraine, its second-biggest market, as well as a global oversupply of peaches and a slight drop in demand. "[The embargo] will throw our region's agricultural community into great turmoil," he said. "It's a disaster."

In Spain, where the economy is finally emerging from a long recession, producers of fruit, vegetables and meats — including fine Spanish ham — said they were very worried.

"Any kind of ban on products tends to create excess production and thus an extreme drop in prices. This affects producers big and small, not just exporters," said Miguel Padilla, head of agriculture and livestock association COAG.

The association is based in the southern region of Murcia, a major producer of fruit and vegetables which annually exports about 33 million euros ($44 million) directly to Russia, which is a big buyer of peaches, lettuces and cauliflower from Spain.

A large part of some 90 million euros ($121 million) of Murcia exports to Poland, Germany and Netherlands also ends up in Russia, said Padilla, who grows watermelon and broccoli.

"Exporters have told us that some trucks in the EU are turning around right now because their orders have been cancelled," he said.

The country's main fish and meat producers, Pescanova and Campofrio, will avoid the impact. Russia is not among the main export markets for Pescanova, a source with knowledge of the company's business said, and Campofrio sold its Russian unit in 2008.

Tourism Impact

But the tensions with Russia could have a knock-on effect on Spain's tourism industry, one of the country's main economic drivers and a sector that has recently boomed thanks to a rise in tourist arrivals, and spending, from Russia.

Russian tourists spent some 1.6 billion euros ($2.1 billion) in Spain last year, almost five times the 388 million euros ($520 million) that the country receives from food exports to Russia.

In Finland, the opposite could be true. With St Petersburg about 200 kilometers from the Finnish border, locals on the Finnish side hope there is a chance that shopping tourism may

partly offset the hit from the food sanctions.

"It's quite possible that shopping will increase here — they have to get their food somehow," said Reijo Tervo, who runs the Citymarket supermarket in Lappeenranta, a few kilometers from the Russian border.

"We have already seen some people stocking up, mainly on cheese and soya products," he said.

See also:

Russia's Food Ban Strikes Its Own Consumers

Turkey, Latin American Will Reap the Rewards of Russia's Import Bans

Original url:
https://www.themoscowtimes.com/2014/08/08/small-european-farmers-bear-brunt-of-russias-sanctions-a38152