

Putin Acts to Spur Russian Farming to Replace Banned Produce

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Alexander Tkachyov

President Vladimir Putin appointed a regional governor from southern Russia to head the Agriculture Ministry on Wednesday in an apparent bid to galvanize domestic production, which has failed to take advantage of reduced competition ushered in by a 2014 Kremlin food import ban.

Alexander Tkachyov, the governor of the grain producing region of Krasnodar, will replace lawyer Nikolai Fyodorov, who has been in the post since 2012 and will become a presidential adviser.

“We need our own produce, the produce of domestic manufacturers, to fill our own market and this needs to be done quickly,” said Putin, according to a transcript on the Kremlin’s website.

Moscow banned food imports from the European Union and United States in August in retaliation for a series of Western sanctions imposed on Russia for its role in the Ukraine crisis. Russian officials trumpeted the embargo as a godsend for domestic manufacturers, but overall production has barely grown.

Putin must decide whether to extend the food ban in three months.

Sector Shake-Up

Tkachyov's main priority in the new position will be to try and reorganize the domestic agricultural industry — worth about 4 percent of Russia's gross domestic product — to take advantage of the exclusion of most Western imports, according to analysts and experts.

While dozens of large Russian producers have seen profits soar as food prices rise, few have sought to make long-term investments, or increase production.

The chairman of Russia's Union of Milk Producers, Andrei Danilenko, said that new leadership at the ministry should mean, "a complete reset of Russia's agricultural industry."

Fyodorov missed an opportunity to capitalize on the food import ban, according to Danilenko.

"Tkachyov is a very experienced politician ... and a strong manager who has all the characteristics to push the agricultural industry to a new level," he said.

An Opportunity?

Importozameshcheniye — or import substitution — has become a buzzword among Russian officials since the ban, and some ordinary Russians have already sought to capitalize on the apparent opportunity.

Oleg Sirota used the ban to found a business, selling his car and apartment to raise the initial capital.

"I realized straightaway that I could realize my dream and begin to produce hard cheese," he told The Moscow Times by telephone from the Moscow Region where he is finalizing the paperwork to launch a farm that will make Gorgonzola before moving on to manufacture Parmesan.

"The market is growing," he said. "Every day of the embargo is a competitive advantage."

More Bad Than Good

Out of all the agricultural industries, only the domestic cheese sector has actually seen an increase in output since August, growing 15–20 percent, according to Andrei Sizov, the head of agricultural consulting company SovEcon.

Agriculture has been hurting from Western sanctions and the ruble's massive devaluation in 2014. Just like other Russian industries, the sector has been hit by higher interest rates, falling investment, reduced access to debt, and spiraling import costs.

“Credit is a sore point,” said would-be cheese producer Sirota, who recounted how he had been able to buy cheap cows from a farmer struggling to pay off loans.

Analysts said that the net impact of sanctions was damaging.

“The whole sanctions war was negative for the agricultural market and investment in agriculture,” said SovEcon’s Sizov.

The Krasnodar Factor

Prior to the Agriculture Ministry, Tkachyov, 54, served for 14 years as governor of the Black Sea bread basket region of Krasnodar.

Tkachyov told Putin on Wednesday that the Krasnodar region produces 10 percent of Russia’s grain, according to the Kremlin website, and analysts said there might now be more of a focus on crop growing.

Russia is one of the biggest wheat exporters to North Africa and the Middle East, although restrictions have been placed on exports in years of poor harvests.

During his tenure as governor Tkachyov shepherded a massive construction program prior to the 2014 Winter Olympics in Sochi, but was intensely criticized for his handling of flash floods in 2012 that caused the death of 171 people and a 2010 massacre when a criminal gang killed 12 people in one village.

“It’s not really a promotion,” said Pavel Salin, head of the political science center at Moscow’s Financial University, who said Tkachyov’s appointment may also have come about because the Kremlin needed a more easily controlled governor in Krasnodar.

Krasnodar region will be the base for building a bridge, at a cost of billions of dollars, across the Kerch Strait to Crimea, which was seized by Russian troops last year.

Tkachyov will be replaced by Veniamin Kondratyev, his longtime deputy. “Kondratyev is a much more manageable figure,” Salin said.

Agricultural Potential

Russia’s large tracts of arable land — the fourth-largest acreage in the world — and plentiful supplies of fresh water should be sufficient to underpin a huge food exporting economy.

Some experts have said that the country has the potential to become a European equivalent of Brazil, which has rapidly increased its food exports in recent years.

But an agricultural boom in Russia has failed to materialize.

The sector is held back by a lack of investment, poor levels of education, deficiencies in infrastructure and poor government regulation that increases risks, according to SovEcon’s Sizov.

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