

IPC Alert

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AN UNFORTUNATE DECISION BY RUSSIA

Russia needs to engage with the world markets not pull away from them

Faced with the worst set of droughts and wildfires in over a century, Russia faces a grim outlook for its wheat harvest, as well as the harvest of other grains. Although the actual reductions are not yet clear, it is anticipated that one fifth to one third of this year's expected wheat crop may not materialize. The decision to ban exports was justified to the world by the need to provide Russian citizens with basic foodstuffs, as such export bans are generally justified by politicians who implement them. But an export ban will not be unequivocally good news for Russian citizens. Moreover, as a major global grain exporter, Russia has responsibilities that go way beyond its own borders. There are good alternatives to this extreme measure: Russia would benefit from learning how markets can work to smooth out such fluctuations, drawing down their wheat stocks and possibly drawing in some cheaper feed grain imports to serve their livestock growth plans.

The reputation of Russia as a reliable supplier will suffer as a result of this action and the artificially reduced demand can also hamper the efficient transmission of economic signals to its economic operators. Russia's agricultural producers will bear the brunt of this, but so will processors and traders – and ultimately the significant number of Russian men and women employed in the agrifood chain.

Export bans not only stop exports from Russia, but also contribute to price increases and panic purchasing by importing countries, which can drive prices even higher. It is the world's poor, who can spend up to 70% of their income on food, who will suffer the most from such actions. Export bans also lead nations to seek self-sufficiency in agriculture as a protection from erratic global markets, often at substantial economic and environmental costs.

There is no doubt that governments are faced with tough decisions when confronted with catastrophic weather events. Major exporters in particular should proceed with caution, however, in order not to unfairly place the burden of adjustment entirely on other countries, and, in this case, not to let the wildfires burn the bridges to important export markets.

IPC Publications on Export Restrictions:

- Agricultural Export Restrictions: Welfare Implications and Trade Disciplines, By Siddhartha Mitra and Tim Josling, January 2009 <http://www.agritrade.org/GlobalExpRestrictions.html>
- The Domestic Impact of Export Restrictions: The Case of Argentina, By Julio J. Nogués, July 2008 <http://www.agritrade.org/ExportRestrictions.html>

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