Russian trade restrictions – update 18 August 2014

Russian Prime Minister Dmitry Medvedev issued a decree on 6 August banning the import of fish and certain agricultural products from the EU, US, Canada, Australia and Norway, for a 12 month period. The ban covers meat, fish, fruit & veg, milk and dairy products, as well as sausages and other prepared meats. In 2013, Russia was the EU's second largest export market for agricultural products and is worth nearly €11bn - just under 10% of total EU agricultural exports. Around half of that (roughly €5.2bn) is affected by this ban. There are fears Russia may extend the list of banned products further.

2013 exports (million €)	Fishery	Agri Food	all banned products			Fishery	Agri Food	all banned products
Lithuania	5	922	927		Estonia	15	60	75
Poland	0	840	841		Latvia	3	67	70
Germany	1	594	595		UK	19	21	40
Netherlands	6	523	529		Portugal	1	13	14
Denmark	36	341	377		Sweden	0	13	13
Spain	12	326	338		Cyprus	1	12	13
Finland	9	274	283		Czech republic	0	12	12
Belgium	0	281	281		Bulgaria	2	8	10
France	11	233	244		Slovenia	0	10	10
Italy	1	163	164		Croatia	0	7	7
Greece	11	114	125		Slovakia	0	6	6
Austria	0	104	104		Luxembourg	0	5	5
Ireland	20	70	90		Romania	0	1	1
Hungary	0	78	78		Malta	0	0	0

In response, the European Commission has set up a task force of senior officials, chaired by the Director General of DG Agriculture. The task force is meeting daily to discuss market data and appropriate responses. To help, it has called more regular meetings of the 'Management Committee' (ManCom) which is made up of national government market experts, with the UK represented by Defra. The first ManCom took place on Thursday 14 August where officials from all 28 EU member states presented market data, discussed the sectors already badly affected by the ban and where the likely pressure points were going to be in the weeks and months ahead.

The Commission have also announced that it is prepared to "propose EU wide measures as and when needed." In response to growing calls for action in the meat and dairy sector, Commissioner Cioloş said they were "following every sector & every market, and would act as material risks emerge." Dutch officials have led the calls for immediate compensation in the dairy sector, whilst other countries such as the UK, Germany and Sweden called for proper analysis and criteria against which to consider how best to use the limited budget available. DG Agri officials agreed, reportedly saying "it's not a race to get a slice of the cake." The ManCom will continue to meet weekly to discuss the market situation and an extraordinary Farm Council is scheduled to take place on 5 September.

In terms of crisis funds for producers, so far, the greatest attention has been on the perishable fruit & vegetable sector. The Commission has already announced that for peaches and nectarines it will increase the amount of product that can be withdrawn from the market and extra EU funds will also be provided for promotion. The cost of these measures for the peaches & nectarines sector is estimated at €20-30 million which will come out of the CAP budget. In the last CAP reform a new “crisis reserve” worth around €424m per year was created and is available for use in such circumstances.

Today the Commission announced support measures worth €125m between now and the end of November for the vegetable sector, covering tomatoes, carrots, white cabbage, peppers, cauliflowers, cucumbers, gherkins, mushrooms, apples, pear, red fruits, table grapes and kiwis.

As well as managing the internal market through exceptional compensation measures as and when required, the Commission is also keen to increase consumer promotion measures both within the EU and abroad. The Polish Government is already running a campaign encouraging consumers to “eat an apple to spite Putin.” Effort is going in to look abroad for new markets and the Commission is expected to accelerate negotiations on trade agreements with countries such as Japan, China and the Middle East. With the US, Canada, Australia and Norway also affected by the ban, the race may well be on to secure these new markets and show a defiant face to Russia.