



SANCTIONS ! !

POLICY PAPER

SANCTIONS AGAINST RUSSIA AND BELARUS AGRICULTURAL SECTOR

**COMPENSATORY MEASURES
FOR UKRAINE**

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INTRODUCTION

The EU currently has about 23 sectoral sanctions programs against Russia, and 17 against Belarus for the 'invasion of Ukraine by the armed forces of the Russian Federation and the involvement of Belarus in this aggression against Ukraine.' Sectoral determinations cover the prohibition of trade in such sectors as diamonds, luxury goods, oil and energy products, arms and dual-use goods, iron and steel, gold, etc. Sanctions also limit certain operations in the financial sector and other services. Yet, the agricultural sector of Russia has not been under sanctions, and agricultural trade between the EU and Russia is ongoing, allowing Russia to receive foreign currency and maintain its aggressive war against Ukraine. Given the necessity to further pressure Moscow to stop the aggression, more sanctions packages are necessary. As the agricultural sector of the EU has been facing a lot of internal turbulence due to farmers' protests, cutting off agricultural imports from Russia can be viewed as a compensatory measure that can alleviate internal market imbalances and reduce the Kremlin's ability to wage war. More importantly, blocking agricultural trade with Russia/Belarus could at least partly compensate for any potential or observable losses that Polish or other neighbouring farmers believe are caused by exports from Ukraine.

The proposed text for EU Regulation,

It is prohibited to import, purchase or transfer agricultural products, as listed in Annex ____ of Regulation (EU) 833/2014, from Russia/Belarus. Related technical or financial assistance and brokering services are also prohibited.

BACKGROUND

Ukraine is a major agri-food exporter to the EU, while Russia is a relatively minor exporter of agricultural products to the region.

1. The top origins for EU agri-food imports in January 2021 included the USA, Brazil, Ukraine, China and the United Kingdom. According to the 'Monitoring EU Agri-food trade', in 2021, in the extra-EU imports, Ukraine's share of agri-products was 5,3% (ranked 4th). The Russian Federation's share was 1,7% (ranked 18th).¹ Meanwhile, Belarus's share was less than 1,5%.²
2. In January 2022 (before Russia's full-scale invasion), Ukraine ranked 3d as the top importing source for the EU.³ According to the Eurostat, Ukraine was one of the largest origins (11%) of EU imports of vegetable products and oil and fats (15%; 3 billion Euro), which are the two out of four main categories of agricultural products.⁴
3. In 2023, Ukraine was the third most important trade partner for the EU in agricultural products.⁵ Russia exported 4.2 million tonnes of cereals, oilseeds, derived products in 2023 (worth 1.3 billion euro), which is only 5% of the imports of these products to the EU. Meanwhile, Belarus exported even less: 610 000 tonnes in 2023 of cereals, oilseeds, and derived products were exported to the EU, with a value of 246 million euro.

REASONING

Russia's war in Ukraine has caused huge damages and losses on Ukraine's exports to its trade partners, including the EU directly and indirectly (as a side-effect of expansionist RU policy on the global agricultural market).

1. First of all, Russia occupied parts of Donetsk, Luhansk, Kherson, and Zaporizhzhia regions where about 21 percent of wheat, 17 percent of barley, and 19 percent of sunflower seed were produced in Ukraine between 2016 and 2020.⁶
2. The amount of abandoned cropland in Ukraine in 2023 due to the war is equivalent to about 7.5 percent of the total cropland in the country.⁷
3. The U.S. Department of Agriculture (USDA) estimates that the harvested area for wheat, corn (maize), and barley for 2023 is down 32 percent, 27 percent, and 37 percent, respectively, from 2021 levels.

1 Monitoring EU Agri-Food Trade (December 2021).

2 Monitoring EU Agri-Food Trade (December 2021).

3 Monitoring EU Agri-Food Trade (January 2022).

4 Eurostat Statistics Explained, 'Extra-EU in agricultural goods'.

5 Monitoring EU Agri-Food Trade (November 2023).

6 Caitlin Welsh, Joseph Glauber, Report 'Food as the "Silent Weapon": Russia's Gains and Ukraine's Losses' (29 February 2024).

7 Inbal Becker-Reshef, Mary Mitkish, 'When Farmland Becomes the Front Line, Satellite Data and Analysis Can Fight Hunger' (January 21, 2024).

4. Russia is replacing Ukraine as a source of wheat to the African continent. Ukraine's wheat exports to Sub-Saharan Africa fell from 10 percent of Ukraine's total to 3 percent, and Ukraine's wheat exports to North Africa fell from 53 percent to 34 percent.⁸ Meanwhile, on July 27, 2023, President Putin said that Russia was [ready to replace](#) Ukrainian grain exports to Africa and offered to provide Burkina Faso, Zimbabwe, Mali, Somalia, the Central African Republic, and Eritrea with 25,000–50,000 metric tons of free grain each in the next three to four months.⁹
5. According to the Project Expedite Justice reports, the Russian Federation is currently illegally appropriating large portions of grain produced in the territories of Ukraine, which it temporarily occupies, and then diverting these products to its export markets, falsely labelling them as "Russian" products.¹⁰ Russia has created grain laundering techniques which include the process of switching off on-board trackers.¹¹ According to the KSE, the Ukrainian agricultural sector has suffered more than \$80 billion in direct losses and damages as a result of the full-scale invasion. Experts estimate the damage caused by the theft or destruction of already produced grain and oilseeds at \$1.97 billion.¹²
6. PEJ documented that Russia is using food as a weapon through a three-fold approach. First, it aims to undermine the large sector of the Ukrainian economy that is a sustainable source of revenue and currency flow. Secondly, it destabilises global food security by making shipments from the Black Sea region uncertain. On the other hand, it has been observed that Russia has allowed the sale of pillaged Ukrainian grain, which depresses market prices. Thirdly, the occupation authorities managing the agricultural sector in the occupied territories of Ukraine are closely linked to large Russian agricultural exporters. Through grey market schemes and corruption, they use the looted assets of Ukrainian agricultural companies as a source of personal enrichment.
7. Total losses due to a decrease in crop production are \$35.1 billion, additional losses due to a decrease in livestock production are \$5.6 billion, losses caused by a decrease in domestic prices are estimated at \$24.1 billion, and losses due to an increase in the cost of production are \$4.4 billion.¹³
8. Moreover, the war has increased the costs of transporting grain and other agricultural products to export markets since the supply routes have been changed.¹⁴

8 Caitlin Welsh, Joseph Glauber, Report 'Food as the "Silent Weapon": Russia's Gains and Ukraine's Losses' (29 February 2024).

9 Caitlin Welsh, Joseph Glauber, Report 'Food as the "Silent Weapon": Russia's Gains and Ukraine's Losses' (29 February 2024).

10 Nick Beake, Maria Korenyuk and Reality Check team, 'Tracking where Russia is taking Ukraine's stolen grain' (BBC News, 27 June 2022).

11 K Oanh Ha, Aine Quinn and Samuel Dodge, 'How Russian Ships Are Laundering Grain Stolen From Occupied Ukraine' (Bloomberg, 17 October 2022).

12 Kyiv School Economics, 'Losses and damages of the agricultural sector of Ukraine amount to more than \$80 billion' (21 February 2024).

13 Kyiv School of Economics, 'Losses and damages of the agricultural sector of Ukraine amount to more than \$80 billion' (21 February 2024).

14 'Turning food into a weapon: how Russia resorted to one of the oldest forms of warfare' (The Guardian, 2023).

COMPENSATORY SANCTIONS

Ukraine is ready and capable of replacing the Russian Federation and Belarus as a source of cereals and other agricultural products on the EU market.

1. As of 5 September 2023, the US Department of Agriculture (USDA), the Ukrainian Grain Association (UZA), the Ministry of Agrarian Policy forecasted that in 2023, Ukraine may harvest 76.7 million tons of grain.¹⁵ In the meantime, Ukraine's domestic consumption of grain will amount to only 12 million tonnes.¹⁶
2. NB: According to the data provided by the International Production Assessment Division, in 2023/24, Ukraine produced 23 400 000 tonnes of wheat; 29 500 000 tonnes of corn; 6 350 000 tonnes of barley; 100 000 tonnes of millet.¹⁷
3. According to Monitoring of imports from Ukraine subject to trade liberalisation measures (2023) Ukraine exported to the EU:¹⁸ Common wheat, flour and pellets: 6 163 394 tonnes; Barley, flour and pellets: 780 790 tonnes; Maize, flour and pellets: 11 503 651 tonnes. Overall: 18 447 835 tonnes.
4. From July 2022 to June 2023 Ukraine exported to the EU¹⁹: Common wheat, flour and pellets: 5809710 tonnes; Barley, flour and pellets: 836 722 tonnes; Maize, flour and pellets: 14 642 740 tonnes.
5. According to Eurostat, from July 2022 to June 2023 the EU imported 22 043 931 tonnes of cereals from Ukraine²⁰: Barley- 832 054 tonnes; Common wheat- 6 073 264 tonnes; Durum wheat- 72 704 tonnes; Maize- 14 970 043 tonnes; Maize pellets- 3 386 tonnes; Meslin- 113 tonnes; Oats- 1943 tonnes; Other cereals- 37861 tonnes; Rice flour- 2 tonnes; Rye- 20 603 tonnes; Sorghum- 31 387 tonnes; Triticale-571 tonnes.
6. Data from the Eurostat shows that from July 2022 to June 2023 the EU imported 835 675 tonnes of cereals from Russia²¹: Barley- 10 tonnes; Common wheat- 274932 tonnes; Durum wheat- 88 745 tonnes; Maize- 388787 tonnes; Maize pellets- 0 ; Meslin- 0 ; Oats- 1 tonne; Other cereals- 22102 tonnes; Rice flour- 0 tonnes; Rye- 58 612 tonnes; Sorghum- 2482 tonnes; Triticale-4 tonnes.
7. According to Eurostat, from July 2022 to June 2023 the EU imported 12 725 tonnes of cereals from Belarus²²: Barley- 57 tonnes; Common wheat- 2948 tonnes; Durum wheat-

15 'This year's harvest in Ukraine exceeds expectations, but it is too early to rejoice. Why?' (Epravda, 5 September 2023).

16 Anna Bredykhina, 'We will always have bread, - the expert reassured with a forecast regarding grain' (UNIAN, 17 August 2023).

17 International Production Assessment Division, 'Ukraine Production'.

18 Ukraine Monthly Monitoring Report For December 2023.

19 Ukraine Information On Imports For June 2023.

20 Directorate-General for Agriculture and Rural Development, 'Cereal trade'.

21 Directorate-General for Agriculture and Rural Development, 'Cereal trade'.

22 Directorate-General for Agriculture and Rural Development, 'Cereal trade'.

0; Maize- 8822 tonnes; Maize pellets- 0 tonnes; Meslin- 0 tonnes; Oats- 0 tonnes; Other cereals- 826 tonne; Rice flour- 0 tonnes; Rye- 0 tonnes; Sorghum- 72 tonnes; Triticale-0.

8. In the extra-EU imports, Russia's and Belarus's share of agricultural products is relatively small in comparison to Ukraine's share. Moreover, according to the USDA forecast, wheat exports from Ukraine will increase by 1.5 million tonnes to 14 million tonnes in the marketing year 2023/24. Wheat production will rise by 0.9 million tonnes to 23.4 million tonnes.²³ As a result, there are reasons to say that Ukraine is ready and capable of replacing products that are imported by the Russian Federation to the EU, and introducing compensatory sanctions by blocking agricultural products from Russia/ Belarus will alleviate unintended negative consequences which free trade with Ukraine might cause for Polish and other neighbouring farmers.

RECOMMENDATION

The purchase, import, or transfer of agricultural products, including cereals (common wheat, barley, durum wheat, maize, rye, sorghum, and other cereals), shall be prohibited from Russia/ Belarus. Related technical or financial assistance and brokering services should also be prohibited.

Prohibition of access to ports in the territory of the Union for any vessels carrying agricultural products subject to the cereals import ban, which are registered under the flag of Russia. This prohibition shall also apply to vessels that have changed their Russian flag or registration to the flag or register of another state after 24 February 2022.

Access to EU ports and locks shall be prohibited for any vessels engaged in ship-to-ship transfers suspected of breaching the Russian agricultural import ban.

Prohibition to access EU ports and locks for any vessels if a vessel does not notify the competent authority at least 48 hours in advance about a ship-to-ship transfer occurring within the Exclusive Economic Zone of a Member State or within 12 nautical miles from the baseline of that Member State's coast.

Prohibition to access EU ports and locks for any vessels which manipulate or turn off their navigation tracking system when transporting Russian cereals subject to the cereals import ban.

²³ 'US forecasts rise in Ukrainian grain exports in 2024' (Ukrainska Pravda, 16 January 2024).

FERTILISERS

1. Russia is the world's largest exporter of fertilisers, accounting for 23% of ammonia exports, 14% of urea exports, 10% of processed phosphate exports, and 21% of potash exports. The primary destinations of fertilisers from Russia are Brazil (21%), China (10%), the US (9%), and India (4%).²⁴
2. Russia is one of the main partners for extra-EU imports of fertilisers (in 2021- 32%; in 2022-20%; 2023-25%).
3. According to the data provided by USDA, in 2020, Russia and its neighbour Belarus were the world's top fertiliser exporters accounting for nearly 20 percent of the three major types traded globally: nitrogen, phosphate, and potash.²⁵
4. The United States, seeking to avoid fertiliser supply shortages and price increases, did not impose sanctions on Russian fertilisers. In July 2022, the U.S. Department of Treasury issued a fact sheet to clarify that sales or transport of Russian fertilisers to the United States were exempt from sanctions. With concerns growing about global food insecurity, the EU eased its sanctions in December 2022 by allowing individual EU state members to unfreeze the assets of Russian fertiliser oligarchs to support the transport of food and fertiliser.²⁶
5. As of February 2023, Ukraine's fertiliser imports increased by 3.1 times to 4.3 from 1.4 million tons. Only 1.13 million tons of fertilisers were produced in 2022, the shortfall of which was compensated by imports of 4.3 million tons.²⁷
6. As a result, Ukraine is not capable of replacing Russia's fertilisers on the EU market right now. First of all, Russia is the main exporter of fertilisers in the world. Secondly, Ukraine is unable to even meet its own demand for fertilisers.

24 Fertilizer Trade in the UK.

25 Jennifer Kee, Lila Cardell, and Yacob Abrehe Zereyesus, 'Global Fertilizer Market Challenged by Russia's Invasion of Ukraine' (Economic Research Service U.S. Department Of Agriculture).

26 Jennifer Kee, Lila Cardell, and Yacob Abrehe Zereyesus, 'Global Fertilizer Market Challenged by Russia's Invasion of Ukraine' (Economic Research Service U.S. Department Of Agriculture).

27 'Ukraine increases imports of nitrogen fertilizers due to almost fivefold drop in production' (New Voice, 15 February 2023).

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