



Agricultural market integration between the EU and selected Eastern Neighbors

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BACKGROUND

1

Trade relations between the EU and selected CIS

(e.g. negotiations about free trade agreements
– Armenia, Georgia, Moldova, and Ukraine);

2

Regional integration becomes political priority for CIS

(e.g. Eurasian Economic Union);

3

Recent geo-political developments

(e.g. Russian agricultural import ban in 2014);

AIM

1

To investigate to which extent are selected CIS markets integrated on regional and international level

2

To identify what are the main factors influencing market integration of the CIS countries

FOCUS

- **Countries:**

Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Moldova, Russia, and Ukraine

- **Markets:**

wheat, milk and meat (pork, beef and poultry)

- **Time-frame:**

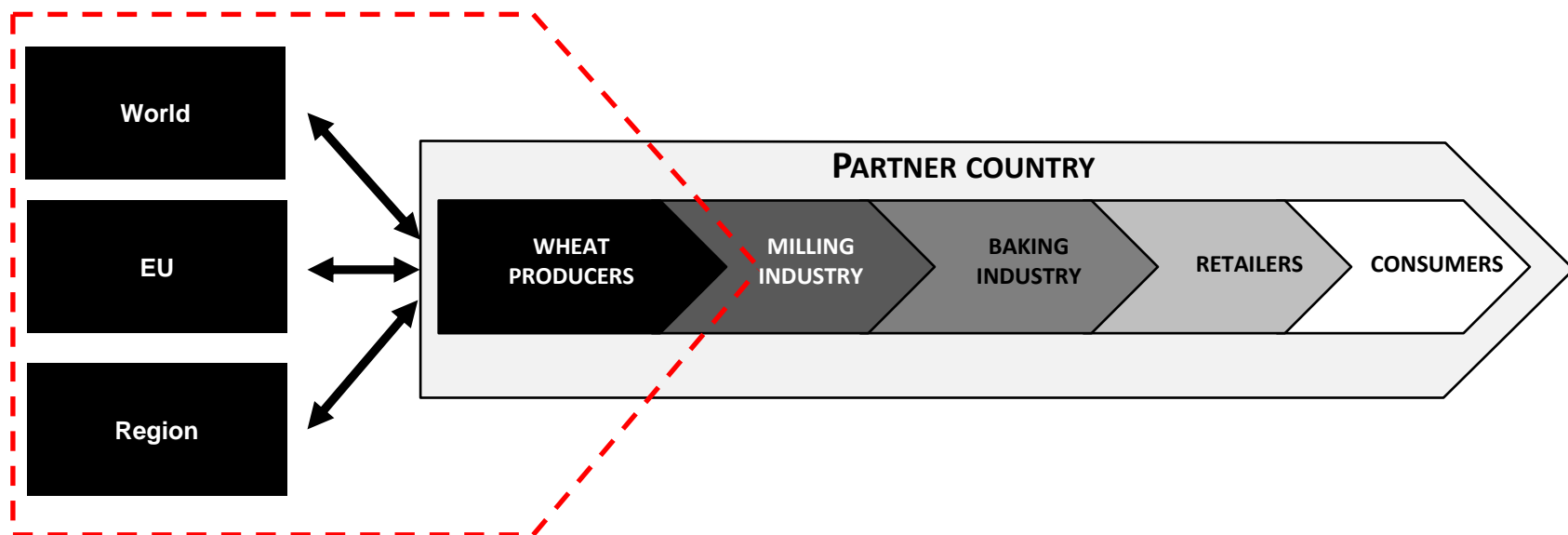
2005-2014 (monthly data)

- **Currency:**

USD

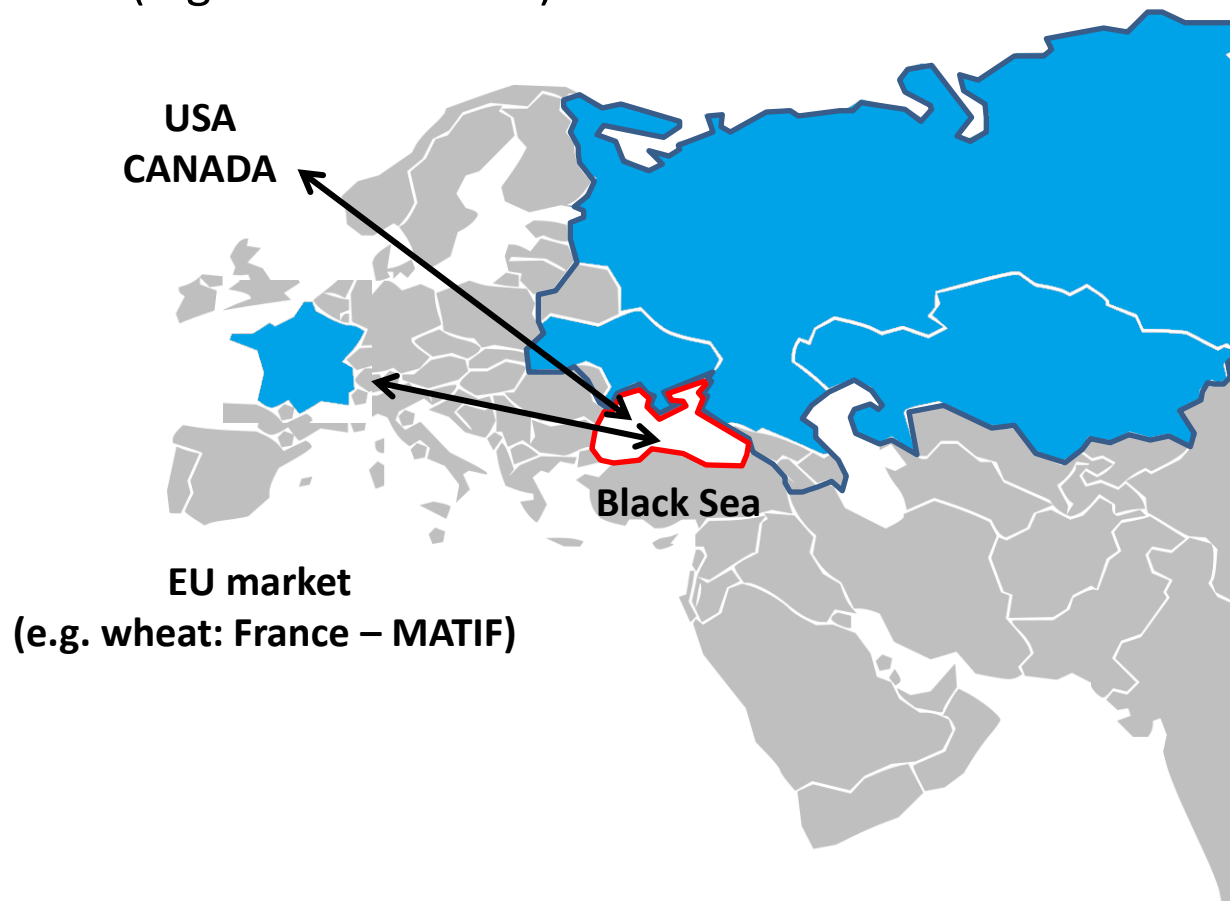


MARKET INTEGRATION based on SPATIAL PRICE TRANSMISSION



MARKET INTEGRATION (e.g. wheat market):

1. International:
World - CIS
EU - CIS



MARKET INTEGRATION (e.g. wheat market):

1. International:
World - CIS
EU - CIS
2. Regional:
Customs Union



MARKET INTEGRATION (e.g. wheat market):

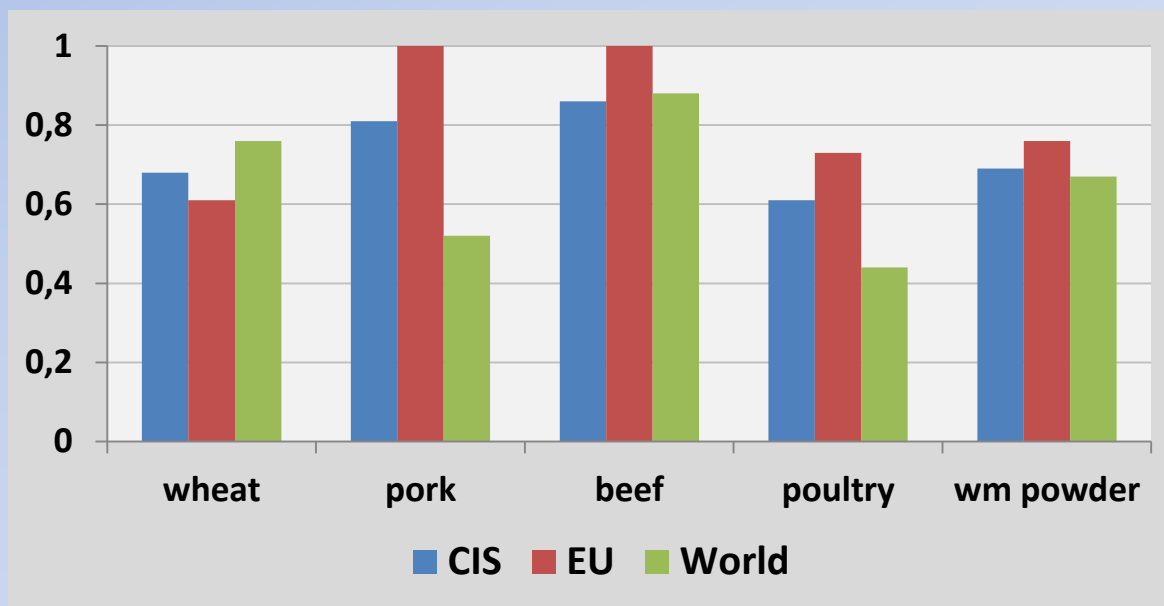
1. International:
World - CIS
EU - CIS
2. Regional:
Customs Union
Caucasus



1

MARKET INTEGRATION refers to the pass-through of price changes from one market to another (**long-run price transmission**):

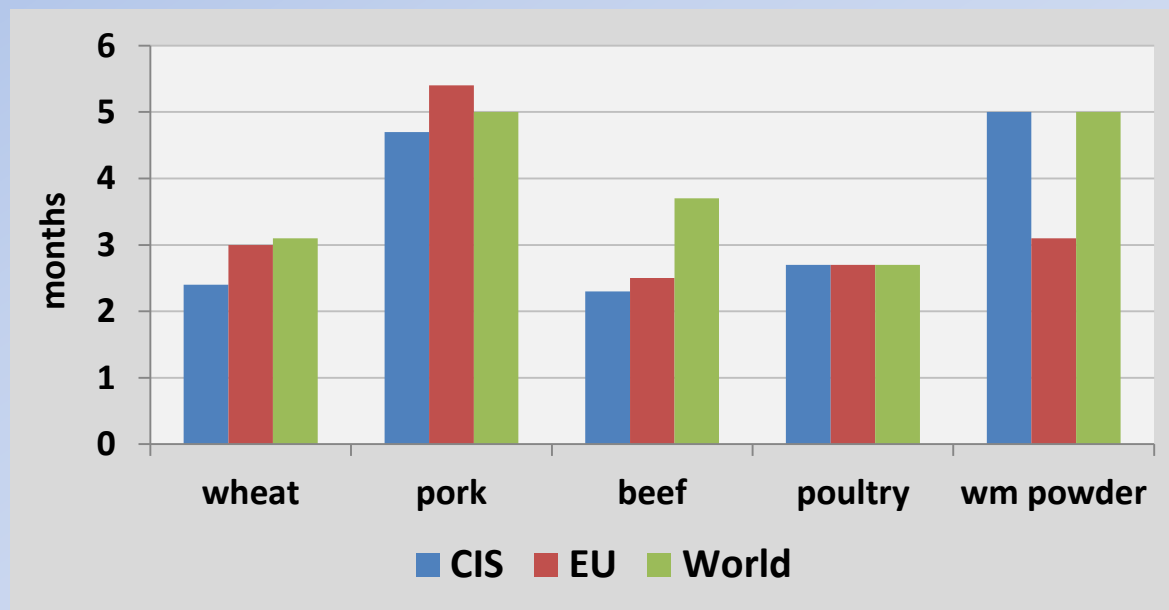
- No pass-through – no market integration;
- Incomplete pass-through – indicator of inefficient markets;
- Complete pass-through – perfect market integration.

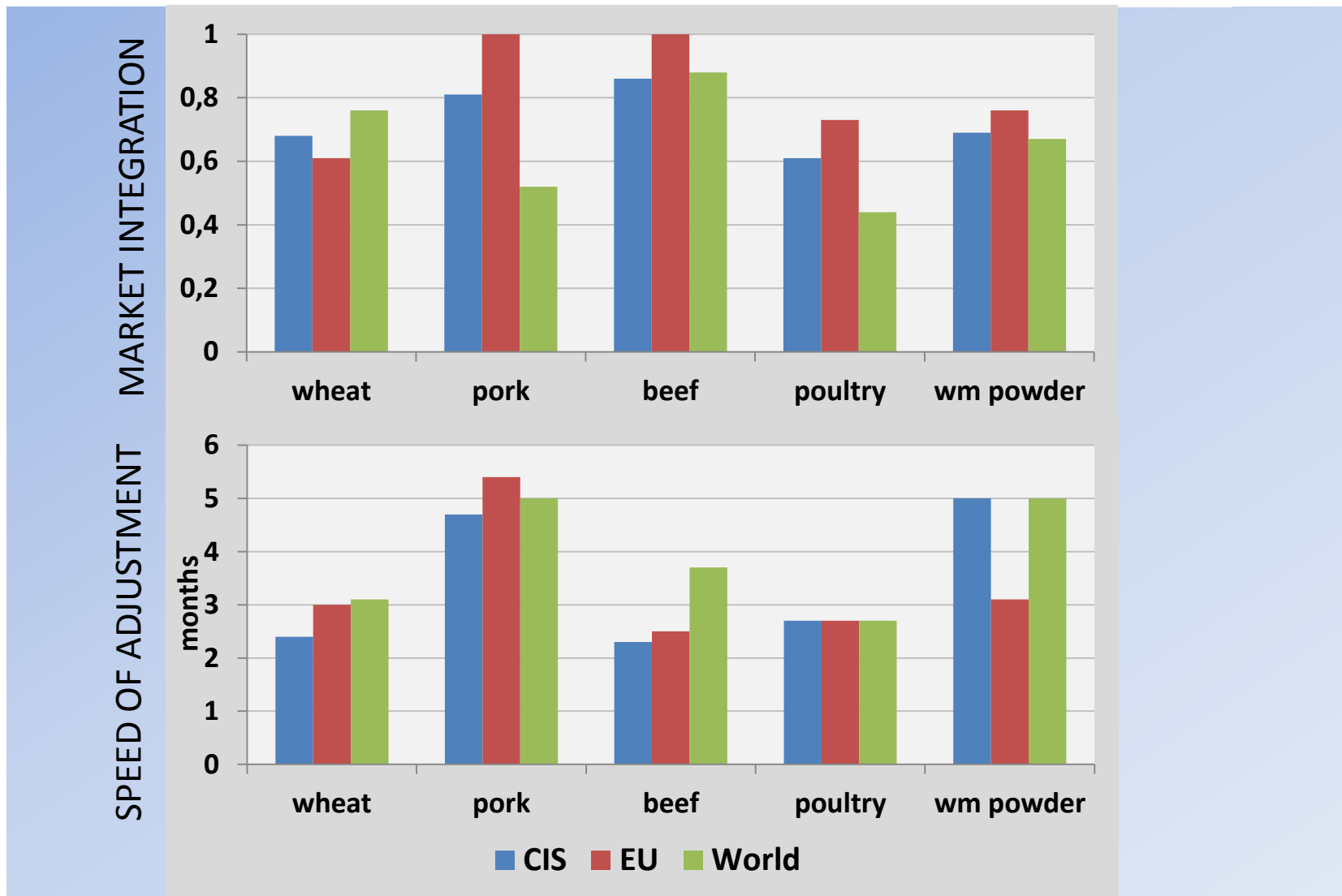


2

SPEED OF ADJUSTMENT refers to the speed at which prices adjust to their long-run equilibrium

- Low value – long period of adjustment (inefficient markets);
- High value – short period of adjustment (efficient markets).





FACTORS AFFECTING CIS MARKET INTEGRATION

1

Market support measures

high level of state support – low integration with int. markets
(e.g. CIS pork and poultry, and Belarussian wheat market);

2

Trade-oriented policy measures

trade restrictions – low/no market integration
(e.g. wheat export restrictions of Russia, Ukraine and Kazakhstan);

3

Physical trade flows

higher trade volumes – stronger integration
(e.g. Armenia, Azerbaijan and Georgia – regional integration);

FACTORS AFFECTING CIS MARKET INTEGRATION (cont.)

4

Infrastructure

underdeveloped infrastructure – lower market integration

(e.g. Armenia – all markets, Kazakhstan and Russia – wheat);

5

Regional economic and political integration

less trade barriers – higher integration

(e.g. EU trade agreements and Eurasian Customs Union).

Thank you for your attention !



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