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Russian Federation

Poultry and Products Semi-annual

2015 Poultry and Products Semi-Annual Report

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Report Highlights:
Despite economic challenges, FAS/Moscow forecasts 3.4 MMT of broiler production in Russia in 2015 as a result of continued demand given its competitive price when compared to other meats, and Russian meat processors increasingly using poultry meat as a raw material. FAS/Moscow has slightly decreased its import estimate for Russian broiler imports in 2015 (to 320,000 MT) given ongoing trade restrictions and the current economic situation. Russian broiler exports are also increased given 2014 trade data, and the industry's ability to offer competitive prices with the reduced value of the Russian ruble.

General Information

NOTE: USDA unofficial data excludes Crimean production and exports. However, as of June 2014, the Russian Federal State Statistics Service (Rosstat) began incorporating Crimean production and trade data into its official estimates. Where possible, data reported by FAS/Moscow is exclusive of information attributable to Crimea.

Table1. Russia: Broiler Production, Supply & Demand, 1,000 MT (ready-to-cook)

Poultry, Meat, Broiler	2013		2014		2015	
	Jan 2013		Jan 2014		Jan 2015	
Russia	USDA Official	New post	USDA Official	New post	USDA Official	New post
Production	3,010	3,010	3,200	3,250	3,400	3,400
Total Imports	540	540	385	450	340	320
Total Supply	3,550	3,550	3,585	3,700	3,740	3,720
Total Exports	30	30	25	42	15	40
Human Consumption	3,520	3,520	3,560	3,658	3,725	3,680
Total Dom. Consumption	3,520	3,520	3,560	3,658	3,725	3,680
Total Use	3,550	3,550	3,585	3,700	3,740	3,720
Total Distribution	3,550	3,550	3,585	3,700	3,740	3,720

NOTE: Official USDA data is available at http://apps.fas.usda.gov/psdonline/

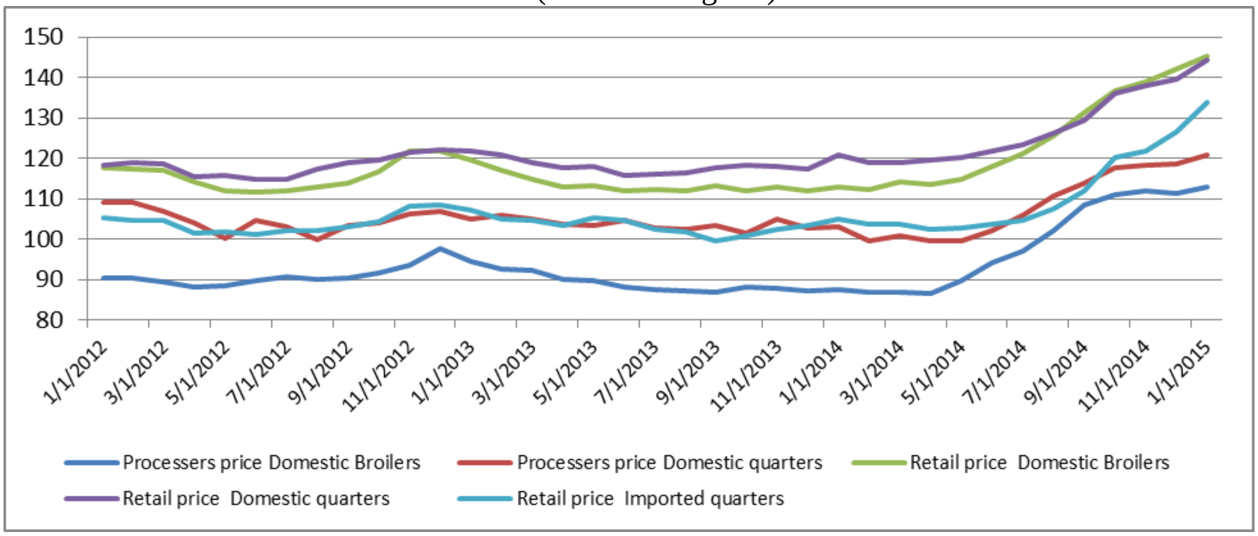
Broiler Production

FAS/Moscow continues to forecast Russian poultry production to total 3.4 MMT in 2015, a nearly 4.5% increase in broiler meat production when compared to revised production estimates for 2014. Previous investments and modernization projects have come to fruition and demand for broiler meat remains relatively strong when compared to other meats. Several large-scale agricultural establishments, which had already invested in facility improvement projects, are expected to increase production of broiler meat in 2015 -- e.g., “Belgrankorm” (Belgorod region), “Bryansky Broiler” (Miratorg/ Bryansk Region), Poultry plant “Bars” (Tatarstan), “Akashevskaya” (Republic of Mari El), Poultry plant “Reftinskaya” (Sverdlovsk region), “Ural Meat Company” (Chelyabinsk Region), and Poultry plant “Novosibirskaya” (Novosibirsk). However, industry sources do not anticipate any major industry investments in the short-term, given the country’s economic situation. In fact, bankruptcies of some inefficient and indebted businesses are possible due to limited access to bank credit and operating funds. As such, acquisitions of financially unstable businesses by fiscally stronger establishments are possible during 2015 resulting in continued consolidation of the industry.

Intensive modernization of the Russian poultry industry began in 2006 as part of the National Program of Agricultural Development, which attracted investment to the sector and, according to the Russian National Union of Poultry Producers (Rosptitsesoyuz), led to a nearly 2.6 MMT increase in annual production (on a slaughter weight basis) in nine years. According to Rosstat, 80 percent of Russian poultry inventories are located at large-scale agricultural establishments (compared to only 44 percent of Russia’s cattle inventories). In part, because the industry has consolidated in recent years, the Russian Ministry of Agriculture has indicated it expects the country to reach its self-sufficiency target in poultry meat production in 2015 by producing domestically over 90 percent of the poultry meat that is consumed in Russia.

Major Russian poultry producers (e.g. Miratorg Agribusiness Holding, the Cherkizovo Group, etc.) reported increased year-on-year sales volumes in 2014 and elevated margins as a result of increased poultry prices.

Chart 1. Prices for Russian Broiler Meat (Rubles/Kilogram)

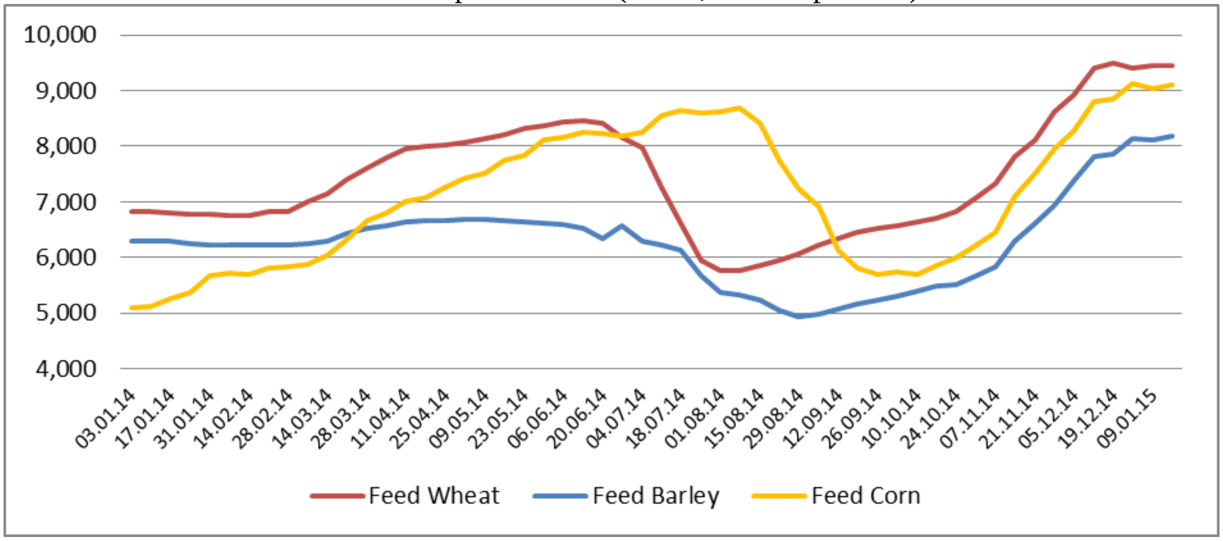


Source: Ministry of Agriculture

Average 2014 prices through the third quarter were influenced by even higher pork prices and increased poultry consumption stemming from processed meat manufacturers increasingly turning to poultry as a raw material in their production in lieu of more expensive red meats. Processed meat manufacturers are expected to continue the recent trend of increasingly utilizing poultry as a raw material given its cost advantages compared to other meats and their ability to pass these reduced costs through to consumer prices.

However, the market situation changed in the fourth quarter of 2014 as industry profitability declined, in part, due to the Russian rubles' depreciation. The ruble's volatility had a direct impact on production costs as expenses increased for imported hatching eggs and day old chicks, production equipment, veterinary drugs and vaccines. In addition, dramatic changes in the currency exchange rate in November and December 2014 – resulting in a much weaker ruble versus the U.S. dollar and Euro -- resulted in an increase in Russian grain exports in the fourth quarter of 2014, and, in turn, increased feed prices (see, e.g., RS1504). Given the economic volatility in the market, industry sources are unsure about the cost of feed over the course of 2015.

Chart 2. Feed Grain Prices in European Russia (EXW, Rubles per MT)



Source: ProZerno, RS1504

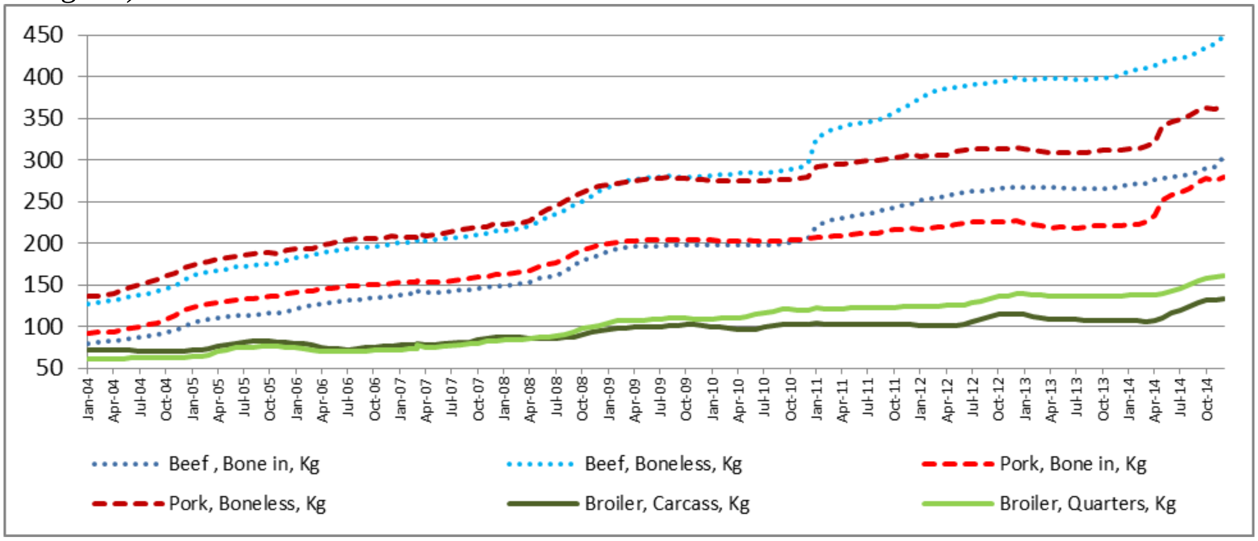
According to the Russian Ministry of Economic Development, "{Russian} GDP {in 2015} is expected to contract by 3 percent amid persistently strong geopolitical risks and the presumption that average annual oil prices will equal $50 per barrel. Forecasts show that the Russian economy will enter a phase of a prolonged decline in 2015." However, despite the economic challenges, as previously noted, demand for poultry meat, as the most affordable source of protein, is expected to remain relatively strong when compared to other meats in Russia, and should help to provide some support to production in the coming year. Continued increases in feed prices and the regional epizootic situation may also impact the Russian broiler industry's strength this year. For example, some producers are concerned about the impact that highly pathogenic avian influenza might have on Russian production and supplies of day-old chicks and hatching eggs from other regions {e.g., Europe} to the Russian industry.

Despite the challenging economic environment, 2014 was a relatively strong year for Russian broiler production. FAS/Moscow has therefore increased its production estimate by 1.5 percent to 3.25 MMT (a nearly 8 percent increase over 2013 production levels) based on year-end production data.

Consumption

FAS/Moscow forecasts 3.68 MMT of broiler meat consumption in Russia in 2015, nearly one half percent more than revised estimates for 2014 (i.e., 3.66 MMT). The share of poultry in domestic meat consumption is expected to continue to grow in 2015. Despite a nearly 25 percent increase in in the average consumer price for broiler carcasses in 2014, and a nearly 17 percent increase in the average consumer price for quarters, broiler meat remains competitively priced compared to red meats. For example, the average consumer price for broiler carcasses and quarters, as of December 1, 2014, was nearly 230 rubles/kg lower than the average price of bone in and boneless beef, and nearly 175 rubles/kg lower than the average price of bone in and boneless pork.

Chart 3. A Comparison of Monthly Russian Consumer Prices for Poultry, Pork and Beef (Rubles per Kilogram)



Source: Rosstat

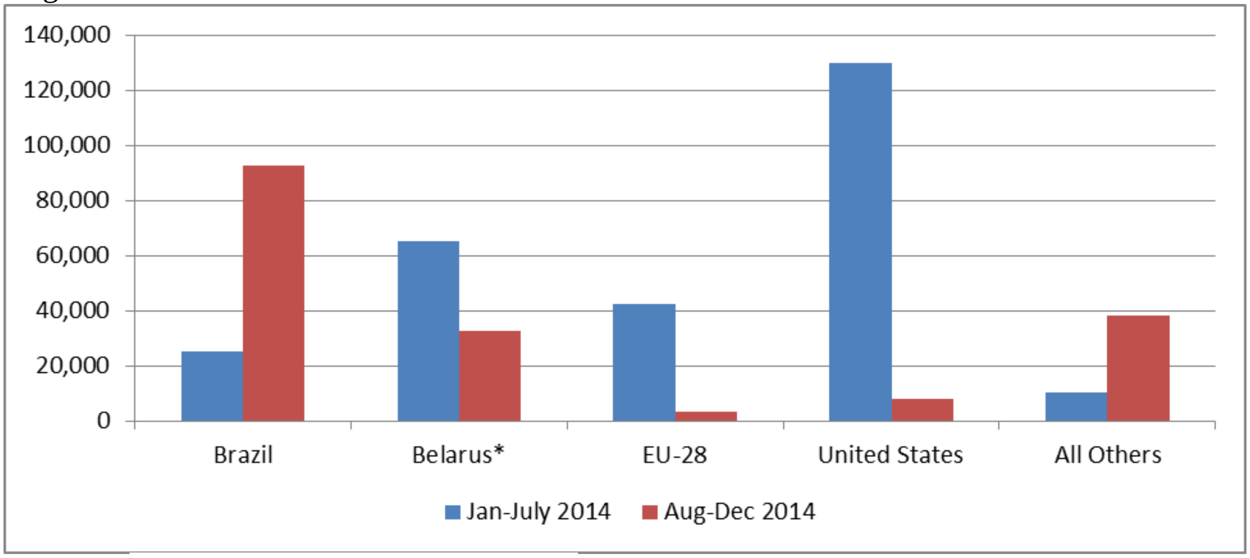
Average per-capita consumption of broiler meat in Russia has increased nearly 180 percent over the past fifteen years. While FAS/Moscow continues to forecast a slight increase in per-capita broiler consumption in 2015, this increase in broiler consumption is anticipated to come at the expense of other meats (namely pork).

Trade

Russian imports of broiler meat in 2015 are forecasted to total 320,000 MT, roughly 130,000 MT lower than 2014 broiler import levels (i.e., 450,000 MT). Imports are forecast to decrease by nearly 30 percent in 2015 due to continued restrictions placed on certain foreign suppliers (namely the United States and the European Union {see, e.g., RS1455}), reduced market opportunities for foreign products due to the ruble's depreciation, and increased domestic production.

In 2014, Russia significantly increased broiler imports from Belarus (up nearly 30 percent), Brazil (up almost 150 percent), Argentina (up nearly 165 percent), Turkey (which first appeared in 2014) and Serbia (up nearly 140 percent). Despite the increase in imports from these suppliers, total broiler imports were 17 percent lower, by volume, in 2014 than they were in 2013. However, 2014 import volumes were higher than originally forecast (particularly given the increased volume supplied by Brazil in the latter portion of the year), and, in turn, FAS/Moscow has increased its import estimate for 2014 by nearly 17 percent, from 385,000 MT to 450,000 MT.

Chart 4. Comparison of the Volume (MTs) of Russian Broiler Imports between January-July 2014 and August-December 2014



Sources: Federal Customs Service of Russia (unless otherwise indicated)
* Belarusian export data, as reported by Belstat, is available only through October 2014.

Russian broiler meat exports in 2015 are forecast to total 40,000 MT, significantly more than initially forecast by FAS/Moscow, given the volume of exports in 2014. While a small decline in broiler meat exports is anticipated in 2015, when compared to 2014, due to demand for domestic broiler meat, Russian exporters are also expected to potentially avail themselves of new export opportunities given the attractive prices they may be able to offer for Russian poultry in the international market.

While a significant portion of Russian broiler exports to Asia continued to be comprised of sub-products in 2014, FAS/Moscow estimates that Russia will export nearly 20,000 MT of broiler meat to non-CU member countries in 2014. In addition, EAEU trade data indicates Russia exported roughly 16,000 MT to Kazakhstan and another 3,000 MT to Belarus through November 2014. Accordingly, FAS/Moscow has revised its broiler export estimate for 2014 to 42,000 MT.

Production Tables

Table 2. Russian Poultry Production by Region, 1,000 MT, Live Weight

Regions	2013	2014	% Change
RUSSIAN FEDERATION	**5141.4**	**5579.1**	**106.7**
CENTRAL DISTRICT	**1870.5**	**1950.1**	**104.3**
Belgorod region	759.7	770.0	101.3
Bryansk region	117.5	156.1	132.8
Vladimir region	29.0	26.4	90.9
Voronezh region	129.1	131.0	101.5
Ivanovo region	23.1	7.7	33.3
Kaluga region	63.4	65.3	102.9
Kostroma region	9.2	7.9	86.1
Kursk region	83.4	145.4	174.4
Lipetsk region	140.2	148.7	106.1
Moscow region	194.1	172.7	89.0
Orel region	21.1	19.1	90.6
Ryazan region	14.9	5.1	34.4
Smolensk region	4.4	4.4	100.3
Tambov region	117.2	124.0	105.8
Tver region	58.8	52.9	89.9
Tula region	50.6	56.0	110.6
Yaroslavl region	54.4	57.0	104.9
Moscow	0.3	0.2	92.2
NORTHWEST DISTRICT	**464.5**	**478.6**	**103.1**
The Republic of Karelia	7.0	6.8	97.3
The Republic of Komi	19.4	19.1	98.6
Arkhangelsk region	29.2	27.6	94.6
Arkhangelsk region (excluding Nenets Autonomous District)	29.2	27.6	94.6
Vologda region	17.4	12.9	74.2
Kaliningrad region	21.1	22.7	107.6
Leningrad Region	285.8	296.6	103.8
Murmansk region	8.6	5.1	60.1
Novgorod region	71.4	82.3	115.3
Pskov region	4.6	5.4	117.7
SOUTHERN DISTRICT	**504.2**	**552.4**	**109.6**
The Republic of Adygea	40.9	42.7	104.5
The Republic of Kalmykia	1.1	1.1	100.7
Krasnodar Krai	282.3	287.1	101.7
Astrakhan region	2.6	6.7	256.6
Volgograd region	64.1	85.1	132.8

Rostov region	113.2	129.8	114.6
NORTH-CAUCASIAN FEDERAL DISTRICT	**346.5**	**365.3**	**105.4**
The Republic of Dagestan	36.5	51.7	141.6
The Republic of Ingushetia	0.8	0.7	87.6
Kabardino-Balkaria	43.3	51.2	118.1
Karachay-Cherkessia	18.2	16.5	90.5
Republic of North Ossetia-Alania	21.2	15.7	74.0
The Chechen Republic	2.6	2.2	84.9
Stavropol Krai	223.8	227.3	101.6
THE VOLGA FEDERAL DISTRICT	**929.8**	**1079.1**	**116.1**
The Republic of Bashkortostan	84.5	92.1	109.1
The Republic of Mari El	93.5	153.8	164.5
The Republic of Mordovia	95.2	132.0	138.7
The Republic of Tatarstan	181.1	188.0	103.8
Udmurt Republic	44.1	46.4	105.1
Chuvash Republic	34.0	39.8	117.3
Perm Krai	43.4	48.0	110.6
Kirov region	3.5	5.3	151.8
Nizhny Novgorod region	64.9	62.6	96.4
Orenburg region	49.7	60.2	121.0
Penza region	132.9	152.8	114.9
Samara region	49.0	54.1	110.5
Saratov region	33.5	34.2	102.2
Ulyanovsk region	20.5	9.7	47.3
URAL FEDERAL DISTRICT	**477.3**	**524.7**	**109.9**
Kurgan region	13.7	14.9	108.5
Sverdlovsk region	133.8	136.1	101.7
Tyumen Region	46.0	47.4	103.1
including Khanty-Mansi Autonomous District Yugra	2.2	2.7	126.3
Yamal-Nenets Autonomous District	43.8	44.7	102.0
Tyumen region (excluding Khanty-Mansi Autonomous District Yugra and Yamal-Nenets Autonomous District)	283.7	326.2	115.0
Chelyabinsk region	477.3	524.7	109.9
SIBERIAN FEDERAL DISTRICT	**473.1**	**464.1**	**98.1**
Altai Republic	0.5	0.5	98.3
The Republic of Buryatia	0.3	0.3	91.3
The Republic of Tuva	0.2	0.2	124.6
The Republic of Khakassia	12.5	7.3	58.3
Altay Krai	89.7	90.3	100.8
Trans-Baikal Krai	0.5	0.5	89.7
Krasnoyarsk Krai	51.9	26.6	51.3
Irkutsk Region	53.2	58.2	109.5
Kemerovo region	39.5	46.2	116.9

Novosibirsk region	87.5	95.1	108.7
Omsk Region	71.2	69.4	97.5
Tomsk region	66.1	69.4	105.0
FAR EASTERN FEDERAL DISTRICT	**75.4**	**73.0**	**96.7**
The Republic of Sakha (Yakutia)	4.9	1.5	30.8
Kamchatka	0.4	0.5	123.4
Primorsky Krai	32.3	34.8	107.6
Khabarovsk Krai	11.6	11.1	95.2
Amur Region	25.4	24.3	95.6
Magadan region	0.1	0.1	176.6
Sakhalin Region	0.6	0.6	103.0
The Jewish Autonomous Region	0.1	0.1	91.3
Chukotka Autonomous District	0.0	ND	N/A

Source: Rosstat

Table 3. Farm Gate Prices for Poultry Meat, Rubles/Kilogram

	Jan	Feb	March	April	May	June	July	Aug	Sep	Oct	Nov	Dec
2012	70.94	70.39	70.26	70.19	70.47	70.52	74.33	79.52	79.68	80.67	82.25	81.84
2013	78.28	73.73	71.29	72.84	70.87	72.65	72.70	72.82	72.79	69.72	70.51	70.5
2014	74.22	74.50	76.73	78.70	82.15	86.60	91.85	95.47	98.41	100.42	98.30	97.00

Source: Rosptitsesoyuz

Table 4. Broiler Industry Financial Performance Indicators in 2013-2014 (Millions of Rubles)

Poultry Producing Establishments	Sales	Net Profit	Long Term Loans	Short Term Loans	Total Loans
2013	216,195	5,965	145,428	55,732	201,160
2014	305,099	8,936	126,349	49,321	175,670
Change, Percent	+41	+49	-13	-12	-13

Source: Rosptitsesoyuz

Trade Tables

Table 5. Volume of Russian Imports of Broiler Meat, 2009 – 2013 & Year To Date: 04/2013 & 04/2014, MT (020711, 020712, 020713, 020714, 160232)

	2009	2010	2011	2012	2013	2014	2013/14 % Change
World	**913,216**	**618,445**	**389,989**	**456,610**	**424,771**	**346,675**	**-18.39%**
United States	694,357	294,920	239,306	262,882	263,244	137,713	-47.69%
Brazil	66,147	137,468	64,446	61,847	47,771	117,759	146.51%
EU-28	144,307	173,912	724,82	76,997	63,969	45,437	-28.97%
Netherlands	*7,474*	*14,708*	*1,342*	*10,013*	*8,791*	*11,975*	36.22%
France	*40,482*	*24,984*	*23,430*	*32,107*	*16,053*	*9,931*	-38.14%
Denmark	*6,187*	*19,568*	*5,778*	*2,148*	*4,528*	*4,809*	6.21%
Belgium	*1,444*	*6,310*	*3,795*	*7,601*	*9,076*	*4,616*	-49.14%
Argentina	4,727	6,821	4,745	14,026	8,161	21,699	165.89%
Turkey	0	41	52	341	0	16,040	N/A
Ukraine	0	75	5,171	30,440	39,284	7,036	-82.09%
All Others	3,678	5,708	3,787	10,077	2,342	991	-57.69%

NOTE: Excludes Data for Belarus and Kazakhstan

Source: Federal Customs Service of Russia

Table 6. Volume of Russian Imports of Broiler Meat from Belarus and Kazakhstan, 2011 – 2014, MT (HS Code 0207)

Partner Country	Calendar Year				2013/2014 % Change
	2011	2012	2013	2014	
Total	**74,147**	**105,343**	**107,612**	**118,873**	**10.46%**
Belarus	74,137	103,924	104,992	113,578	**8.18%**
Kazakhstan	10	1,419	2,620	5,295	**102.10%**

NOTE: Includes data attributable to some products which are not reported in the PSD
Source: Eurasian Economic Commission

Table 7. Volume of Russian Exports of Broiler Meat to Belarus and Kazakhstan, 2011 – 2014, MT (HS Code 0207)

Partner Country	Calendar Year				2013/2014 % Change
	2011	2012	2013	2014	
Total	**18,904**	**25,726**	**26,695**	**20,883**	**-22%**
Belarus	498	188	451	3,326	**637%**
Kazakhstan	18,406	25,538	26,244	17,556	**-33%**

NOTE: Includes data attributable to some products which are not reported in the PSD

Source: Eurasian Economic Commission

Table 8. Volume of Russian Exports of Broiler Meat, 2009 – 2013 & Year To Date: 11/2013 & 11/2014, MT (020711, 020712, 020713, 020714, 160232)

Partner Country	Calendar Year						2013/2014 % Change
	2009	2010	2011	2012	2013	2014	
World	**6,529**	**19,167**	**19,102**	**15,751**	**24,819**	**36,524**	**47.16%**
Hong Kong	1,236	8,420	11,128	10,741	14,683	24,236	65.06%
Vietnam	2,584	6,676	6,424	2,650	1,421	5,216	267.07%
Thailand	0	0	0	325	2,447	1,834	-25.05%
All Others	2,709	4,071	1,550	1,981	2,872	5,238	82.38%

NOTE: Includes data attributable to some products which are not reported in the PSD

NOTE: Excludes Data for Belarus and Kazakhstan

Source: Federal Customs Service of Russia