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Russian Federation

Poultry and Products Annual

Consumption Recovers Strong in 2012

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Report Highlights:
Normalized feed prices and continued investment will continue to drive Russian poultry production increases and more than offset approved tariff-rate quota quantity reductions in 2012, supporting significant room for consumption growth. No significant adjustments are made to FAS/Moscow's 2011 outlook.

FAS/Moscow estimates are not official USDA data. Official USDA data is available at http://www.fas.usda.gov/psdonlineonline.

Executive Summary

Normalized feed prices and continued investment will continue to drive Russian poultry production increases and more than offset approved tariff-rate quota (TRQ) quantity reductions in 2012, supporting significant room for consumption growth. No significant adjustments are made to FAS/Moscow's 2011 outlook.

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

Poultry Meat, Broiler Russia	2010		2011		2012	
	Marketing Year Begin: Jan 2010		Marketing Year Begin: Jan 2011		Marketing Year Begin: Jan 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	0	0	0	0		0
Production	2,310	2,310	2,520	2,520		2,750
Whole, Imports	22	22	8	4		4
Parts, Imports	596	596	367	371		350
Total Imports	618	618	375	375		354
Total Supply	2,928	2,928	2,895	2,895		3,104
Whole, Exports	1	1	2	1		2
Parts, Exports	4	4	6	2		3
Total Exports	5	5	8	3		5
Human Consumption	2,923	2,923	2,887	2,892		3,099
Other Use, Losses	0	0	0	0		0
Total Dom. Consumption	2,923	2,923	2,887	2,892		3,099
Total Use	2,928	2,928	2,895	2,895		3,104
Ending Stocks	0	0	0	0		0
Total Distribution	2,928	2,928	2,895	2,895		3,104

Table 2. Russia: Turkey Production, Supply & Demand, 1,000 MT (ready-to-cook)

Poultry, Meat, Turkey Russia	2010		2011		2012	
	Marketing Year Begin: Jan 2010		Marketing Year Begin: Jan 2011		Marketing Year Begin: Jan 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	0	0	0	0		0
Production	45	70	55	90		110
Whole, Imports	0	0	0	0		0
Parts, Imports	25	35	10	33		30
Total Imports	25	35	10	33		30
Total Supply	70	105	65	123		140
Whole, Exports	0	0	0	0		0
Parts, Exports	0	0	0	0		0
Total Exports	0	0	0	0		0
Human Consumption	70	105	65	123		140
Other Use, Losses	0	0	0	0		0
Total Dom. Consumpt.	70	105	65	123		140
Total Use	70	105	65	123		140
Ending Stocks	0	0	0	0		0
Total Distribution	70	105	65	123		140

Production

According to Russia's State Statistical Service (Rosstat), farms of all types produced about 4.6 MMT of poultry and livestock for slaughter (live weight) in the first half of 2011, 3.8 percent more than January-June 2010. Agricultural enterprises increased production by 7.4 percent at the same time. The Russian Ministry of Agriculture (MinAg) reported in the middle of July 2011, Russia will increase livestock production by 2.8 percent, while total agricultural production will grow 10.0 percent in 2011.

To accomplish overall production goals, the GOR has taken several measures related to feed costs. At the end of July, the Ministry of Finance began signing agreements with local administrations to transfer an additional RUR9.0 billion ($353.6 million) to poultry and pork producers with the stated aim to combat feed cost related losses. Earlier in the year, the Russian government exercised commodity interventions, distributed grain without auctions, and supported preferential railway tariffs on grain transportation. In June 2011, grain prices decreased 20-22 percent, compared to RUR5.5-5.95/MT in January 2011. According to MinAg, grain stocks amounted to 24.8 MMT at the end of May 2011, which they expected to be sufficient for feed supply through 2011. As a result, on July 1, 2011, Russia lifted the export ban on grain, which had been in place for more than 10 months. FAS/Moscow's August forecast that grain and legumes supplies will be 45 percent higher in 2011/12 than 2010/11 indicates feed supply should be available at appropriate prices for the Russian poultry industry over the next year.

To support future growth, MinAg is currently developing a new state program for agricultural development through 2020. The goals of the program are to ensure the country's food security (in accordance with the parameters set by the Food Doctrine – 85 percent self-sufficiency), profitability, financial stability, and competitiveness of agricultural producers in internal and foreign markets. The new program will include new sections, including development of the food processing industry.

Broiler production

FAS/Moscow forecasts Russian broiler production to remain relatively steady at 9.1 percent growth in 2012, following a reaffirmed 9.0 percent growth rate in 2011. [NOTE: In the first half of 2011, Rosstat reported broiler production increased 11.8 percent at agricultural enterprises, up to about 1.85 MMT (live weight). However, FAS/Moscow understands historically preliminary Rosstat data has a tendency to over-estimate current year production.] Continued expansion reflects improved feed supply and continued GOR efforts to support production. Further, as MinAg admits, competition with imports is increasingly limited by the TRQ regime, which helps support high for domestic producers. Under these conditions, investment in the sector, specifically construction and renovation of facilities, will drive growth in the medium term.

Production growth remains driven by Russia's largest producers. According to the Russian Union of Poultry Producers (Rosptitsesouz), in 2010, 32 enterprises produced more than 20,000 MT annually, and represented 63 percent of Russia's total broiler production. The top-3 enterprises were ZAO Prioskoliye (267,000 MT), OOO Belgrankorm (99,000 MT) and ZAO Belaya Ptitsa (White Bird) (76,000 MT), and all are located in Belgorod oblast.

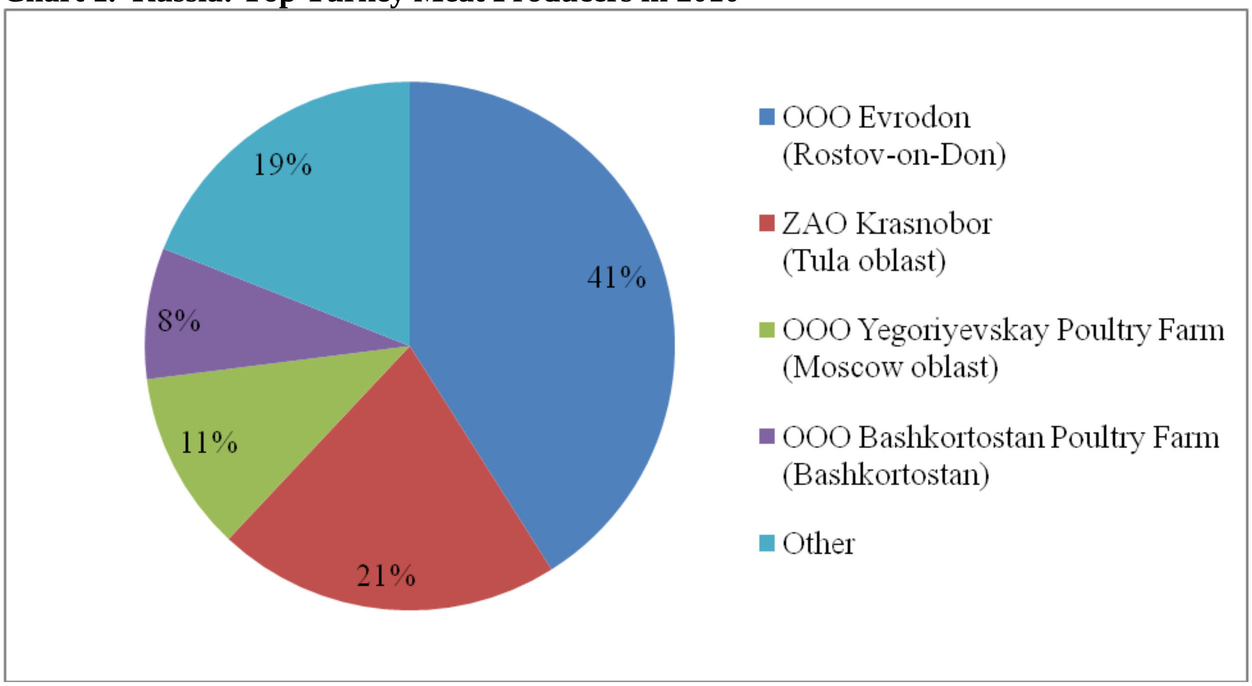
According to various sources, announced development projects indicate as much as 600-700,000 MT of new broiler production could come online within the next couple years. Of particular note, Russia's leading pork producer – Miratorg – has plans to join the poultry industry and produce 105,000 MT annually.

Turkey production

FAS/Moscow forecasts sustained turkey production growth in Russia through 2012, based on continued investments into the industry which are scheduled to come on line in the near future. According to market research from Intesco Research Group, "Turkey Market Preliminary 2010 Results," 2010 production surpassed Russia's production target (published in December 2010) of 62,000 MT to reach 78,000 MT. State production targets in 2011 and 2012 were also earlier set at 81,000 MT and 122,000 MT, respectively. In response, FAS/Moscow adjusts our 2010 estimate slighter higher and reaffirms our 2011 estimate.

According to the Intesco Research Group, 20 turkey-producing companies currently operate in Russia; however, Evrodon is far and away the market leader and almost single-handedly driving Russia's turkey production development.

Chart 1. Russia: Top Turkey Meat Producers in 2010



Source: http://marketing.rbc.ru/news_research/17/02/2011/562949979729308.shtml

In follow-up to FAS/Moscow's March report, Evrodon confirmed increasing turkey production to 32,000 MT (live weight) in 2010 from 12,000 MT in 2009, following the first stage of a planned 60,000 MT expansion by 2012. Almost immediately following, Evorodon plans to start another 60,000-MT project in Saratov oblast, starting in 2012.

Duck production

Evrodon is set to also become the largest duck meat producer in Russia. In Rostov oblast (south of Russia), it is investing RUR5.0 billion ($178.6 million) into the construction of a hatchery, parental flock, duck raising houses, feed production plant and meat processing facility, which will produce 20,000 MT annually. The average farm-gate price of chilled duck meat is planned to be RUR150-170/kg ($5.40-6.10/kg).

Trade

Leading up to congressional elections this fall and the Presidential election next spring, both President Dmitry Medvedev and Prime Minister Vladimir Putin have been very outspoken regarding Russia's accession to the WTO and its potential impact on agriculture in recent months. Specifically, Prime Minister Putin has noted there are lines which Russia may not cross. These are volumes of meat production subsidies and tariff rate quotas. "And we want to assure you, we will consider these issues very carefully. We will not accept any solution that would put our manufacturers at a distinct disadvantage or would undermine their competitiveness."

Imports

Reflecting already GOR-approved TRQ access for 2012, FAS/Moscow forecasts poultry imports slightly lower in 2012 compared to 2011. Russia and Belarus have has not yet announced bilateral 2012 quotas levels, but a similar 15,000-MT duty-free import quota could be likely.

Prime Minister Putin indicated his GOR resolution on 2012 TRQ quantities could be changed, pending Russia's accession to the WTO. However, as currently approved, the overall poultry quantity is lowered 20,000 MT to 330,000 MT. For the first time, the poultry TRQ is broken into two categories for mechanically-deboned meat (MDM) (80,000 MT) and other parts (250,000 MT). As in 2011, whole birds are excluded from the 2012 TRQ. The in-quota and over-quota tariff rates are 25 percent but not <€0.20/kg and 80 percent but not <€0.70/kg, respectively.

Poultry imports remain restricted not only by TRQs but also SPS barriers. With the exception of 2010, TRQ levels have filled annually while SPS barriers have typically only inserted volatility in market prices during the year. The only unsettled outstanding SPS barrier that could potentially prevent the TRQ from again filling in 2012 would be the set expiry of Russia's agreed veterinary certificates with trading partners. However, FAS/Moscow does not presently expect such a scenario to transpire.

During the first six months of 2011, Russia broiler meat imports (excluding Belarus and Kazakhstan) totaled 163,933 MT ($243.5 million), 40 percent more compared to 2010 when Russia's chlorine ban kept the United States out of the market. The major suppliers in 2011 are the United States (53.3%), Brazil (25.2%), and the European Union (18.5%). Frozen halves and quarters represent 61.3 percent of the import total, supplied by the United States (84.6%) and Brazil (14.5%). Frozen deboned meat represents 22.3 percent of the total, with both the European Union (42.7%) and Brazil (47.8%) competing against each other. Imported whole birds – historically supplied by Brazil – have almost completely disappeared from the marketplace, as a result of Russia disqualifying them from the in-quota tariff rate. Such product was seen as in direct competition with local production. While chicken-leg quarters and MDM meat dominate the trade, processed/prepared poultry imports (specifically from the

European Union) have increased notably and already match historical annual totals, now representing 5 percent of total broiler imports. Processed poultry products are not subject to the TRQ and target primarily the fast food industry.

Exports

Russia remains actively seeking export markets for its poultry. To date, Russia's poultry exports consist primarily of chicken paws destined for Hong Kong and Vietnam, which are not considered poultry meat for PSD calculations. Otherwise, Russia's only significant export market remains the break-away Georgian territory of Abkhazia. Russia also has plans to export poultry to its Customs Union neighbor, Kazakhstan, for which trade data is not available.

Russia's pursuit of gaining access to the European Union remains ongoing. However, notably, Russia's Federal Service for Veterinary and Phytosanitary Surveillance (VPSS) has announced that after years of negotiations, the EU has agreed in principle to open its market for Russian poultry products. During the last inspection of enterprises in the Belgorod region (South of Russia bordering Ukraine), Europeans were reportedly satisfied with the level of production technology and compliance with EU veterinary requirements. EU inspectors will next inspect Russian poultry establishments and those which pass will be issued a certificate to allow them to export to the European Union.

Consumption

Strong consumption growth is forecast as production gains outpace cuts to imports in 2012. Broiler consumption, in particular, is forecast to rebound 7.2 percent from an artificially low estimate in 2011. Simultaneously, turkey consumption is forecast again to grow by double-digits.

Poultry consumption remains relatively restricted in growth and prone to volatility, subject to Russia's ability to achieve annual production performance targets from year-to-year. Thus, in 2012, a recovery of Russia's poultry production will directly result in increased consumption, which has otherwise been relative stagnant in recent years. However, since the United States was forced to export the majority of its 2010 quota in the final months of the year, larger than usual carry-over stocks have led FAS/Moscow PSD estimates to likely over count 2010 consumption at the expense of 2011 consumption. This was evidenced by slow sales and low prices for U.S. poultry at the beginning of 2011.

Turkey meat remains a novelty in Russia as prices remain significantly higher than broiler meat. Local production primarily caters to the retail market for direct human consumption while imported product caters to the processing industry. Turkey consumption has grown as consumers become more affluent and as buying power improves. The small niche that turkey meat occupies on the Russian market has allowed imported supply, mostly MDM, to continue mostly unaffected as import market access on poultry has been reduced. Recent production investments have and will continue to promote strong growth in turkey consumption as Russian consumers continue to acclimate themselves with western cuisine.

Aside from supply gains for both broiler and turkey meat, prices in 2011 and 2012 will continue to rise as relatively more affordable imports continue to represent a smaller portion of the market for both commodities. After evidencing increasing retail prices in the beginning of 2011, MinAg has since stopped reporting this time series.

Other Relevant Reports

RS1137 Putin Declares 2012 Tariff-Quota Levels
RS1108 Consumption Falls as Production Unlikely to Compensate for Reduced TRQ in 2011
RS1081 Union State Agrees to Common Agricultural Policy
RS1072 Customs Union Announces Meat and Poultry TRQ Quantities for 2011

Production Tables

Table 4. Russia: Broiler Production, by Enterprise Size

Production volume, MT	Number of facilities	Share in total production, percent
More than 100,000	2	18%
50,000 – 100,000	3	10%
20,000 – 50,000	27	35%
10,000 – 20,000	37	20%
5,000 – 10,000	34	11%
2,000 – 5,000	41	5%
Less than 2,000	47	1%

Source: Rosptitsesoyuz

Table 5. Russia: Publically-announced Construction and Renovation Poultry Projects

Region	Company	Types of production	Production capacity, MT	Cost (RUR bln / $ mln)	Start of production
Broiler					
Chelyabinsk oblast,	Nagauibak facility	slaughter house, deep processing facility	50	4.2/144.8	End 2011
Kursk oblast,	Kursk Agroholding	hatchery, reproducer, feed meal, deep processing facility	120,000	11.5/396.5	Sept. 2011
Saratov oblast	AgroTechnology	<no details>	31,500	10.7/369	n/a
Tambov oblast	Inzhavinsk poultry farm	slaughter house, feed meal, elevator, cold storage	90,000	8.5/293.1	2011
Saratov oblast	Tatishchev poultry farm	feed meal, slaughter house, deep processing facility	31.5	10.7/36.9	n/a
Bryansk oblast	Miratorg	grain production feed meal, hatchery, reproducer, slaughter house, deep processing facility	105,000	13.9/479.3	n/a
Novgorod and Pskov oblast	Rubezh	The whole cycle production with parental flock	102,000 (will increase to 150,000)	10/344.8	n/a
Samara oblast	Development corporation of Samara oblast	Feed meal, hatchery, slaughter house, processing facility	50,000	9/310	n/a
Ivanovo oblast	n/a	Broiler facility	51,900	6.4/220.7	n/a
Turkey					
Saratov oblast	Evrodon	hatchery, slaughter house, processing facility, elevator, feed meal	60,000	18/620.1	Start 2012, End 2013
	Agrosoyuz	slaughter house, processing facility, feed meal	1,300	2.7/93	n/a
Penza oblast	Russian Milk	feed meal, hatchery,	15,000	4.5/155.2	n/a

	Company	slaughter house, processing facility			
Sverdlovsk oblast	n/a	Turkey facility	10,000	2.5//86.2	2013

Source: Agro Investor magazine, #8, August 2011; Regional Ministries of Agriculture

Table 6. Russia: Meat and Poultry Production at Ag Enterprises, YTD, 1,000 MT (live weight)

	Total	Cattle	Pork	Poultry
Jan-10	451.3	72.1	107	269.0
Feb-10	455.7	76.9	115.6	260.2
Mar-10	515.7	85.8	137.8	290.1
Apr-10	507.6	82.1	135.4	287.2
May-10	493.1	75.5	130.8	283.9
Jun-10	479.1	75.1	133.5	267.0
Jan-Jun 2010	**2,902**	**467.5**	**760.1**	**1,657.1**
Jul-10	474.8	71.2	128.8	271.7
Aug-10	481.3	75.0	130.5	271.2
Sep-10	518.1	87.6	135.7	289.9
Oct-10	521.8	84.6	134.5	297.7
Nov-10	532.2	82.4	139.9	302.3
Dec-10	625.0	105.0	174.0	330.1
Jul-Dec 2010	**3,153.2**	**505.8**	**843.4**	**1,762.9**
Jan-Dec 2010	**6,055.7**	**973.3**	**1,603.5**	**3,420.3**
Jan-11	491.1	69.6	119.8	297.5
Feb-11	485.4	68.2	127.5	287.2
Mar-11	544.2	74.1	148.5	318.2
Apr-11	528.7	73.1	143.4	309.7
May-11	536.0	67.0	141.0	324.4
Jun-11	530.6	67.7	142.3	316.2
Jan-Jun 2011	**3,116**	**419.7**	**822.5**	**1853.2**

Source: Rosstat http://www.gks.ru/free_doc/new_site/business/sx/tab-sx-oper.htm

Trade Tables

Table 8. Russia: Broiler meat imports

Partner Country	Value ($1,000)					Volume (MT)				
	Annual		Year to date			Annual		Year to date		
	2009	**2010**	June-10	June-11	% Δ	**2009**	**2010**	June-10	June-11	% Δ
World	1,027,472	822,393	175,446	243,508	38.79	913,216	618,445	117,575	163,933	39.43
EU-27	180,111	232,837	80,734	53,674	-33.52	144,307	173,953	62,670	30,316	-51.63
United States	714,580	330,974	14,986	103,059	587.67	694,357	294,920	15,146	87,457	477.42
Brazil	122,850	241,716	75,731	77,818	2.76	66,147	137,468	36,693	41,326	12.63
France	85,846	109,308	14,658,	21,253	44.99	82,832	90,586	9,205	8,674	-54.19
Germany	70,252	44,764	36,669	19,982	-45.51	40,482	24,984	31,637	14,491	- 5.77
Denmark	9,341	26,082	12,449	6,328	38.79	6,187	19,568	9,202	2,548	-72.32

Source: GTIS

Table 9. Russia: Turkey meat imports

Partner Country	Value (USD)					Volume (MT)				
	Annual		Year to date			Annual		Year to date		
	2009	**2010**	June-10	June-11	% Δ	**2009**	**2010**	June-10	June-11	% Δ
World	65,164,032	64,400,292	21,854,035	21,345,964	- 2.32	40,993	35,121	12,441	11,625	-6.56
France	14,946,826	13,701,415	10,369,368	12,147,910	17.15	15,547	11,313	3,491	5,168	48.03
Brazil	17,210,287	28,110,738	3,667,892	5,192,095	41.56	5,701	8,177	3,271	3,460	5.79
Germany	6,334,674	13,386,019	3,544,780	1,688,717	-52.36	6,737	9,042	2,841	1,641	-42.23
Belgium	4,809,850	3,598,369	1,334,778	678,352	-49.18	5,118	3,998	1,451	692	-52.31
Hungary	441,717	3,913,723	1,896,539	675,954	-64.36	242	1,557	718	268	-62.63
United States	19,260,163	234,166	234,166	501,801	114.29	6,089	98	98	196	99.75

Source: GTIS

Table 10. Russia: Broiler meat exports

Partner Country	Value (USD)					Volume (MT)				
	Annual		Year to date			Annual		Year to date		
	2009	**2010**	June-10	June-11	% Δ	**200**	**2010**	June	June-	% Δ

						9		-10	11	
World	7,700,856	18,743,542	10,148,131	8,633,526	-14.92	6,529	19,167	9,092	10,977	20.74
EU-27	45,026	111,149	57,106	884	-98.45	45	65	25	0	-99.43
Hong Kong	678,626	6,082,878	2,057,818	4,216,991	104.93	1,236	8,420	2,418	6,553	171.04
Vietnam	1,427,830	4,794,752	2,573,486	2,701,683	4.98	2,584	6,676	3,658	3,604	- 1.47
Abkhazia	2,709,471	2,028,284	602,653	815,561	35.33	1,312	927	283	343	21.18

Source: GTIS

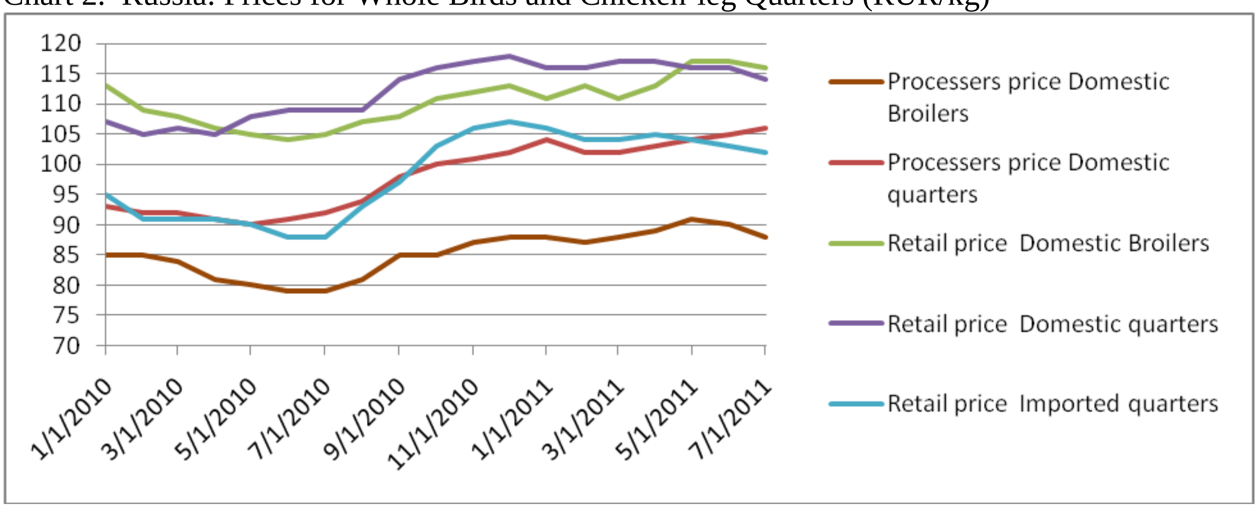
Table 7. Russia: Tariff-Rate Quota Quantities

	2009	2010	2011	2012
Poultry, fresh, chilled or frozen	**952**	**780**	**--**	**--**
--EU	185.8	144.3	--	--
--United States	750	600	--	--
--other countries	24.4	35.7	--	--
Poultry, frozen chicken and turkey MDM	**--**	**--**	**350**	**80**
Poultry, frozen chicken parts				**250**
Pork, fresh, chilled or frozen	**531.9**	**472.1**	**472.1**	**320**
--EU	253.4	225	225	n.a.
--United States	100.0	57.5	57.5	n.a.
--Paraguay	1	0	n/a	n.a.
--other countries	177.5	189.6	189.6	n.a.
Pork Trimming	**--**	**27.9**	**27.9**	**30**
Beef, fresh and chilled	**29.5**	**30**	**30**	**30**
--EU	29	29	29	n.a.
--other countries	0.5	1	2	n.a.
Beef, frozen	**450**	**530**	**530**	**530**
--EU	355.5	60	60	n.a.
--United States	18.5	21.7	41.7	n.a.
--Paraguay	3	3	n/a	n.a.
--other countries	73	448.3	428.3	n.a.
TOTAL MEAT & POULTRY	**1,961.9**	**1,840**	**1,410**	**1,240**

Sources: GOR Resolution #1021 (2009); GOR Resolution #1111, (2010); GOR Resolution #616 (2011)

Price Tables

Chart 2. Russia: Prices for Whole Birds and Chicken-leg Quarters (RUR/kg)



Sources: Ministry of Agriculture; Rosstat <http://www.gks.ru/free_doc/new_site/business/sx/tab-sx-oper.htm>