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# **Russian Federation**

## **Poultry and Products**

### **Annual**

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Approved by:

**Geoffrey W. Wiggin**

**U.S. Embassy, Moscow**

Prepared by:

Michael A. Smith and Mikhail Maximenko

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#### **Report Highlights:**

**In 2001, Russian imports of poultry are forecast to exceed 900,000 MTs, the level reached before the economic crisis, in light of lower tariffs, VAT, and greater transparency in the market. As tight supplies of other meats push up domestic prices, the demand for relatively inexpensive imported chicken leg quarters is expected to grow.**

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Includes PSD changes: Yes  
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## Executive Summary

Imported U.S. chicken leg quarters continue to dominate the Russian poultry market because of superior price positioning. However, during the last quarter of 1999 and the first quarter of 2000, Russian government policy caused considerable uncertainty in the trade. As Russian consumers turned toward imported U.S. poultry, the Russian government introduced a policy that restricted U.S. poultry to 30 entry points, and placed it at a disadvantage in the marketplace. Consequently, imports of U.S. poultry were inconsistent during the first half of 2000. However, lowering of the VAT in July and the poultry import duty in August are expected to help imports recover. In 2001, greater transparency in the market is expected to help U.S. exports of chicken leg quarters reach the level before the Russian economic crisis in August 1998.

## Production

It is difficult to get an accurate figure for Russian broiler production because officials numbers tend to be exaggerated in favor of local producers. However, based on current import and consumption patterns, post projects that in 2000 production will be 660 thousand MT, or about 3 percent more than it was in 1999. Following two years of poor grain harvests in 1998 and 1999, more feed should be available after the 2000 harvest.

Russian broiler production continues to lag behind western countries' despite state and private investments to help the industry catch-up. The high price of feed, the lack of available trained professionals, poor breeding practices and genetics continue to undermine industry profitability. According to the state association of poultry producers 150 poultry farms became bankrupt during 1999, as the industry lost an estimated \$0.8 billion.

However, the egg production industry continues to be profitable, and is estimated to have gained profits of \$2.0 billion in 1999. A high level of profitability in the industry makes it possible to continue production despite high feed costs due to short supplies.

**Table 1: Egg Production and Sales, billions of eggs from 1995-1999**

	1995	1996	1997	1998	1999
Production	33.8	31.9	32.2	32.7	33.0
Total Sales	22.5	21.8	22.1	22.9	23.5
Percent of production sold	66.5	68.3	68.6	70.0	70.6
Percent of sales procured by the Government	81.7	77.0	N.d.	66.6	55.8
Percent of sales through other channels (at farmers markets, retail trade, paid as salary)	18.3	23.0	N.d.	33.4	44.2

Source: Russian State Statistics Committee

**Table 2: Structure of Russia's Poultry Egg Industry, in percentage, 1998 & 1999**

	1998	1999
Large Joint Stock farms	69.5	70
Small private farms	30.5	30

Source: Russian State Statistics Committee

## Trade

Imports of poultry products during 1999 were much higher than expected for a number of reasons. First, large production of poultry meat in the United States led to reduced internal prices for poultry meat. This allowed U.S. exporters to maintain market share in Russia by lowering their prices in step with weaker purchasing power of consumers. During 1999, poultry import prices fell almost 50 percent. Second, importer anticipation of border crossing restrictions and stricter tariff controls based on new legislation led to panic sales and purchases of poultry. Third, differences between poultry prices and prices for other types of meat widened and consumers turned toward poultry as a cheap source of animal protein. As a result, imports of poultry during 1999 were 865,000 MT, or just 7 percent below the 1998 level.

During the first half of 2000, two major factors negatively affected poultry trade: first, following a six month delay, the implementation of border crossing restrictions on April 10, 2000, suspended trade as importers studied new market conditions; and second, imported EU subsidized meat competed with poultry. However, as EU subsidies are being reduced a reinvigorated poultry trade is expected during the second half of this year.

Imports during 2000 are projected at 750,000 MT.

In 2001, Russian imports of poultry are expected to rebound significantly because of lower duties, stronger domestic prices, and greater transparency in the trade. Along with tighter border controls, Russia has lowered both the import duty and VAT (see trade policy section). New Customs procedures encourage the full compliance of importers, and should have the effect of improving trade relationships. Consequently, post forecasts that over 900,000 MT of poultry will be imported next year.

Import Trade Matrix			
Country:	Russian Federation	Units:	1000 MT
Commodity:	Poultry, Meat, Total		
Year:	1999	2000	2001
Imports from:			
U.S.	608	600	720
Others			
Netherlands	55	15	30
France	80	50	50
Canada	4	7	7
Belgium	10	8	10
Brazil	8	19	20
Great Britain	15	14	14
Germany	15	8	10
Total for Others	187	121	141
Others not listed	70	29	61
Grand Total	865	750	922

Import Trade Matrix	Chicken Meat		
Country:		Units:	
Commodity:			
Year:	1999	2000	2001
Imports from:			
U.S.	560	570	700
Others	Others		
France	40	48	46
Brazil	10	15	18
Netherlands	45	12	25
Belgium	8	10	8
Great Britain	12	12	12
Canada	5	5	6
Germany	15	7	8
Total for Others	135	109	123
Others not listed	50	36	49
Grand Total	745	715	872

Import Trade Matrix	Turkey Meat		
Country:		Units:	MT,1000
Commodity:			
Year:			
Imports from	1999	2000	2001
U.S.	34	10	17
Others			
France	28	12	18
Belgium	2	1	1
Great Britain	8	3	6
Netherlands	3	2	2
Germany	2	1	1
Canada	2	1	1
Denmark	1	1	1
Italy	1	1	1
Total for Others	47	22	31
Others not listed	18	3	4
Grand Total	99	35	52

## **Policy**

### **Unified Poultry Duty**

Government of Russia Resolution No. 501, dated July 7, 2000 set the duty on all poultry meat and sub-products to 25 percent of the declared customs value, but not less than 0.2 EURO per 1 kg. It was implemented on August 15, 2000. (GAIN report RS0036)

### **VAT lowered to 10 percent**

As of July 1, 2000, the VAT charged for poultry products decreased from 20 percent to 10 percent, according to a law signed by President Putin (GAIN report RS0001), and effective until the new Russian Tax Code is implemented January 1, 2001. According to the new Tax Code, the 10 percent VAT will be maintained.

### **Affect of Unified Duties, VAT, and Tighter Border Controls**

According to Russian Customs officials, poultry border crossing restrictions (GAIN report RS9046) enable the government to study the impact of duty and VAT changes. Russian officials maintain that State Customs Resolution No. 531 is a temporary measure meant to provide transparency of poultry trade practices. Before the resolution was implemented, traders who were willing to pay full duties were at a disadvantage compared to traders who were able to circumvent the system. Since the GOR lowered duties for imported U.S. chicken leg quarters, more traders are complying with regulations, and Russian Customs officials are reporting greater revenues. However, if the Russian government continues to lower the duty, more poultry traders will comply with import regulations and the negative influence of illegal trade will diminish. Consequently, Russia's poultry trade will become more transparent. At the current tariff level, there are fewer import companies in Russia's poultry trade because smaller companies can not afford to finance entire shipments (estimated to cost almost \$1.0 million in duties). Reportedly, Russian Customs is considering removing poultry border crossing restrictions by the end of 2000.

### **Russia Considers Tariff Rate Quota for Poultry**

The latest development in the GOR's continuing effort to control the poultry import market is consideration of imposing tariff rate quotas (Gain report RS0043). Russian poultry producers have long supported tariff rate quotas for poultry. Although Russian poultry producers argue they could eventually cover the demand for imported poultry, the industry is not well placed to increase production to the level of consumption; nor is there direct competition between the frozen product that the US exports to Russia and the chilled whole bird domestic production. Necessary investment and management to develop the Russian poultry industry is not presently available.

## Marketing

Imported poultry meat remains the cheapest source of animal protein sold in Russia. Although, poultry prices are climbing because of tighter supplies and rising domestic prices, they are not increasing as rapidly as prices for competitive meat products. According to Russian statistics, prices for beef and pork grew 25 and 16 percent respectively between January and August 2000. Meanwhile, the price of imported chicken leg quarters grew only 13 percent over the same period. Furthermore, meat supplies are expected to be short until slaughter begins in late fall. Therefore, the demand for poultry products in Russia should strengthen in the near future.

**Table 3: Russian Wholesale Prices for Poultry, Pork, and Beef, January and August 2000**

Commodity	Rubles/kilogram		\$ / kilogram	
	January	August	January	August
<b>Poultry</b>	Source: Satory Catalogue: <a href="http://www.satory.ru">www.satory.ru</a>			
Leg quarters, imported	23 - 25	26-32	0.81 - 0.88	0.94-1.15
Turkey, imported	24 - 26	55-57	0.84 - 0.91	1.98-2.05
Whole bird	32 - 36	40-41	1.12 - 1.26	1.44-1.48
<b>Pork</b>				
Shoulder, France, Denmark	34	38	1.19	1.37
Trimmings	39	39-48	1.35	1.40-1.73
Fresh ham, bone in	39	42	1.36	1.51
Half carcasses	36	42-44	1.26	1.51-1.59
<b>Beef</b>				
Trimmings	37	42-46	1.30	1.52-1.66
Ribeye Roll	73	80	2.56	2.88
Beef side	35	44	1.23	1.59
Boneless	45	52-67	1.58	1.88-2.42

Source: Satory Catalogue Internet service: [www.satory.ru](http://www.satory.ru)

## Consumption

During 1999, Russian consumers strongly favored poultry meat over more expensive pork and beef products. In 2000, consumption of poultry products is projected to fall six percent because of a reduced level of imports in comparison with 1999. However, poultry consumption is expected to rebound during 2001, as both domestic production and imports grow.

PSD Table						
Country:	Russian Federation					
Commodity:	Poultry, Meat, Total					
		1999		2000		2001
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1999		01/2000		01/2001
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	640	640	600	660	0	660
Whole, Imports	25	50	25	40	0	60
Parts, Imports	510	700	575	710	0	790
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	535	865	600	750	0	922
TOTAL SUPPLY	1175	1505	1200	1410	0	1582
Whole, Exports	1	1	1	0	0	1
Parts, Exports	5	5	3	2	0	2
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	6	6	4	2	0	3
Human Consumption	1119	1449	1166	1358	0	1529
Other Use, Losses	50	50	30	50	0	50
Total Dom. Consumption	1169	1499	1196	1408	0	1579
TOTAL Use	1175	1505	1200	1410	0	1582
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	1175	1505	1200	1410	0	1582

PSD Table						
Country:	Russian Federation					
Commodity:	Plty, Meat, Chicken -16 wks					
		1999		2000		2001
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1999		01/2000		01/2001
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	300	350	300	380	0	380
Whole, Imports	10	15	15	15	0	20
Parts, Imports	290	730	400	700	0	872
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	300	745	415	715	0	892
TOTAL SUPPLY	600	1095	715	1095	0	1272
Whole, Exports	1	1	1	1	0	1
Parts, Exports	4	4	4	4	0	4
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	5	5	5	5	0	5
Human Consumption	575	1065	690	1070	0	1247
Other Use, Losses	20	25	20	20	0	20
Total Dom. Consumption	595	1090	710	1090	0	1267
TOTAL Use	600	1095	715	1095	0	1272
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	600	1095	715	1095	0	1272

PSD Table						
Country:	Russian Federation					
Commodity:	Poultry, Meat, Turkey					
		1999		2000		2001
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1999		01/2000		01/2001
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	8	8	6	7	0	7
Whole, Imports	3	3	2	2	0	2
Parts, Imports	100	96	100	35	0	50
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	103	99	102	37	0	52
TOTAL SUPPLY	111	107	108	44	0	59
Whole, Exports	0	0	0	0	0	0
Parts, Exports	0	0	0	0	0	0
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Human Consumption	110	106	107	43	0	58
Other Use, Losses	1	1	1	1	0	1
Total Dom. Consumption	111	107	108	44	0	59
TOTAL Use	111	107	108	44	0	59
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	111	107	108	44	0	59

PSD Table						
Country:	Russian Federation					
Commodity:	Poultry, Eggs					
		1999		2000		2001
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1999		01/2000		01/2001
Layers	175	150	170	150	0	150
Beginning Stocks	0	0	0	0	0	0
Production	32500	33000	32000	33200	0	33250
Hatch Eggs, Imports	50	0	70	70	0	75
Shell Eggs, Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
Intra EC Imports	0	0	0	0	0	0
TOTAL Imports	50	50	70	70	0	75
TOTAL SUPPLY	32550	33050	32070	33270	0	33325
Hatch Eggs, Exports	50	50	50	50	0	50
Shell Eggs, Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
Intra EC Exports	0	0	0	0	0	0
TOTAL Exports	50	50	50	50	0	50
Hatch Eggs,Consumption	2150	2150	2150	2150	0	2150
Shell Eggs, Human	29000	29550	28500	29770	0	29820
Shell Eggs,OT.Use/Loss	1350	1300	1370	1300	0	1305
Other Dom. Consumption	0	0	0	0	0	0
Total Dom. Consumption	32500	33000	32020	33220	0	33275
TOTAL Use	32550	33050	32070	33270	0	33325
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	32550	33050	32070	33270	0	33325
Calendar Yr. Imp. from U.S.						