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Russian Federation

Livestock and Products

Livestock Production Falls Behind 2005

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Report Highlights:

Though growing, pork output continues to fall behind Ministry of Agriculture projections due to high feed prices. Beef production continues to decrease as investors move their funds into other, more profitable, sectors of agriculture. Growing consumer demand for meat is thus met in part by expanding imports.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Annual Report
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Executive Summary

Beef production declined again last year, and this decade-long trend is expected to continue as investments in other agricultural sectors prove more attractive. The pork sector grew more slowly in 2005 than previously forecast, but the pace may pick up in 2006 as the pig crop rebounds. Russian livestock producers faced higher feed input costs over the last year, cutting profitability. However, feed prices started to decline in the spring of 2005 and if the grain harvest is as strong as predicted, prices of this critical input should continue to decrease. U.S. pork exports to Russia have grown quickly due to growing incomes.

Prices Increase

In 2005 rising meat prices resulted from the combination of increasing demand that cannot be fulfilled by Russian production, the effect of tariff and non-tariff import barriers on imports, increasing input prices, and high prices in countries that export to Russia. Rising feed prices and meager cash flow for agriculture encouraged domestic producers to slaughter at lower-than-normal weights.

Trade Restrictions and Their Effects

To increase beef imports that were limited by the tariff rate quota and high import duties, the Government of Russia decreased import duties for out-of-quota beef imports from 60 percent to 40 percent. Importers increased imports of high-value beef cuts.

High meat prices and the tariff rate quota have resulted in increased smuggling, and meat industry representatives claim that domestic meat prices are now declining as illegal supply is increased. In fact, both rising prices and higher rates of smuggling accurately describe the situation in the first half of 2005.

Production

Table 1. Cattle Numbers

PSD Table Country Commodity	Russian Federation						UOM
	Animal Numbers, Cattle		(1000 HEAD)				
Market Year Begin	2004 USDA Official [Old]	Revised Post Estimate[New] 01/2004	2005 USDA Official [Old]	Estimate Post Estimate[New] 01/2005	2006 USDA Official [Old]	Forecast Post Estimate[New] 01/2006	MM/YYYY
Total Cattle Beg. Stks	22285	22285	21100	21100	20100	19850	(1000 HEAD)
Dairy Cows Beg. Stks	10970	10970	10430	10430	0	9770	(1000 HEAD)
Beef Cows Beg. Stocks	0	0	0	0	0	0	(1000 HEAD)
Production (Calf Crop)	8400	8400	7950	7950	0	7480	(1000 HEAD)
Intra EC Imports	0	0	0	0	0	0	(1000 HEAD)
Total Imports	10	10	10	10	0	0	(1000 HEAD)
TOTAL Imports	10	10	10	10	0	0	(1000 HEAD)
TOTAL SUPPLY	30695	30695	29060	29060	20100	27330	(1000 HEAD)
Intra EC Exports	0	0	0	0	0	0	(1000 HEAD)
Total Exports	5	5	5	5	0	5	(1000 HEAD)
TOTAL Exports	5	5	5	5	0	5	(1000 HEAD)
Cow Slaughter	1700	1700	1600	1650	0	1550	(1000 HEAD)
Calf Slaughter	0	0	0	0	0	0	(1000 HEAD)
Other Slaughter	7690	7690	7250	7360	0	7110	(1000 HEAD)
Total Slaughter	9390	9390	8850	9010	0	8660	(1000 HEAD)
Loss	200	200	105	195	0	0	(1000 HEAD)
Ending Inventories	21100	21100	20100	19850	0	18665	(1000 HEAD)
TOTAL DISTRIBUTION	30695	30695	29060	29060	0	27330	(1000 HEAD)

Table 2. Meat, Beef and Veal Supply and Demand

PSD Table Country Commodity	Russian Federation				(1000 MT CWE)(1000 HEAD)		UOM
	Meat, Beef and Veal						
	2004 USDA Official [Old]	Revised Post Estimate[New]	2005 USDA Official [Old]	Estimate Post Estimate[New]	2006 USDA Official [Old]	Forecast Post Estimate[New]	
Market Year Begin	01/2004		01/2005		01/2006		MM/YYYY
Slaughter (Reference)	9390	9390	8850	9010	0	8660	(1000 HEAD)
Beginning Stocks	0	0	0	0	0	0	(1000 MT CWE)
Production	1590	1590	1550	1525	0	1465	(1000 MT CWE)
Intra EC Imports	0	0	0	0	0	0	(1000 MT CWE)
Total Imports	730	660	750	680	0	730	(1000 MT CWE)
TOTAL Imports	730	660	750	680	0	730	(1000 MT CWE)
TOTAL SUPPLY	2320	2250	2300	2205	0	2195	(1000 MT CWE)
Intra EC Exports	0	0	0	0	0	0	(1000 MT CWE)
Total Exports	5	5	5	5	0	5	(1000 MT CWE)
TOTAL Exports	5	5	5	5	0	5	(1000 MT CWE)
Human Dom. Consumption	2265	2195	2250	2155	0	2150	(1000 MT CWE)
Other Use, Losses	50	50	45	45	0	40	(1000 MT CWE)
TOTAL Dom. Consumption	2315	2245	2295	2200	0	2190	(1000 MT CWE)
Ending Stocks	0	0	0	0	0	0	(1000 MT CWE)
TOTAL DISTRIBUTION	2320	2250	2300	2205	0	2195	(1000 MT CWE)

Table 3. Swine Numbers

PSD Table Country Commodity	Russian Federation						(1000 HEAD)	UOM
	Animal Numbers, Swine							
Market Year Begin	2004 USDA Official [Old]	Revised Post Estimate[New]	2005 USDA Official [Old]	Estimate Post Estimate[New]	2006 USDA Official [Old]	Forecast Post Estimate[New]		MM/YYYY
		01/2004		01/2005		01/2006		
TOTAL	17200	17200	16500	16500	17200	17330		(1000 HEAD)
Beginning Stocks								(1000 HEAD)
Sow Beginning Stocks	3340	3340	3450	3500	0	3670		(1000 HEAD)
Production (Pig Crop)	35000	35000	36600	36700	0	38950		(1000 HEAD)
Intra EC Imports	0	0	0	0	0	0		(1000 HEAD)
Total Imports	35	35	40	45	0	0		(1000 HEAD)
TOTAL Imports	35	35	40	45	0	0		(1000 HEAD)
TOTAL SUPPLY	52235	52235	53140	53245	17200	56280		(1000 HEAD)
Intra EC Exports	0	0	0	0	0	0		(1000 HEAD)
Total Exports	1	1	1	1	0	1		(1000 HEAD)
TOTAL Exports	1	1	1	1	0	1		(1000 HEAD)
Sow Slaughter	0	0	0	0	0	0		(1000 HEAD)
OTHER SLAUGHTER	31300	31300	31505	31914	0	33800		(1000 HEAD)
Total Slaughter	31300	31300	31505	31914	0	33800		(1000 HEAD)
Loss	4434	4434	4434	4000	0	4079		(1000 HEAD)
Ending Inventories	16500	16500	17200	17330	0	18400		(1000 HEAD)
TOTAL DISTRIBUTION	52235	52235	53140	53245	0	56280		(1000 HEAD)
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0		(1000 HEAD)
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0		(1000 HEAD)

Table 4. Pork Supply and Demand

PSD Table Country Commodity	Russian Federation				(1000 MT CWE)(1000 HEAD)	Forecast		UOM
	Meat, Swine					Post		
	2004 USDA Official [Old]	Revised Post Estimate[New]	2005 USDA Official [Old]	Estimate Post Estimate[New]		2006 USDA Official [Old]	Estimate[New]	
Market Year Begin	01/2004		01/2005			01/2006	MM/YYYY	
Slaughter (Reference)	31300	31300	31505	31914	0	33800	(1000 HEAD)	
Beginning Stocks	0	0	0	0	0	0	(1000 MT CWE)	
Production	1725	1725	1760	1785	0	1900	(1000 MT CWE)	
Intra EC Imports	0	0	0	0	0	0	(1000 MT CWE)	
Total Imports	475	475	500	500	0	510	(1000 MT CWE)	
TOTAL Imports	475	475	500	500	0	510	(1000 MT CWE)	
TOTAL SUPPLY	2200	2200	2260	2285	0	2410	(1000 MT CWE)	
Intra EC Exports	0	0	0	0	0	0	(1000 MT CWE)	
Total Exports	1	1	1	1	0	1	(1000 MT CWE)	
TOTAL Exports	1	1	1	1	0	1	(1000 MT CWE)	
Human Dom. Consumption	2139	2139	2194	2220	0	2350	(1000 MT CWE)	
Other Use, Losses	60	60	65	64	0	59	(1000 MT CWE)	
TOTAL Dom. Consumption	2199	2199	2259	2284	0	2409	(1000 MT CWE)	
Ending Stocks	0	0	0	0	0	0	(1000 MT CWE)	
TOTAL DISTRIBUTION	2200	2200	2260	2285	0	2410	(1000 MT CWE)	

TRADE

U.S. pork exports to Russia have grown quickly, and at \$35 million in the first six months of 2005 nearly equal the trade for the 12 months of 2004 which was \$38 million. The increase in pork is driven by higher incomes in Russia and new demand in the retail sector. Russia is the fastest growing food retail market in the world, according to Euromonitor. Pork sales have increased to the level of beef liver sales in 2003 before they were banned due to the BSE incident. If the BSE ban were lifted and beef liver imports restored, U.S. red meat exports could jump to over \$70 million annually.