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Russian Federation

Poultry and Products

Annual

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Report Highlights:
Domestic poultry production is expected to continue to increase in Russia, but demand for bio-fuels is contributing to rising feed costs, and reducing incomes and investment. The Russian government continues to search for a middle ground between protecting domestic poultry producers and protecting consumers from rising food prices. The average price for domestic frozen chicken products increased 7.4 percent from March to August 2007 but import prices remained relatively flat. The Russian government is expected to change soon the procedures for allocating meat and poultry import quotas. Additionally, the Russian veterinary service plans to expand the list of countries whose meat and poultry imports will be subject to electronic verification.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Annual Report
Moscow [RS1]
[RS]

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Executive Summary

Domestic poultry production is expected to increase in Russia, but demand for bio-fuels is contributing to rising feed costs, and reducing incomes and investment. The Russian government continues to search for a middle ground between protecting domestic poultry producers and protecting consumers from rising food prices. The Russian Poultry Union proposed several measures, including government assistance to control feed prices and additional protection from imports. Rising grain prices are revealing inefficiencies in domestic poultry production and some Russian producers are resorting to invalid comparisons between domestic and U.S. imported chicken in an effort to sway Russian consumers away from imported poultry. The average price for domestic frozen chicken products increased 7.4 percent from March to August 2007 while prices for imports remained relatively flat.

Turkey products are a relatively new product on the Russian market and investors are committing resources to increase production capacity. Producers are positioning Turkey as a healthier, more affordable alternative to red meat. Consumption is expected to fall, however, as increases in customs duties curtails imports. Domestic production may compensate some for the loss of imports.

The safety of food imports continues to be an important issue in Russia, and an agreement was reached with Brazil to assist Russia in tracking Brazilian meat imports into Russia. Additionally, Russia is expanding the list of countries whose imports will be subject to electronic verification.

Avian influenza outbreaks were confirmed in Moscow and Kaluga oblasts in February 2007 and in Krasnodar kray in September 2007.

Production

Broiler production increased 15 percent in 2007 and is projected to grow another 11 percent in 2008, but the profitability of poultry production is declining due to increasing feed prices. Rising feed prices are reducing producer incomes and limiting investment. In response, the Russian Poultry Union proposes that the government establish a feed intervention fund, or limit retail trade profits, which reached 50 percent during the summer as low-income consumers switched to less expensive imported poultry products, according to the Union. Another measure offered by the union is to increase the import duty on poultry products from 25 percent to 80 percent to slow imports and compensate domestic producers.

Domestic turkey production is expected to increase 30 percent in 2007 from 2006 estimates, and by 20 percent in 2008 over 2007 estimates. Several investors signed a $100 million agreement this summer to build a turkey production facility in southern Russia. Currently four major players dominate the market and they are steadily increasing turkey production. The total turkey meat consumption potential in Russia is approximately 150,000 MT, according to some estimates. Turkey is a relatively new product for Russia, and it is advertised as a healthy, less expensive alternative to beef. In retail trade turkey prices are 40-80 percent higher than broiler meat, and profits are up to 10 percent higher.

Victor Zubkov, the new Russian Prime-Minister, believes Russia should balance domestic meat output and meat imports, since domestic producers should remain the first priority. Nevertheless, since prices are increasing rapidly for food products, there is considerable pressure on the Russian Government not to take measures restricting meat imports. Meat and poultry prices were the largest contributors to the overall growth of the cost of a consumer basket of goods from January through September, 2007, compared with the same period in 2006.

Country	Russian Federation									
Commodity	Poultry, Meat, Broiler				(MIL HEAD)(1000 MT)(PERCENT)					
	2006	Revised		2007	Estimate		2008	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		01.2006	01.2006		01.2007	01.2007		01.2008	01.2008	MM/YYYY
Inventory (Reference)	0	0	0	0	0	0	0	0	0	(MIL HEAD
Slaughter (Reference)	0	0	0	0	0	0	0	0	0	(MIL HEAD
Beginning Stocks	59	60	59	43	44	53	52	0	42	(1000 MT
Production	1180	840	1180	1300	0	1350	0	0	1500	(1000 MT
Whole, Imports	85	85	85	100	0	90	0	0	90	(1000 MT
Parts, Imports	1104	990	1104	1090	0	1090	0	0	1090	(1000 MT
Intra-EU Imports	0	0	0	0	0	0	0	0	0	(1000 MT
Other Imports	0	0	0	0	0	0	0	0	0	(1000 MT
Total Imports	1189	1075	1189	1190	0	1180	0	0	1180	(1000 MT
Total Supply	2428	1975	2428	2533	44	2583	52	0	2722	(1000 MT
Whole, Exports	0	0	0	0	0	0	0	0	0	(1000 MT
Parts, Exports	3	1	3	1	0	1	0	0	1	(1000 MT
Intra EU Exports	0	0	0	0	0	0	0	0	0	(1000 MT
Other Exports	0	0	0	0	0	0	0	0	0	(1000 MT
Total Exports	3	1	3	1	0	1	0	0	1	(1000 MT
Human Consumption	2382	1930	2372	2480	0	2540	0	0	2680	(1000 MT
Other Use, Losses	0	0	0	0	0	0	0	0	0	(1000 MT
Total Dom. Consumption	2382	1930	2372	2480	0	2540	0	0	2680	(1000 MT
Total Use	2385	1931	2375	2481	0	2541	0	0	2681	(1000 MT
Ending Stocks	43	44	53	52	0	42	0	0	41	(1000 MT
Total Distribution	2428	1975	2428	2533	0	2583	0	0	2722	(1000 MT
CY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT
CY Exp. to U.S.	0	0	0	0	0	0	0	0	0	(1000 MT
Balance	0	0	0	0	-44	0	-52	0	0	(1000 MT
Inventory Balance	-16	-16	-6	9	-44	-11	-52	0	-1	(1000 MT
Production Change	31	0	31	3	-100	14	-100	0	11	(PERCENT
Import Change	-3	0	-3	3	-100	-1	-100	0	0	(PERCENT
Export Change	-57	0	-57	0	-100	-67	-100	0	0	(PERCENT
Trade Balance	-1186	-1074	-1186	-1189	0	-1179	0	0	-1179	(1000 MT
Consumption Change	11	0	11	3	-100	7	-100	0	6	(PERCENT
					TS=TD					
					-44					

PSD Table

Country	Russian Federation									
Commodity	Poultry, Meat, Turkey				(MIL HEAD)(1000 MT)(PERCENT)					
	2006	Revised		2007	Estimate		2008	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		01.2006	01.2006		01.2007	01.2007		01.2008	01.2008	MM/YYYY
Inventory (Reference)	0	0	0	0	0	0	0	0	0	(MIL HEAD
Slaughter (Reference)	0	0	0	0	0	0	0	0	0	(MIL HEAD
Beginning Stocks	0	0	0	0	0	0	0	0	0	(1000 MT)
Production	19	18	19	21	0	25	0	0	30	(1000 MT)
Whole, Imports	1	1	1	1	0	1	0	0	0	(1000 MT)
Parts, Imports	95	85	95	100	0	55	0	0	45	(1000 MT)
Intra-EU Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
Other Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Imports	96	86	96	101	0	56	0	0	45	(1000 MT)
Total Supply	115	104	115	122	0	81	0	0	75	(1000 MT)
Whole, Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
Parts, Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
Intra EU Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
Other Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
Human Consumption	114	103	114	121	0	80	0	0	74	(1000 MT)
Other Use, Losses	1	1	1	1	0	1	0	0	1	(1000 MT)
Total Dom. Consumption	115	104	115	122	0	81	0	0	75	(1000 MT)
Total Use	115	104	115	122	0	81	0	0	75	(1000 MT)
Ending Stocks	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Distribution	115	104	115	122	0	81	0	0	75	(1000 MT)
CY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
CY Exp. to U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Balance	0	0	0	0	0	0	0	0	0	(1000 MT)
Inventory Balance	0	0	0	0	0	0	0	0	0	(1000 MT)
Production Change	12	0	12	17	-100	32	-100	0	20	(PERCENT
Import Change	-10	0	-10	17	-100	-42	-100	0	-20	(PERCENT
Export Change	0	0	0	0	0	0	0	0	0	(PERCENT
Trade Balance	-96	-86	-96	-101	0	-56	0	0	-45	(1000 MT)
Consumption Change	-7	0	-7	17	-100	-30	-100	0	-7	(PERCENT

Feed Production

Significant growth of the bio-fuel market globally is contributing to rising costs of grain and oilseed products, according to some experts, and the current market conditions for grains could continue through 2008. Grain prices increased rapidly in Russia through the middle of July before stabilizing at high levels as harvest progress reports were released. Higher prices attract exports and domestic sales, and the current environment may stimulate investments in grain production in 2008.

Prepared animal feed production from January -July 2007 was 6 percent higher than the same period in 2006. The growth of poultry and swine industries encourages imports of soy meal, and from July-August 2007 Russia imported 165,00 MT of soy meal, which is 50 percent more than in the same period of 2006.

Epizootic Situation

In February 2007 outbreaks of avian influenza (AI) were discovered in the Moscow and Kaluga oblasts. The outbreak was considered eradicated by the end of February, according to a VPSS report, with Russian officials citing illegal poultry imports as the source of the outbreak.

A dead swan infected with AI was discovered in September 2007 near a poultry farm in Krasnodar kray in southwest Russia. Over 400 hens in the region died of bird flu and more than 20,000 were destroyed. Earlier reports stated that 410 birds died at the farm laboratory test sites of the Krasnodar Veterinary Laboratory. Laboratory studies confirmed the presence of the H5 bird flu virus. Russian veterinary authorities said that the AI outbreak in the Krasnodar region was successfully contained by the end of September.

Consumption

Poultry meat consumption will continue to grow, and is projected to rise by 5 to 6 percent compared to the more rapid growth in domestic production of 11 percent.

Consumption of turkey meat is declining in Russia, but growth in domestic turkey production is expected to compensate some for the sharp decrease in turkey imports caused by stricter measures in assuring declaration of full customs values.

Trade

Russian broiler imports from 2007 through 2008 will be flat due to regulatory changes in April 2006 that increased the minimum price permitted for customs declarations. Previously, low indicative prices allowed importers to underreport the value of products, sometimes creating situations where significant increases in world meat prices tempted specialized offshore middle companies to take advantage of the difference between the prices declared at customs and the real prices.

Russia imported 8 percent less poultry in the first six months of 2007 compared to the same period in 2006, but the value was 9 percent higher due to the increase in the minimum declared price for customs duties. Poultry imports into Russia decreased from 582,727 MT to 534,566 MT, when comparing the coverage periods, while the value of imports increased from $384.4 million to $418.7 million, according to the Russian Customs Service. By the end of August the difference between import volumes decreased to 10,000 MT, and by the end of the year the import volumes will likely come close to matching.

The current livestock environment in Russia makes imported broiler meat a source of animal protein for Russian consumers. As reported in previous GAIN Reports (see Other Relevant Reports), cattle production has not yet begun to recover in Russia and pork production growth is below Ministry of Agriculture expectations. Additionally, rising feed prices are slowing investments in the domestic broiler industry.

Table 1: Russia: Poultry Imports, January-June 2005-2007

HS	unit	Jan-Jun 2005	Jan-Jun 2006	Jan-Jun 2007
0207 Poultry Meat,Offal	$	359,415,948	384,496,000	418,722,000
0207 Poultry Meat,Offal	MT	577,515	582,727	534,566
0207 Poultry Meat,Offal	./kilo	62	66	78

Source: Russian Customs Service

Table 2: Russia: Poultry Meat / Offal Imports, by Country, Jan-Jun 2005-2007 in metric tons

Rank	Country	Jan-Jun	Jan-Jun	Jan-Jun	% Change
		2005	2006	2007	- 07/06 -
0	--The World--	577,515.076	582,727.257	534,566.538	-8.26
1	United States	363,898.523	416,691.595	378,791.231	-9.1
2	Brazil	103,665.806	91,715.032	83,740.621	-8.69
3	Germany	43,064.978	23,965.957	28,368.515	18.37
4	France	33,930.965	19,707.574	22,358.056	13.45
5	Belgium	8,246.343	8,523.132	6,518.268	-23.52
6	Netherlands	3,461.330	5,934.935	4,863.915	-18.05
7	United Kingdom	7,758.317	9,091.631	3,659.624	-59.75
8	Canada	5,506.555	2,360.483	2,385.792	1.07
9	Finland	958.935	2,398.395	1,429.123	-40.41
10	Argentina	2,713.077	1,043.582	1,304.374	24.99

Source: World Trade Atlas

Domestic Prices

The average price of the consumer basket of staple foods in Russia increased 12.4 percent in August 2007, according to the Federal State Statistics Service (Rosstat). Prices for meat and poultry products increased 4.2 percent from January-August, 2007, according to Rosstat.

Price data provided by the Institute of Agrarian Market Research (IKAR) indicate that from March to August 2007, domestic poultry products increased an average of 7.4 percent, while prices for imported whole birds flattened. For example, the price of domestic frozen chicken breast and frozen leg quarters increased 6.26 percent and 8.67 percent, respectfully.

Table 3. Moscow Wholesale Poultry Meat Prices, April 2003 – August 2007 (RUR/kilo)

Date	Exch. Rate, RU/$	Domestic Chicken			Imported Chicken		
		Frozen carcasses	Frozen breast, boneless	Frozen leg quarters	Frozen carcasses	Frozen breast, boneless	Frozen leg quarters
04/30/2003	31.10	41.77	55.67	44.50	41.90	56.38	34.42
06/30/2003	30.35	49.07	59.32	49.50	48.27	73.08	39.77
09/30/2003	30.61	59.96	108.00	61.09	58.58	107.77	45.45
12/30/2003	29.25	56.02	93.33	60.63	55.65	88.32	45.39
03/31/2004	28.49	54.07	84.50	52.50	52.51	80.30	44.96
06/30/2004	29.03	52.80	82.50	50.32	45.94	84.45	42.94
09/30/2004	29.22	49.62	90.25	47.82	44.20	89.77	43.76
12/29/2004	27.78	50.17	90.08	52.24	49.34	89.98	42.28
03/30/2005	27.83	61.42	85.00	56.10	63.17	87.33	54.66
06/30/2005	28.67	69.35	93.00	67.13	68.56	93.75	56.60
09/30/2005	28.50	65.19	98.00	63.07	66.64	107.38	60.14
12/30/2005	28.75	53.64	95.00	57.50	56.27	97.08	48.93
03/30/2006	27.76	48.56	91.82	53.42	52.54	102.38	43.23
06/30/2006	27.08	47.51	95.60	56.33	46.51	94.83	46.21
09/28/2006	26.79	57.94	93.35	54.00	54.68	92.28	41.92
10/26/2006	26.90	58.93	96.80	58.33	58.03	94.78	45.25
12/07/2006	26.19	60.42	95.22	59.00	62.62	96.67	41.75
12/28/2006	26.34	58.58	94.82	60.67	63.53	91.50	42.89
01/25/2007	26.49	60.01	95.80	60.28	62.40	97.00	45.32
02/22/2007	26.20	57.79	97.50	56.20	61.37	109.33	49.03
03/31/2007	25.56	56.51	111.42	56.50	60.90	124.00	54.67
04/30/2007	25.69	57.91	115.25	58.50	61.50	130.51	55.51
05/24/2007	25.90	58.94	117.28	58.78	59.62	132.25	57.56
06/30/2007	25.67	60.41	120.40	60.20	60.38	128.10	56.50
07/30/2007	25.41	61.08	123.15	64.83	60.00	133.02	57.46
08/30/2007	25.76	60.70	118.40	61.40	61.30	125.28	52.35

Source: Institute of Agrarian Market Research (IKAR)

Customs Commodity Position for Chicken Leg Quarters Changed

The Russian Customs Service changed the commodity code for chicken leg quarters from 020714700 to 020714200. The effective date of the code change was anticipated in September, but information about the approval of the code change was only recently reported. The indicative price(s) for the new code 0207142001 (within the quota volume) are shown below:

- 0.60 USD/kilogram - USA
- 0.90 USD/kilogram - Brazil, Argentina
- 1.00 USD/kilogram - Other countries

Electronic Verification for Meat and Poultry Imports

The Russian veterinary service plans to expand the list of countries, meat and poultry imports from which will be subject to electronic verification. The system is designed to detect counterfeit veterinary certificates, and support efforts to reduce smuggling of illegal livestock products into Russia. The new system was launched in early 2007 for Australian imports of red meats. The new electronic system will soon be applied to beef, pork and poultry imports from the United States, Canada and Denmark, and eventually to all countries, according to representatives of the Russian veterinary service. Russian veterinary officials have publicly stated that because of an “increasing number of cases where accompanying documentation was filled with errors,” they are specifically targeting U.S.-origin meat and poultry products.

Stocks

Growing domestic poultry production and stable poultry imports provided sufficient stocks of poultry products for retail trade, meat processing, and catering industries. Carryover is whatever amounts are needed for normal commercial purposes.

Policy

The Russian government will soon change the procedures for allocating meat and poultry import quotas, according to the Russian Ministry of Economic Development and Trade. Russian officials plan to introduce a new mechanism for distributing meat and poultry import quotas. In August 2007, members of the Consultative Council on the Monitoring of Chicken, Beef, and Pork Imports considered a draft measure that would change the methodology used to determine tariff rate quotas for 2008 and 2009. According to Russian officials, the draft measure reflects ongoing market changes exemplified by the implementation of the National Priority Project in Agriculture. Under the new proposal, the share of a tariff rate quota an importer would receive in 2008-2009 would be based on the average share that importer received in 2005-2006. The draft proposal was sent to several Russian ministries for comment, and market analysts expect its approval by November 2007.

Ministry officials also stated their opposition to increasing the customs duties on meat supplies in excess of the quotas. The import volume under tariff quotas does not satisfy the needs of the Russian market, according to officials, and considering the existing high customs duties for meat import in excess of quotas, imports are not depressing domestic meat prices.

Special Inserts Will Accompany Brazilian Meat And Poultry Products

Russia’s Federal Veterinary and Phytosanitary Surveillance Service reached an agreement with the Brazilian Agriculture Ministry's Animal and Plant Protection Secretariat to tighten safety controls over Brazilian pork and poultry meat imported by Russia. Effective October 1, 2007, special inserts will accompany Brazilian meat, and Russian authorities will be prenotified of the shipped cargo and the numbers of veterinarian certificates. The same measure was introduced for beef on July 5, 2007. Brazil and Russia signed a protocol to set up a working group that will draft a memorandum of understanding between the Federal Veterinarian and Phytosanitary Control Service and the Brazilian Agriculture Ministry's Animal and Plant Protection Secretariat. The memorandum is to be signed by November 2007.

Marketing

Some Russian poultry producers are casting Russian chicken products as healthier and a greater value than imported chicken from the United States, but their argument is problematic. Domestic producers are attempting to show Russian poultry as a better value than U.S. imported poultry by comparing the fat and protein percentages, and pricing information, of dissimilar poultry products (see Table 4 below).

For example, since frozen carcasses are larger than leg quarters, and include breast meat areas, fat comprises a smaller percentage of the total product. Thus the ratio of protein-to-fat is greater in frozen carcasses relative to leg quarters, and this gives frozen carcasses a higher meat yield. The meat yield is combined with pricing information, and domestic producers can show that although the retail price for frozen carcasses is about 9 percent higher per kilogram than imported leg quarters, consumers pay about 17 percent less per kilogram in terms of meat value, and receive more protein.

However the argument is problematic, again, because it rests on comparing dissimilar products, and hides inefficiencies in domestic production relative to imports. A new analysis between similar chicken products would give Russian consumers accurate information.

Table 4: Russian Frozen Carcass vs. U.S. Chicken Leg Quarters

	Frozen carcass, Russia	Chicken leg quarters, USA
Protein	No less than 20%	Less than 15%
Fat	No more than 12%	Up to 28%
"Pure" meat yield (without bones, skin or fat)	72%	42%
Retail price	75.6 Rub. per 1 kg	69.1 Rub. per 1 kg
Pure" meat value	100 Rub. per 1 kg	120 Rub. per 1 kg

Estimated by "Rosptitsesoyuz" experts
Source: Rossiyskaya Gazeta, June 15, 2007

Other Relevant Reports

RS7068 Grain and Feed / Grain Export Tariffs Coming in November
http://www.fas.usda.gov/gainfiles/200710/146292716.pdf

RS7320 Grain and Feed / Grain Interventions and Export Tariffs Likely
http://www.fas.usda.gov/gainfiles/200709/146292480.pdf

RS7067 Livestock and Products / Annual
(As of this report's submission, not yet posted to the FAS website)

RS7059 Grain and Feed / September Monthly Update
http://www.fas.usda.gov/gainfiles/200708/146292218.pdf

RS7020 Agricultural Situation / Progress of the National Priority Project in Agriculture
http://www.fas.usda.gov/gainfiles/200702/146280251.pdf

RS7019 Poultry and Products / Poultry Production Continues to Grow
http://www.fas.usda.gov/gainfiles/200703/146280308.pdf

RS7018 Pest/Disease Occurrences / Avian Influenza Outbreaks in Moscow Oblast
http://www.fas.usda.gov/gainfiles/200702/146280231.pdf

RS7005 Agricultural Situation / Federal Law "On Development of Agriculture"
http://www.fas.usda.gov/gainfiles/200701/146279991.pdf