USDA Foreign Agricultural Service
GAIN Report
Global Agricultural Information Network

Required Report - public distribution

Date: 09/21/2009
GAIN Report Number: RS 9059

Russian Federation

LIVESTOCK AND PRODUCTS ANNUAL

Meat Consumption Falls

Approved By:
Mary Ellen Smith

Prepared By:
Morgan Haas and Mikhail Maksimenko

Report Highlights:
State subsidies for the livestock breeding continue to stimulate continued investment in pork and new, developing investment in beef. Pork production is forecast at 2.290 MMT in 2010, up from 2.205 MMT in 2009. Pork imports are forecast at 750 TMT in 2010, flat from 2009. U.S. pork quota is approaching the danger zone of not filling in 2009 if strong second half sales do not emerge quickly. Concerns on potential future plant restrictions, Russian recognition of the currently valid pork certificate, and increasing U.S. pork prices are potential hurdles to pass. Beef production is forecast at 1.255 TMT in 2010, down from 1.280 MMT in 2009. Beef imports are forecast at 800 TMT, up from 700 TMT in 2009.

Executive Summary:

State subsidies for livestock breeding continue to stimulate continued investment in pork and new, developing investment in beef. Pork production is forecast at 2.290 MMT in 2010, up from 2.205 MMT in 2009. The Russian pork industry is slowly advancing but remains heavily reliant on continued state financial support to expand further. Imports of live hogs for slaughter have skewed domestic production capacity. Beef production is forecast at 1.255 TMT in 2010, down from 1.280 MMT in 2009. Beef production in Russia remains an offshoot of the dairy industry. Vertically integrated companies are increasing market share as less efficient producers exit the market.

Imports of red meat are not only down a quarter from the halfway point last year, but the United States has also lost considerable market share. Regardless of the global slowdown, trade was heavily impinged by numerous plant restrictions, H1N1-related bans, and uncertainty on the pork certificate. Pork imports are forecast at 750 TMT in 2010, flat from 2009. This reflects Russia's persistence to provide protection to its swine industry from competition and draw nearer to self-sufficiency targets. U.S. pork quota is approaching the danger zone of not filling in 2009 if strong second half sales do not emerge quickly. Concerns on potential future plant restrictions, Russian recognition of the currently valid pork certificate, and increasing U.S. pork prices are potential hurdles to pass. Beef imports are forecast at 800 TMT, up from 700 TMT in 2009 on expectations of Russia's relative willingness to import beef over pork and poultry.

The GOR's stated goal is to become more self-sufficient by substituting imported meat with domestic production. While there is no stated self-sufficiency goal on beef, the pork and poultry goal is 85 percent by 2012.

Unlike most countries in the world, in Russia, prices for food – especially meat – have increased since the onset of the economic crisis. According to the Ministry of Agriculture, prices for meat in the Russian market grew through the entire chain – production, processing, and retail – from July 2008 to June 2009. Prices are expected to continue to grow in 2010.

Falling incomes and growing food prices will decrease Russian meat consumption 11 percent in 2009. The National Meat Association of Russia reported if poultry prices continue to rise, consumers are more likely to increase consumption of non-meat products rather than switch back to beef and pork at current prices. Russia's growth in the meat processing industry slowed in 2009, compared to 2008. Production of ready meat products will continue to decrease in 2010.

Production:

The Russian pork industry is slowly advancing but remains heavily reliant on continued state financial support to expand further. Post projects the pig crop will grow 3.7 percent in 2009 and 3.3 in 2010. Growth in pig stocks is largely tied to investment in construction and renovation of swine operations, and more widespread use of genetic stock from Europe and Canada. Post expects pork production to increase 7 percent in 2009, then slow to 4 percent growth in 2010, since the number of constructed and renovated hog farms decreased in 2009. Generally, the economic environment for swine production in 2009 was favorable for Russian producers. Feed prices were lower in 2009 than 2008, and sufficient feed supplies will lower them again in 2010.

Beef production in Russia remains an offshoot of the dairy industry. Post generally expects low productivity and reproductive inefficiency to further decrease the cattle herd and beef production 3 percent in 2009 and another 2 percent in 2010, continuing a long decline in the cattle herd. Poor cattle husbandry and economic returns within the beef industry continue to deter potential investors. To turn this tide, Russia is now actively attempting to develop a commercial beef industry. Post currently estimates the beef herd accounts for only about 2 percent of total beef production, which means a turnaround is still 10 years in the distance before beef cattle play a significant role in Russian beef production. For now, dairy cattle, particularly dairy bulls and culled dairy cows, will remain the primary source of domestic beef.

Vertically integrated companies are increasing market share as less efficient producers exit the market in the pork industry while the beef sector remains mostly stagnant. At the end of June 2009, private households in Russia represented 39.5 percent of the national swine herd (versus 43.5 percent in 2008) and 49.3 percent of the national cattle herd (versus 48.6 percent in 2008). Rising input prices significantly affected small Russian pork producers, since private households have a limited ability to pass on higher costs to consumers and competition with large producers is becoming fiercer.

According to Rosstat, agricultural enterprises produced 16 percent more pork and 5 percent less beef in the first half of 2009 than 2008, and Post will hold these projections for the remainder of the year and into 2010.

Imported Hogs Artificially Boosting Domestic Production

Russian import controls on pork have spawned a new industry – importing finished hogs for slaughter. Since live hogs are not subject to the pork TRQ, the financial incentive to import them rather than the meat grows every year the GOR tightens its pork policy. The price difference at the border between imported and domestic pigs is roughly 0.35 €/kg, live weight. Domestic producers have tried to close this loophole for years without success. Most recently, the Ministry of Agriculture tasked the Union of National Swine Breeders to prepare and submit a proposal regarding this issue by September 1, 2009. These results are yet unknown. In the meantime, the importation of live hogs for slaughter continues to aid the development of slaughter and processing establishments.

In the period from 2005 to 2008, the number of live pigs imported to Russia jumped 7-fold to over 600,000 head. Already through June 2009, imports total 543,359 head, including 269,942 from bordering Lithuania. These 543,359 hogs represent approximately 40,725 MT of pork or 16 percent of the entire annual pork quota. In the absence of changing live hog or pork policy direction, we expect this trend to continue in 2010 and beyond.

Table 1 – Russia: Beef Production at Agricultural Enterprises, Live Weight, Thousand MT

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2007	82.1	80.1	90.3	83.2	82.3	77.6	74.2	77.5	88.2	91.4	89.7	118.6
2008	79.2	83.1	86.2	89.0	78.8	78.2	77.0	78.9	90.9	95.9	93.7	118.3
2009	74.7	79.3	83.4	82.7	74.2	76.8						
07-08 Δ	-4%	4%	-5%	7%	-4%	1%	4%	2%	3%	5%	4%	0%
08-09 Δ	-6%	-5%	-3%	-7%	-6%	-2%						

Source of data: Rosstat

Table 2 – Russia: Pork Production at Agricultural Enterprises, Live Weight, Thousand MT

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2007	61.4	65.9	74.1	79.6	81.8	86.6	87.5	84.0	79.2	81.7	83.4	106.2
2008	73.5	81.8	88.8	99.9	89.7	90.6	93.0	90.1	90.8	95.7	94.8	127.2
2009	89.9	100.8	102.5	107.2	106.3	111.0						
07-08 Δ	20%	24%	20%	26%	10%	5%	6%	7%	15%	17%	14%	20%
08-09 Δ	22%	23%	15%	7%	19%	23%						

Source of data: Rosstat

Table 3 – Russia: Structure of Livestock Herd by Producer Category at End of Period

	2006	**2007**	**2008**	**June 2008**	**June 2009**
Agricultural Enterprises					
Cattle	48.9%	47.8%	46.6%	n/a	n/a
Cows	43.6%	42.8%	42.1%	n/a	n/a
Swine	51.1%	53.9%	56.2%	n/a	n/a
Sheep and Goats	21.0%	19.5%	19.3%	n/a	n/a
Private Households					
Cattle	46.2%	46.5%	47.5%	48.6%	49.3%
Cows	51.3%	51.6%	52.0%	n/a	n/a
Swine	44.2%	40.8%	38.8%	43.5%	39.5%
Sheep and Goats	53.4%	51.8%	52.1%	50.4%	49.9%
Private Farms					
Cattle	4.9%	5.7%	5.9%	n/a	n/a
Cows	5.1%	5.6%	5.9%	n/a	n/a
Swine	4.7%	5.3%	5.0%	n/a	n/a
Sheep and Goats	25.6%	28.7%	28.6%	n/a	n/a

Source of data: Rosstat

Table 4 – Russia: Swine Numbers, 1,000 Head, 2008, 2009, and 2010

Animal Numbers, Swine Russia	2008			2009			2010		
	Market Year Begin: Jan 2008			Market Year Begin: Jan 2009			Market Year Begin: Jan 2010		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
	Data			Data			Data		
Total Beginning Stocks	18 187	18 187	18 187	19 562	19 562	19 562			20 230
Sow Beginning Stocks	4 050	4 050	4 050	4 220	4 220	4 200			4 340
Production (Pig Crop)	41 760	41 760	41 760	43 600	43 600	43 300			44 750
Intra-EU Imports	0	0	0	0	0	0			0
Other Imports	770	770	770	800	800	1 100			1 150
Total Imports	770	770	770	800	800	1 100			1 150
Total Supply	60 717	60 717	60 717	63 962	63 962	63 962			66 130
Intra EU Exports	0	0	0	0	0	0			0
Other Exports	0	1	0	1	1	1			1
Total Exports	0	1	0	1	1	1			1
Sow Slaughter	0	0	0	0	0	0			0
Other Slaughter	37 305	37 300	37 305	39 000	39 000	39 930			41 520
Total Slaughter	37 305	37 300	37 305	39 000	39 000	39 930			41 520
Loss	3 850	3 854	3 850	3 799	3 799	3 801			3 699
Ending Inventories	19 562	19 562	19 562	21 162	21 162	20 230			20 910
Total Distribution	60 717	60 717	60 717	63 962	63 962	63 962			66 130

Table 5 – Russia: Pork PS&D, 1,000 MT, 2008, 2009, and 2010

Meat, Swine Russia	2008			2009			2010		
	Market Year Begin: Jan 2008			Market Year Begin: Jan 2009			Market Year Begin: Jan 2010		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
	Data			Data			Data		
Slaughter (Reference)	37 305	37 300	37 305	39 000	39 000	39 930			41 520
Beginning Stocks	0	0	0	0	0	0			0
Production	2 060	2 060	2 060	2 145	2 145	2 205			2 290
Intra-EU Imports	0	0		0	0	0			0
Other Imports	1 053	1 050	1 053	750	960	750			750
Total Imports	1 053	1 050	1 053	750	960	750			750
Total Supply	3 113	3 110	3 113	2 895	3 105	2 955			3 040
Intra EU Exports	0	0	0	0	0	0			0
Other Exports	1	1	1	1	1	1			1
Total Exports	1	1	1	1	1	1			1
Human Dom. Cons.	3 057	3 055	3 057	2 839	3 049	2 899			2 989
Other Use, Losses	55	54	55	55	55	55			50
Total Dom. Cons.	3 112	3 109	3 112	2 894	3 104	2 954			3 039
Ending Stocks	0	0	0	0	0	0			0
Total Distribution	3 113	3 110	3 113	2 895	3 105	2 955			3 040

Table 6 – Russia: Cattle Numbers, 1,000 Head, 2008, 2009, and 2010

Animal Numbers, Cattle Russia	2008			2009			2010		
	Market Year Begin: Jan 2008			Market Year Begin: Jan 2009			Market Year Begin: Jan 2010		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
	Data			Data			Data		
Total Cattle Beg. Stks	18 370	18 370	18 370	17 900	17 900	17 900			17 444
Dairy Cows Beg. Stks	9 215	9 215	9 215	9 050	9 050	9 000			8 780
Beef Cows Beg. Stks	0	0	310	0	0	320			350
Production (Calf Crop)	7 100	7 100	7 100	6 970	6 970	6 930			6 750
Intra-EU Imports	0	0		0	0	0			0
Other Imports	57	50	57	50	40	35			35
Total Imports	57	50	57	50	40	35			35
Total Supply	25 527	25 520	25 527	24 920	24 910	24 865			24 229
Intra EU Exports	0	0	0	0	0	0			0
Other Exports	1	1	1	1	1	1			1
Total Exports	1	1	1	1	1	1			1
Cow Slaughter	1 300	1 300	1 300	1 280	1 280	1 290			1 260
Calf Slaughter	0	0	0	0	0	0			0
Other Slaughter	6 280	6 280	6 280	6 090	6 090	6 100			6 000
Total Slaughter	7 580	7 580	7 580	7 370	7 370	7 390			7 260
Loss	46	39	46	49	39	30			35
Ending Inventories	17 900	17 900	17 900	17 500	17 500	17 444			16 933
Total Distribution	25 527	25 520	25 527	24 920	24 910	24 865			24 229

Table 7 – Russia: Beef and Veal PS&D, 1,000 MT, 2008, 2009, and 2010

Meat, Beef and Veal Russia	2008			2009			2010		
	Market Year Begin: Jan 2008			Market Year Begin: Jan 2009			Market Year Begin: Jan 2010		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
	Data			Data			Data		
Slaughter (Reference)	7 580	7 580	7 580	7 370	7 370	7 390			7 260
Beginning Stocks	0	0	0	0	0	0			0
Production	1 315	1 315	1 315	1 275	1 275	1 280			1 255
Intra-EU Imports	0	0	0	0	0	0			0
Other Imports	1 137	1 140	1 137	1 075	1 180	700			800
Total Imports	1 137	1 140	1 137	1 075	1 180	700			800
Total Supply	2 452	2 455	2 452	2 350	2 455	1 980			2 055
Intra EU Exports	0	0	0	0	0	0			0
Other Exports	11	11	11	12	12	12			12
Total Exports	11	11	11	12	12	12			12
Human Dom. Cons.	2 401	2 404	2 401	2 298	2 403	1 928			2 003
Other Use, Losses	40	40	40	40	40	40			40
Total Dom. Cons.	2 441	2 444	2 441	2 338	2 443	1 968			2 043
Ending Stocks	0	0	0	0	0	0			0
Total Distribution	2 452	2 455	2 452	2 350	2 455	1 980			2 055

Consumption:

Falling incomes and growing food prices will decrease Russian meat consumption 11 percent in 2009. Russian actions to limit import volumes through tariff and non-tariff barriers ultimately lowered total meat supply this year, leading to higher prices. Post forecasts pork consumption will decrease 5 percent in 2009 but rebound 3 percent in 2010 on the basis of production growth. Beef consumption will decrease 20 percent in 2009, resulting from drops in production and imports. However, Post does expect a 4 percent rebound in 2010, reflecting increased imports available to consumers.

Russia's growth in the food processing industry slowed in 2009, compared to 2008. Through June, Russia decreased production of sausage 10 percent, decreased production of semi-ready products 0.4 percent, but increased production of cuts 10 percent. Reducing production of value-added products follows consumers' reduced purchasing power and increased willingness to prepare meat at home rather than buy it at the retail level.

The National Meat Association of Russia reported if poultry prices continue to rise, consumers are more likely to increase consumption of non-meat products rather than switch back to beef and pork at current prices.

Trade:

Imports of red meat are not only down a quarter from the halfway point last year, but the United States has also lost considerable market share. While total pork and beef imports decreased 25 percent and 29 percent, respectively, U.S. trade is down 36 and 92 percent, respectively.

Regardless of the global slowdown, trade was heavily impinged by numerous plant restrictions, H1N1-related bans, and uncertainty on the pork certificate. While Post currently feels the U.S. quota can still be nearly fulfilled with a strong second half, this doubt will grow if with either new barriers to trade occur or U.S. prices increase. Post holds 2010 pork imports steady to match 2009 levels, reflecting Russia's persistence to provide protection to its swine industry from competition and draw nearer to self-sufficiency targets. This also reflects the extraordinary number of non-tariff barriers that traders have faced in the past year and the expectation that this type of trading atmosphere is likely to continue in 2010. Like previous years, the European Union again reallocated portions of its frozen beef quota to "other countries." This year, the transfer amounted to about 80 percent of the EU quota. Brazil has again been the largest benefactor of this reallocation to "other countries," and through the first half, has shipped more beef than all other suppliers combined – 138,000 MT. While U.S. beef trade is down 92 percent through the first half, increased liver trade is helping cushion the U.S. loss. Post forecasts 2010 beef imports 14 percent above 2009 on expectations of Russia's relative willingness to import beef over pork and poultry.

Imports of Offal and Other Prepared Meat Down Surprisingly

Imports of bovine offal were flat while swine offal was down 7 percent through June. This is somewhat surprising since Russia has, in the past, typically compensated low imports of meat with higher imports of offal in order to supply the processing industry and help alleviate inflationary pressures at the consumer level. Sausage imports were down 22 percent through June.

Table 8A – Russia: Imports, Pork, by Product

Product	Description	Jan-Jun 2007		Jan-Jun 2008		Jan-Jun 2009		08-09 Change	
		$000	MT	$000	MT	$000	MT	Value	Qty
020311	Swine Carcasses And Half Carcasses, Fresh Or Chilled	7,687	3,092	8,658	3,281	4,898	1,965	-43%	-40%
020312	Hams, Shoulders And Cuts, Of Swine Bone In, Fresh Or Chilled	3	1	0	0	0	0	n/a	n/a
020319	Swine Cuts, Fresh Or Chilled, Nes	19,134	5,622	34,448	9,001	28,115	7,296	-18%	-19%
	Meat of Swine, Fresh Or Chilled	**26,824**	**8,715**	**43,106**	**12,282**	**33,013**	**9,261**	**-23%**	**-25%**
020321	Swine Carcasses And Half Carcasses, Frozen	86,850	44,554	91,271	43,240	73,542	30,572	-19%	-29%
020322	Hams, Shoulders And Cuts, Of Swine, Bone In, Frozen	68,837	32,050	81,027	37,526	62,667	26,775	-23%	-29%
020329	Swine Cuts, Frozen Nes	484,230	189,866	706,800	266,299	626,092	201,011	-11%	-25%
	Meat of Swine, Frozen	**639,917**	**266,470**	**879,098**	**347,065**	**762,301**	**258,358**	**-13%**	**-26%**
021011	Hams, Shoulders And Cuts, Of Swine Bone In, Cured	165	23	202	18	36	9	-82%	-50%
021012	Bellies, Streaky And Cuts Thereof, Swine Cured	1,536	598	3,112	1,236	2,869	595	-8%	-52%
021019	Swine Meat Cured, Nes	919	176	316	53	274	55	-14%	4%
160241	Hams And Cuts Thereof Of Swine Prepared Or Preserved	2,178	731	3,294	891	2,575	568	-22%	-36%
160242	Shoulders And Cut Thereof Of Swine Prepared Or Preserved	1,499	835	1,997	885	2,025	621	1%	-30%
160249	Swine Meat & Meat Offal Nes, Prepared Or Preserved	16,574	4,881	21,852	5,265	20,291	4,846	-7%	-8%
	Total Pork	**689,613**	**282,429**	**952,978**	**367,695**	**823,383**	**274,313**	**-14%**	**-25%**

Source of data: World Trade Atlas

Table 8B – Russia: Imports, Pork, by Country

Country	Jan-Jun 2007		Jan-Jun 2008		Jan-Jun 2009		08-09 Change	
	$000	MT	$000	MT	$000	MT	Value	Qty
World	**689,613**	**282,430**	**952,978**	**367,694**	**823,383**	**274,313**	**-14%**	**-25%**
Brazil	348,041	141,177	258,890	97,187	373,722	118,247	44%	22%
EU-27	205,891	82,311	447,757	169,161	265,126	88,170	-41%	-48%
United States	65,163	27,767	173,744	69,451	121,887	44,206	-30%	-36%
Canada	67,762	29,782	69,028	30,568	57,434	21,894	-17%	-28%
Chile	0	0	2,078	836	4,648	1,625	124%	94%
Paraguay	1,812	906	995	360	365	103	-63%	-71%
Serbia	31	7	231	70	110	35	-52%	-50%
Australia	29	6	35	8	51	22	45%	175%
Moldova	320	146	83	27	40	11	-52%	-59%
Croatia	12	1	55	3	0	0	-100%	-100%
Norway	479	245	0	0	0	0	n/a	n/a
Panama	0	0	82	23	0	0	-100%	-100%
Vietnam	74	82	0	0	0	0	n/a	n/a

Source of data: World Trade Atlas

Table 8B.1 – Russia: Imports, 02032211, Frozen Boneless Hams And Cuts Thereof Of Domestic Swine, by Country

Country	Jan-Jun 2007		Jan-Jun 2008		Jan-Jun 2009		08-09 Change	
	$000	MT	$000	MT	$000	MT	Value	Qty
World	**66,458**	**30,816**	**78,244**	**36,135**	**60,878**	**25,932**	**-22%**	**-28%**
United States	33,059	15,194	44,122	20,248	40,490	17,314	-8%	-14%
Canada	23,144	10,859	23,601	11,181	16,517	6,998	-30%	-37%
EU-27	4,922	2,038	10,027	4,475	3,159	1,319	-68%	-71%
Brazil	5,317	2,717	389	184	489	205	26%	11%
Chile	0	0	106	48	224	95	112%	98%
Paraguay	17	8	0	0	0	0	n/a	n/a

Source of data: World Trade Atlas

Table 8B.2 – Russia: Imports, 02032955, Frozen Boneless Meat Of Domestic Swine (Excl. Bellies And Cuts Thereof), by Country

Country	Jan-Jun 2007		Jan-Jun 2008		Jan-Jun 2009		08-09 Change	
	$000	MT	$000	MT	$000	MT	Value	Qty
World	**407,158**	**158,127**	**572,927**	**215,480**	**513,989**	**160,303**	**-10%**	**-26%**
Brazil	231,535	87,519	185,232	66,977	277,288	82,162	50%	23%
EU-27	99,465	39,333	211,896	79,739	114,272	36,655	-46%	-54%
United States	31,333	12,279	128,162	48,610	79,302	25,998	-38%	-47%
Canada	44,610	18,918	45,131	19,242	40,500	14,723	-10%	-23%
Chile	0	0	1,642	623	2,326	689	42%	11%
Paraguay	215	79	783	266	300	76	-62%	-71%
Panama	0	0	82	23	0	0	-100%	-100%

Source of data: World Trade Atlas

Table 9A – Russia: Imports, Beef, by Product

Product	Description	Jan-Jun 2007		Jan-Jun 2008		Jan-Jun 2009		08-09 Change	
		$000	MT	$000	MT	$000	MT	Value	Qty
020110	Bovine Carcasses And Half Carcasses, Fresh Or Chilled	44	15	0	0	0	0	n/a	n/a
020120	Bovine Cuts Bone In, Fresh Or Chilled	1,058	361	459	97	465	52	1%	-46%
020130	Bovine Cuts Boneless, Fresh Or Chilled	28,621	8,790	35,790	8,662	25,439	5,415	-29%	-37%
	Meat Of Bovine Animals, Fresh Or Chilled	**29,724**	**9,166**	**36,249**	**8,759**	**25,904**	**5,467**	**-29%**	**-38%**
020210	Bovine Carcasses And Half Carcasses, Frozen	46,583	17,348	37,102	10,318	25,797	8,241	-30%	-20%
020220	Bovine Cuts Bone In, Frozen	2,237	1,281	1,835	991	5,397	2,607	194%	163%
020230	Bovine Cuts Boneless, Frozen	799,340	329,185	889,891	323,189	808,669	226,582	-9%	-30%
	Meat Of Bovine Animals, Frozen	**848,160**	**347,814**	**928,828**	**334,498**	**839,863**	**237,431**	**-10%**	**-29%**
021020	Bovine Meat Cured	25	5	26	3	14	1	-48%	-67%
160250	Bovine Meat And Meat Offal Nes,Excluding Livers, Prepared Or Preserved	2,958	1,113	1,518	415	7,429	1,605	389%	287%
	Total Beef	**877,883**	**356,980**	**965,076**	**343,257**	**865,767**	**242,898**	**-10%**	**-29%**

Source of data: World Trade Atlas

Table 9B – Russia: Imports, Beef, by Country

Country	Jan-Jun 2007		Jan-Jun 2008		Jan-Jun 2009		08-09 Change	
	$000	MT	$000	MT	$000	MT	Value	Qty
World	**880,866**	**358,097**	**966,620**	**343,675**	**873,209**	**244,503**	**-10%**	**-29%**
Brazil	574,163	239,698	497,410	172,649	508,679	138,109	2%	-20%
Argentina	120,300	49,506	94,876	35,791	150,172	43,871	58%	23%
Uruguay	16,546	6,221	111,566	45,935	68,265	20,476	-39%	-55%
Paraguay	68,631	25,577	98,510	36,740	50,723	14,812	-49%	-60%
Ukraine	46,633	17,247	36,975	10,276	25,797	8,241	-30%	-20%
Australia	3,802	1,211	37,330	12,176	24,838	6,274	-33%	-48%
EU-27	29,821	11,211	46,542	16,149	20,328	5,379	-56%	-67%
Mongolia	1,771	1,078	1,677	929	5,243	2,530	213%	172%
New Zealand	37	11	965	314	850	287	-12%	-9%
United States	1	0	10,086	3,235	1,387	256	-86%	-92%
Vietnam	102	114	216	66	195	52	-10%	-21%
Moldova	1,116	545	153	52	75	24	-51%	-54%
Norway	406	209	148	21	93	15	-37%	-29%
Serbia	64	25	3	1	31	7	894%	600%
Kazakhstan	0	0	0	0	26	5	n/a	n/a
Croatia	42	4	0	0	0	0	n/a	n/a
Armenia	37	14	0	0	0	0	n/a	n/a

Source of data: World Trade Atlas

Table 9B.1 – Russia: Imports, 020230, Bovine Cuts Boneless, Frozen, by Country

Country	Jan-Jun 2007		Jan-Jun 2008		Jan-Jun 2009		08-09 Change	
	$000	MT	$000	MT	$000	MT	Value	Qty
World	**799,340**	**329,185**	**889,891**	**323,189**	**808,669**	**226,582**	**-9%**	**-30%**
Brazil	573,933	239,657	497,101	172,560	508,435	138,068	2%	-20%
Argentina	119,085	49,177	94,775	35,775	150,172	43,871	58%	23%
Uruguay	16,546	6,221	111,566	45,935	68,265	20,476	-39%	-55%
Paraguay	68,631	25,577	98,510	36,740	50,723	14,812	-49%	-60%
Australia	2,345	840	33,901	11,591	20,807	5,747	-39%	-50%
EU-27	18,763	7,703	44,080	17,193	8,607	3,114	-80%	-82%
New Zealand	37	11	782	240	710	272	-9%	13%
United States	0	0	9,176	3,155	924	217	-90%	-93%
Kazakhstan	0	0	0	0	26	5	n/a	n/a

Source of data: World Trade Atlas

Table 10 – Russia: Imports, Swine Offal and Fat, by Product

Product	Description	Jan-Jun 2007		Jan-Jun 2008		Jan-Jun 2009		08-09 Change	
		$000	MT	$000	MT	$000	MT	Value	Qty
020630	Swine Edible Offal, Fresh Or Chilled	0	0	0	0	0	0	n/a	n/a
020641	Swine Livers, Edible Offal, Frozen	16,200	22,279	14,258	18,720	16,979	18,777	19%	0%
020649	Swine Edible Offal, Frozen Nes	78,582	73,737	90,409	77,124	93,161	70,060	3%	-9%
	Total Offal Of Swine	**94,782**	**96,016**	**104,667**	**95,844**	**110,140**	**88,837**	**5%**	**-7%**
ex020900	Pig Fat Frsh Chld Frzn Salted Dried Smkd	78,928	103,757	133,116	119,760	175,794	119,273	32%	0%

Source of data: World Trade Atlas

Table 10.1 – Russia: Imports, 020649, Swine Edible Offal, Frozen Nes, by Country

Country	Jan-Jun 2007		Jan-Jun 2008		Jan-Jun 2009		08-09 Change	
	$000	MT	$000	MT	$000	MT	Value	Qty
World	**78,582**	**73,737**	**90,409**	**77,124**	**93,161**	**70,060**	**3%**	**-9%**
EU-27	56,792	55,542	71,146	62,344	71,395	54,153	0%	-13%
United States	11,642	9,683	16,746	12,777	17,672	12,597	6%	-1%
Canada	6,396	5,275	2,125	1,580	2,993	2,574	41%	63%
Brazil	3,578	3,073	347	398	1,035	688	198%	73%
Chile	0	0	0	0	66	48	n/a	n/a
Norway	49	29	45	24	0	0	-100%	-100%
Unknown	67	76	0	0	0	0	n/a	n/a
Uruguay	57	59	0	0	0	0	n/a	n/a

Source of data: World Trade Atlas

Table 11 – Russia: Imports, Bovine Offal, by Product

Product	Description	Jan-Jun 2007		Jan-Jun 2008		Jan-Jun 2009		08-09 Change	
		$000	MT	$000	MT	$000	MT	Value	Qty
020610	Bovine Edible Offal, Fresh Or Chilled	5	1	30	8	38	6	27%	-25%
020621	Bovine Tongues, Edible Offal, Frozen	11,870	4,669	8,809	3,643	13,009	3,267	48%	-10%
020622	Bovine Livers, Edible Offal, Frozen	39,305	32,037	40,520	32,117	49,267	34,420	22%	7%
020629	Bovine Edible Offal, Frozen Nes	17,473	17,280	14,378	13,063	15,062	11,816	5%	-10%
	Total Offal Of Bovine Animals	**68,654**	**53,987**	**63,737**	**48,831**	**77,375**	**49,509**	**21%**	**1%**

Source of data: World Trade Atlas

Table 11.1 – Russia: Imports, 020622, Bovine Livers, Edible Offal, Frozen, by Country

Country	Jan-Jun 2007		Jan-Jun 2008		Jan-Jun 2009		08-09 Change	
	$000	MT	$000	MT	$000	MT	Value	Qty
World	**39,305**	**32,037**	**40,520**	**32,117**	**49,267**	**34,420**	**22%**	**7%**
Argentina	10,365	8,610	8,823	7,280	14,444	10,215	64%	40%
United States	0	0	5,060	4,034	13,157	8,750	160%	117%
Australia	10,760	8,684	10,669	8,309	7,444	5,359	-30%	-36%
EU-27	5,208	4,140	8,757	6,642	5,279	3,781	-40%	-43%
Canada	71	102	831	669	3,384	2,389	307%	257%
Uruguay	2,663	2,219	2,181	1,799	2,101	1,480	-4%	-18%
New Zealand	1,988	1,583	2,199	1,798	2,059	1,459	-6%	-19%
Paraguay	1,271	1,071	1,454	1,178	1,398	987	-4%	-16%
Brazil	6,614	5,354	0	0	0	0	n/a	n/a
Norway	365	275	545	410	0	0	-100%	-100%

Source of data: World Trade Atlas

Table 12 – Russia: Imports, 1601, Sausages & Sim Prod, Of Meat, Meat Offal Or Blood; Food Prep Of These Prod, by Country

Country	Jan-Jun 2007		Jan-Jun 2008		Jan-Jun 2009		08-09 Change	
	$000	MT	$000	MT	$000	MT	Value	Qty
World	14,376	5,576	14,680	5,705	11,489	4,434	-22%	-22%
United States	2,484	1,764	3,550	2,506	2,990	2,143	-16%	-14%
EU-27	9,270	3,047	9,164	2,571	6,597	1,868	-28%	-27%
Brazil	2,622	766	1,966	628	1,871	419	-5%	-33%
Israel	0	0	0	0	26	3	n/a	n/a
Kazakhstan	0	0	0	0	4	1	n/a	n/a
Serbia	0	0	0	0	0.725	0	n/a	n/a

Source of data: World Trade Atlas

Table 13 – Russia: Imports, 01039219, Live Domestic Swine, Weighing >= 50 Kg (Excl. Sows Having Farrowed At Least Once And Weighing >= 160 Kg, And Those Pure-Bred For Breeding), by Country

Country	Jan-Jun 2007		Jan-Jun 2008		Jan-Jun 2009		08-09 Change	
	$000	Hd	$000	Hd	$000	Hd	Value	Qty
World	**24,971**	**134,415**	**44,194**	**224,851**	**79,794**	**436,869**	**81%**	**94%**
EU-27	24,971	134,415	43,890	224,471	79,794	436,869	82%	95%
--Lithuania	14,212	87,103	25,594	135,726	35,871	212,093	40%	56%
--Germany	111	1,020	4,819	29,822	12,416	63,955	158%	114%
--Poland	1,414	4,910	1,340	9,204	13,510	61,962	908%	573%
--Estonia	5,537	32,061	2,517	10,560	10,956	59,901	335%	467%
--Latvia	231	1,490	2,441	11,346	3,721	23,422	52%	106%
Canada	0	0	304	380	0	0	-100%	-100%

Source of data: World Trade Atlas

Prices:

Unlike most countries in the world, in Russia, prices for food – especially meat – have increased since the onset of the economic crisis. To a great extent, the GOR's quest to reduce imports in order to help domestic producers become more profitable has been the root cause of price inflation. According to the Ministry of Agriculture, prices for meat in the Russian market grew through the entire chain of – production, processing, and retail – from July 2008 to June 2009. At the farm, prices rose 32 and 22 percent for pork and beef, respectively. The processors' price grew 19 and 23 percent, respectively, and the retail price grew 30 and 23 percent, respectively.

Average U.S. pork prices ($2.76/kg) at the Russian border in the first half of 2009 were below both world prices ($2.97/kg) and Brazil ($3.16/kg). There is question whether this the United States can maintain this price advantage through the remainder of the year.

Unfortunately, the financial crisis has exaggerated the complexity of the problem of pork and beef supply by limiting resources for purchases through the supply chain. In the context of imports, this problem was compounded when the exchange rate moved from RUR23/US$ in September 2008 to RUR32/US$ in August 2009 and even reached RUR36/US$. Meat prices in 2010 will remain high, as the GOR continues its efforts to replace imports with domestic production.

Table 14 – Russia: Beef and Pork Prices at Farm Gate, Processor, and Retail Level, RUR/kg ($1 = RUR32)

	Beef			Pork		
	July 1, 2008	January 1, 2009	July 1, 2009	July 1, 2008	January 1, 2009	July 1, 2009
Farm gate price	92	107	113	102	120	134
Processor's price	99	115	122	118	136	141
Retail price	152	189	187	166	207	215

Source: Russian Ministry of Agriculture

Marketing:

There are no financial premiums or discounts for beef quality in Russia outside of beef versus veal. Beef from culled dairy cows and beef from beef breeds are essentially sold at the same price. However, the Ministry of Agriculture's State Program of Development is currently encouraging enterprises to invest in beef breeds. These same companies have developed networks with restaurants to advertize beef steaks and demonstrate quality differentiation between meat from beef and dairy breeds. These investors hope once popularity grows for high-quality beef and the industry becomes profitable, Russia will be properly positioned to offer commercially sufficient beef volumes.

Policy:

The GOR's stated goal is to become more self-sufficient by substituting imported meat with domestic production. While there is no stated self-sufficiency goal on beef, the pork and poultry goal is 85 percent by 2012. In striving to achieve this goal, Russia has decreased access to its market through the use of tariff and non-tariff barriers.

TRQ system

Tariff-rate quotas on beef, pork, and poultry meat imports for 2009 were modified after Russian officials held consultations with major trading partners in late 2008. Out-of-quota duties were sharply increased on imports of pork and poultry, which exceeded the quota volumes in 2008, but lowered on beef imports.

The out-of-quota duty on pork increased from 40 percent but not less than 0.55 Euros/ kg to 75 percent but no less than 1.5 Euros/kg.

The 2009 quota for 0203 pork imports became 531,900 MT after merging the previously separate 502,200 MT pork quota and 29,700 MT pork trimmings quota. The allotments are designated for the European Union (253.4 TMT), the United States, (100 TMT, up from 50.7 TMT), Paraguay (1.0 TMT), and "other states" (177.5 TMT).

The out-of-quota duty on fresh/chilled and frozen beef was lowered from 40 percent but not less than 0.4 Euros per kilogram to 30 percent but not less than 0.30 Euros per kilogram.

The 2009 quota for 0201 fresh/chilled beef impost (excluding high-quality) was rolled over from 2008 at 28.9 TMT. The allotments are designated for the European Union (28.4 TMT) and "other countries" (0.5 TMT).

The 2009 quota for 0202 frozen beef imports (excluding high-quality) was rolled over from 2008 at 445,000 MT. The allotments are designated for the European Union (351.6 TMT), the United States (18.3 TMT), Paraguay (3 TMT), and "other countries" (72.1 TMT).

Domestic Support for Livestock

In August, the Ministry of Agriculture increased the level of state support to agriculture in 2009 from 100 billion rubles to RUR183 billion (approximately $5.8 billion), now 30 percent higher than 2008. This will go to the new construction of 156 investment projects in livestock breeding, including 42 swine farms, 32 poultry farms and 6 projects for beef cattle production. In the first half of 2009, 85 new farms were constructed, including 31 swine farms, 37 poultry farms and 17 beef cattle farms. From 2006 to 2008, state funding added the following annual swine capacity: 193,600 head, 810,100 head, and 894,700 head, respectfully. In 2009, GOR also budgeted RUR3.5 billion for 23 regional beef cattle programs to promote beef breeds. The programs should total 105,000 MT (live weight) of cattle in 2009, up 26 percent from 2008.

Russian Minister of Agriculture Yelena Skrinik underlined that there have been some problems with the utilization of available credit subsidies. RUR1.5 billion of resources, which were transferred to regions were not utilized in January-June 2009. In response, the Minister tasked regional administrations to transfer those resources to the final recipients in order to speed up renovation of old and construction of new livestock facilities. She also said that in order to better use available resources, the Ministry of Agriculture will create an information and analytic center. This center will follow use and efficiency of resources transferred by the Ministry to the regional budgets for the support of agricultural production. The Minister of Agriculture underlined that farms which receive state subsidies should prove their efficiency. Currently there are about 4,000 farms receiving subsidies. This number will decrease in 2010. Those which do not produce appropriate volumes of high-quality meat will be excluded from the list of recipients. The Ministry is developing evaluation methods for the efficient application of subsidies.

Deputy Prime Minister Zubkov: Help Small Farmers

First Deputy Prime Minister Viktor Zubkov criticized the Ministry of Agriculture on recent agricultural growth of farms. Private farms and household production represents about 50 percent of all meat, but as reported, neither has been thoroughly considered. Specifically, Zubkov suggested that the Ministry should reintroduce farm cooperatives and establish specific farmers' markets especially devoted to these producers, while also allowing them to contract through traditional retail channels.

Novel H1N1 Virus

On April 26, 2009, the Russian Federal Veterinary & Phytosanitary Surveillance Service (VPSS) announced restrictions on imported meat and poultry products from several countries, linking the control to the presence of H1N1 flu virus in humans. Russia imposed these restrictions on several U.S. states, but by the end of August, most restrictions on pork and beef had been lifted.

The GOR created a Commission for preventing the spread of H1N1, headed by the First Vice-Prime Minister Victor Zubkov. The commission will consider the following issues: prevention of H1N1's spread, anti-epidemic and anti-epizootic measures, imports of livestock products, and other international issues related to the entrance of H1N1 from abroad.

Within Russia, H1N1 is currently present within the local human population, and the number of infected people is likely to grow in the fall. Also within Russia, there are no reports the virus has jumped to or from different species and no scientific studies to indicate the virus may pass to meat tissue. However, Russian authorities have not yet formally delinked H1N1 to any future import restrictions. Restrictions are still in place on pork products with certain production dates and origins. These remaining barriers may be removed in September 2009, following an upcoming meeting of the Russian H1N1 Commission.

EU Experts Inspect Russian Control System for Product Safety

In April 2009, EU experts toured several VPSS veterinary laboratories and veterinary centers to inspect the Russian system of laboratory control of product safety of animal origin. This included meeting VPSS representatives from Moscow, Moscow oblast, and Leningrad (St. Petersburg) oblast. A report on the results will be published in October.

President Medvedev: Increase Food Security, Decrease Import Dependence

President Dmitry Medvedev stated in June 2009 that Russia will import only one-quarter of all meat products consumed in the country, compared to one-third imported in 2008, in order to improve Russia's food security. Speaking on the meaning of food security, Medvedev explained that "security is a method of guaranteeing certain interests in any sphere or a way for the state to establish such conditions where the Russian population will have access to food products for normal, adequate prices." In accordance with the food security concept mentioned by the President, Russia should, to a significant degree, ensure self reliance for domestic production of the major varieties of food products. Medvedev acknowledged, currently certain requirements of the concept have not been reached. In particular, Russia does not meet the set requirements in terms of dairy, meat, and poultry output. He further claimed, the decrease in imports of meat and dairy products during the crisis helped the development of domestic agriculture and ensured absence of price hikes for corresponding food items purchased with foreign currency, which is a good thing from Russia's food security standpoint.

According to the President, food security has different aspects, and there are different methods of how to achieve it. As an example, he mentioned imports to Russia of significant volumes of cheap imported meat products, in particular, so-called "Bush legs". At the same time he underlined that such dependency was "rather dangerous" since as soon as the foreign currency exchange rate changes, for example, the rate of U.S. dollar to Russian ruble, the prices for corresponding food products increase automatically. This did not happen now, he said, because a substitution of meat imports with domestic production took place. It also prevents the emergence of epidemic, pandemic, and animal epizootic outbreaks. If such problems happen, then the imports stop and the country might find itself in a rather serious situation, Medvedev concluded.

World Trade Organization Accession

Russia is moving forward on parallel tracks in its WTO accession, both individually and as a part of a proposed Custom's Union with Belarus and Kazakhstan. The Customs Union of Russia, Belarus, and Kazakhstan has formed a united negotiating group for WTO accession talks. Draft Customs Union code is set to be finalized by November 2009. The three countries will develop a unified approach that would ensure further negotiation progress on conditions mutually beneficial for the customs union and the WTO. At the same time, Belarus and Kazakhstan can maintain the results of the Russian negotiations to the maximum. The group will participate in negotiations both on behalf of the customs union and separately on behalf of each country of the union. This approach does not exclude the possibility that each country will conduct separate bilateral negotiations with the WTO, but that all three countries intend to join the WTO under identical conditions. No customs union or trade bloc has ever acceded as a single entity to the WTO, or its predecessor organization, the General Agreement on Tariffs and Trade (GATT).

As a result, Russia will heavily consider all potential WTO accession outcomes when negotiating the new poultry and meat agreement. This is one of the few areas that the three countries of the proposed Customs Union also have very different market access – Russia being the only one with a TRQ system in operation.

Other Relevant Reports:

RS9020 Meat & Poultry TRQ Mechanism Announced for 2009
http://www.fas.usda.gov/gainfiles/200903/146347563.doc

RS9010 Meat and Poultry Prices Update
http://www.fas.usda.gov/gainfiles/200903/146327404.doc

RS9008 Economic Crisis Update
http://www.fas.usda.gov/gainfiles/200902/146327327.pdf

RS8096 Poultry and Meat Duties and Volumes Changed for 2009
http://www.fas.usda.gov/gainfiles/200902/146327314.doc

RS8095 Russia Changes Legislation and Structure of Animal Improvement Industry
http://www.fas.usda.gov/gainfiles/200812/146306807.pdf

RS8089 Russia: Doctrine of Food Security
http://www.fas.usda.gov/gainfiles/200811/146306496.pdf

RS8087 Meat and Poultry TRQ Announced for 2009
http://www.fas.usda.gov/gainfiles/200811/146306457.doc

RS8053 Amendments and Additions to SanPiN on Food Additives
http://www.fas.usda.gov/gainfiles/200807/146295135.doc

RS7078 Registration Procedure for GMO Feeds
http://www.fas.usda.gov/gainfiles/200711/146292888.doc

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

RS5084 Meat Tariff Rate Quota Decree Issued
http://www.fas.usda.gov/gainfiles/200512/146131752.doc