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# Russian Federation

# Livestock and Products

# Meat Prices - New Stage of Growth

# 2004

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**Report Highlights:**
Pork and beef prices continue to grow as a result of a combination of internal and external factors. The global epizootic situation, domestic feed supply constraints, and problems with meat availability from traditional foreign suppliers have resulted in increased red meat prices in the Russian Federation. Prices for red meats are expected to continue growing for the foreseeable future. Poultry meat prices have stabilized due to growth in domestic production.

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

Wholesale meat prices grew significantly in the last 12 months compared to the inflation rate during that period of 11.3%. Domestic beef prices increased by 15 percent, and imported beef prices by 34 percent. Pork prices increased by 70 percent and 40 percent respectively during the same period. The last two months in particular saw a significantly higher rate of growth of pork prices. Over July to September, prices for domestic pork grew by 27 percent, and for imported pork by 17 percent.

Pork prices increased more than beef prices due to the difference between pork and beef availability on the Russian market. CIS member state Ukraine has been providing out-of-quota beef (N.B., Russia imported 144,000 MT of beef or 29 per cent of total beef imports from Ukraine in 2003.) Comparably large volumes of pork are not available from CIS member states.

The key factors leading to higher prices for meat and poultry in the Russian Federation have been the import quotas and tariff-rate quotas (TRQ) imposed by the Russian government, compounded by an average grain harvest and higher-than-expected grain exports in the 2003/2004 grain marketing year. Since then availability has been reduced by the epizootic situation, with poultry- and cattle disease outbreaks in different countries that traditionally have supplied the Russian market. Russia's December 2003 halt to imports of beef from the United States due to bovine spongiform encephalopathy has since been joined by a ban on import of all uncooked livestock products from China and Brazil, imposed by the Russian Veterinary Service in September 2004 due to concerns about foot-and-mouth disease. Brazil shipped 24 percent of Russia's total beef, 62.5 percent of pork, and 18.4 percent of poultry imports in January-July 2004, and ranked second after the United States in poultry deliveries in January-July 2004. In total, Russian January-September 2004 imports of meats are down by 26% compared to the same period a year earlier.

Meat supplies to the Russian Federation have been further limited since Ukraine introduced regulations that require licensing of meat exports. These new regulations appeared because of Ukrainian government concerns about high prices for meat and poultry in Ukraine, caused by a doubling of pension benefits and the increased purchasing power that resulted. Ukraine is not subject to Russian TRQ limits and, as the largest exporter of beef to Russia, had served as a supplier of last resort when either domestic supplies or other imports were unavailable.

Meat prices will tend to continue to grow for the following reasons:

- The higher-than-average 2004 grain crop, harvesting of which is now being completed, will not necessarily have a significant positive impact on domestic meat production in the near term, particularly if export demand for feed wheat and barley outbids domestic feed millers.
- Negotiations between Russia and Brazil on the lifting of the ban have been inconclusive to date, and the Russian Agricultural Minister has said that Russia is not going to lift the restrictions in the near future. There are no plans for Russian veterinarians to inspect Brazilian livestock facilities in the near term.
- Shipments of beef to the Russian Federation from Ukraine, Russia's largest beef supplier, will decrease in the coming months due to supply constraints.
- Domestic meat production will not grow quickly enough to match growing demand without price growth, particularly given the rate of growth of consumer income.
- Domestic input prices are high, especially for feeder pigs.

One consequence of higher prices is a reduction in effective demand, especially for beef. At the Russian Grain Union conference in mid-October, a Russian Meat Union representative noted that increased prices for poultry meat due to import quotas were in great measure behind sharply reduced consumer demand for beef. Higher prices for poultry, the cheapest source of animal protein, have soaked up household budgets for animal protein since poultry prices began their sharp rise in Autumn 2003, reducing effective demand for beef.

At the end of September 2004, the five largest meat processors simultaneously raised prices for consumer-ready meat products and sausage to compensate for long-term raw-material cost increases. Effective consumer demand for these products reportedly fell by 20 percent in the first half of October.

Poultry prices are almost flat, and in fact have fallen from their peak of a year ago. Boneless chicken breast prices are comparable to prices for pork and beef, but overall poultry prices remain significantly lower than pork and beef, reversing the price basis of a year ago when whole birds sold at a slight premium to pork and beef carcasses. This is due to greater availability of domestically produced broiler meat, a consequence of rapid growth of the Russian poultry industry. January to September poultry imports fell by 10 percent, while local production, according to Russian sources, increased by more than 15 percent during that time.

**Table 1. Moscow Wholesale Poultry Meat Prices, January 2003 – September 2004.**

| Date | Exchange Rate, ruble/$ | Domestic chicken | | | Imported chicken | | |
|---|---|---|---|---|---|---|---|
| | | Frozen carcasses | Frozen breast, boneless | Frozen leg quarters | Frozen carcasses | Frozen breast, boneless | Frozen leg Quarters |
| 01/30/2003 | 31.80 | 42.81 | 58.28 | 47.05 | 38.55 | 55.47 | 34.69 |
| 02/28/2003 | 31.58 | 42.32 | 56.28 | 41.16 | 40.81 | 54.89 | 35.04 |
| 03/30/2003 | 31.38 | 41.68 | 55.17 | 42.27 | 42.15 | 54.15 | 34.92 |
| 04/30/2003 | 31.10 | 41.77 | 55.67 | 44.50 | 41.90 | 56.38 | 34.42 |
| 05/30/2003 | 30.67 | 43.93 | 57.62 | 45.00 | 43.76 | 62.17 | 39.55 |
| 06/30/2003 | 30.35 | 49.07 | 59.32 | 49.50 | 48.27 | 73.08 | 39.77 |
| 07/30/2003 | 30.25 | 53.55 | 78.00 | 50.83 | 55.78 | 81.69 | 41.76 |
| 08/30/2003 | 30.50 | 59.04 | 99.67 | 59.62 | 59.09 | 101.00 | 44.81 |
| 09/30/2003 | 30.61 | 59.96 | 108.00 | 61.09 | 58.58 | 107.77 | 45.45 |
| 10/30/2003 | 29.82 | 58.77 | 105.50 | 57.23 | 58.21 | 103.48 | 47.08 |
| 11/30/2003 | 29.74 | 57.96 | 101.00 | 61.13 | 56.42 | 95.08 | 47.11 |
| 12/30/2003 | 29.25 | 56.02 | 93.33 | 60.63 | 55.65 | 88.32 | 45.39 |
| 01/30/2004 | 28.49 | 54.96 | 92.67 | 57.88 | 53.98 | 82.58 | 45.85 |
| 02/29/2004 | 28.52 | 54.21 | 93.38 | 55.83 | 53.44 | 81.87 | 47.04 |
| 03/31/2004 | 28.49 | 54.07 | 84,50 | 52.50 | 52.51 | 80.30 | 44.96 |
| 04/30/2004 | 28.88 | 53.43 | 81.50 | 51.63 | 52.14 | 78.67 | 44.95 |
| 05/30/2004 | 28.99 | 53.55 | 83.00 | 51.63 | 51.21 | 79.70 | 44.27 |
| 06/30/2004 | 29.03 | 52.80 | 82.50 | 50.32 | 45.94 | 84.45 | 42.94 |
| 07/30/2004 | 29.09 | 51.43 | 82.50 | 50.60 | 43.51 | 89.22 | 43.51 |
| 08/30/2004 | 29.23 | 50.54 | 85.83 | 48.98 | 41.43 | 88.65 | 43.71 |
| 09/30/2004 | 29.22 | 49.62 | 90.25 | 47.82 | 44.20 | 89.77 | 43.76 |

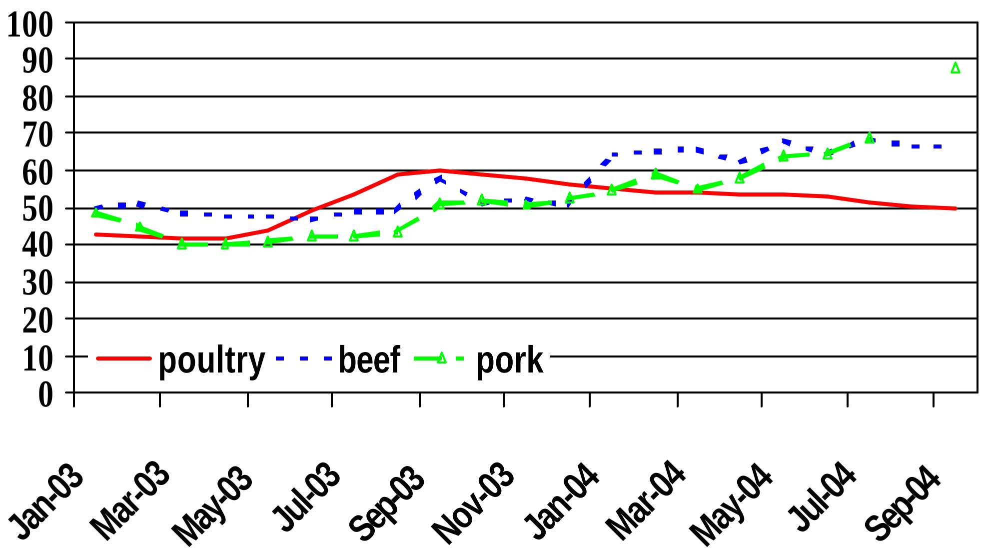
Source: Russian Institute for Agricultural Market Studies (IKAR)
Prices are in rubles per kilogram.

**Table 2: Russia: Wholesale Prices (Offer Prices), Half Carcasses, January 2003 – September 2004.**

| Date | Exchange rate, ruble/$ | Domestic beef | Imported beef | Domestic pork | Imported pork |
|---|---|---|---|---|---|
| 01/30/2003 | 31.80 | 50.17 | 48.40 | 48.75 | 45.50 |
| 02/28/2003 | 31.57 | 51.17 | 49.95 | 44.75 | 46.14 |
| 03/30/2003 | 31.38 | 48.67 | 48.01 | 40.37 | 44.90 |
| 04/30/2003 | 31.10 | 48.00 | 46.35 | 40.25 | 44.62 |
| 05/30/2003 | 30.66 | 48.00 | 48.52 | 41.02 | 48.45 |
| 06/30/2003 | 30.34 | 47.00 | 49.45 | 42.51 | 49.00 |
| 07/30/2003 | 30.24 | 49.00 | 49.30 | 42.39 | 49.11 |
| 08/30/2003 | 30.50 | 49.00 | 49.57 | 43.50 | 51.83 |
| 09/30/2003 | 30.61 | 58.00 | 52.75 | 51.33 | 61.60 |
| 10/30/2003 | 29.82 | 51.17 | 54.81 | 52.00 | 60.93 |
| 11/30/2003 | 29.74 | 52.38 | 52.31 | 50.75 | 55.53 |
| 12/30/2003 | 29.25 | 51.00 | 54.96 | 52.50 | 53.89 |
| 01/30/2004 | 28.48 | 64.42 | 63.61 | 54.63 | 54.81 |
| 02/29/2004 | 28.52 | 65.50 | 64.68 | 59.50 | 52.67 |
| 03/30/2004 | 28.49 | 66.00 | 67.05 | 55.17 | 55.05 |
| 04/30/2004 | 28.88 | 62.50 | 68.00 | 58.00 | 60.69 |
| 05/30/2004 | 28.99 | 68.50 | 67.64 | 64.25 | 67.75 |
| 06/30/2004 | 29.03 | 64.50 | 65.99 | 64.33 | 76.05 |
| 07/30/2004 | 29.09 | 68.75 | 64.02 | 68.68 | 74.37 |
| 08/30/2004 | 29.23 | 66.50 | 65.19 | n/a | 76.52 |
| 09/30/2004 | 29.22 | 66.75 | 70.50 | 87.50 | 86.86 |

Source: Russian Institute for Agricultural Market Studies (IKAR)
Prices are in rubles per kilogram.

Russia: Domestic Meat Prices*, January 2003 – September 2004, rubles per kilogram




* Wholesale prices for domestically produced Russian whole broilers and half-carcasses of beef