Russian Federation

Market Development Reports

Overview of Horse Breeding in Russia

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Report Highlights:
Horse breeding in Russia has a long and rich history with many unique local and pedigree breeds. However, this sector has faced a difficult period since the end of the Soviet Union and the massive government support for the industry. In the past few years, as a new group of wealthy breeders and increasing interest in equestrian sports have emerged, the Russian horse industry is actively debating how to leverage this interest into renewed profitability.
Summary

Horse breeding in Russia has a long and rich history with many unique local and pedigree breeds, including such well-known breeds as the Orlov trotter. However, like the rest of agriculture, it has faced a difficult period since the end of the Soviet Union and the massive government support for the industry. Since that time, the major trend has been the decrease in the numbers of horses used for sport and an increase in those used by small farmers in agricultural production. In the past few years, as a new group of wealthy breeders and increasing interest in equestrian sports has emerged, the Russian horse industry has developed new programs and directions as it looks toward renewed profitability. The program looks forward to sport and equestrian development and also traditional horsemeat and mares’ milk production.

The following report is a translation of excerpts from the “Program for the Development of Horse Breeding in the Russian Federation By 2015.” This program was created by the Russian Horse Breeding Association in coordination with the Ministry of Agriculture and the national network of horse breeding centers and other specialized horse training enterprises.

Note on terminology:
Due to the development of the agricultural sector in Russia in the past decade, defining and classification of agricultural producers is difficult. The following three definitions are used by the State Statistics Committee to define categories of agricultural producers and used in this article:

Agricultural Enterprises: includes collective and state farms, joint stock companies and partnerships of all types, agricultural cooperatives, farming units affiliated with industrial, transportation and other enterprises, organizations and scientific research institutes.

Private Households: includes rural households with land estates, kitchen gardens, and horticultural partnerships. This includes forms of agricultural production when an individual or a family manufactures commodities to satisfy the family needs in foods or with other purposes. Also called household plots or small farmers. (Khozyaystvo Naseleniya)

Private Farming: a form of free enterprise. Using owned or rented lands and other assets, a private farmer operates his business unit to produce, process, and market agricultural commodities. However, at this time, this group is also generally considered to be small farmers. (Krest'yanskoye Khozyaystvo)
Program for the Development of Horse Breeding in the Russian Federation By 2015

1. Expert Evaluation of horse breeding and stud farming in the Russian Federation

1.1. General characteristics of the industry

The total number of horses engaged in all areas of business activity in the Russian Federation as of the early 2003 was 1,538,000. During the years of market reform, drastic changes occurred in the distribution of the horse stock with respect to the categories of ownership. Due to privatization and the emergence of different forms of ownership, dramatic growth in the number of horses used by individuals and private farms has been observed in rural areas: horses were much more broadly employed for farm work at small land plots than in pre-reform years. Between 1991 and 2003, the horse stock of this category (private households) tripled from 274,000 to 818,000. Moreover, as of the start of 2003, peasant enterprises (private farming) accounted for 75,000. Thus, 891,000 horses are currently in possession of the population, including horses used in peasant enterprises (57 percent of the total number). The above growth occurred against the background of a dramatic fall in horses on major agricultural enterprises. Between 1990 and 2002, the stock of horses in the agricultural enterprises dropped 3.5 times, from 2,344,000 to 647,000 head.

The significant increase of the horse stock in private possession should be regarded as a positive factor, which is expected to stop the drop in the stock of horses in Russia.

The main sphere in the industry, both regarding the stock of horses and the value of the produce, is the breeding of work horses. Horses are widely used as draft animals by state-owned, collective enterprises, joint stock companies, private agricultural enterprises and other organizations. Horses are also used by the population in individual subsidiary enterprises (small holdings). Over a million utility and work horses are used in the country, which equals the power of 500,000 low-capacity tractors and saves on petrochemicals (up to 2 million tons with the total value of about 16 billion rubles).

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<tr>
<td>Agricultural Enterprise</td>
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<td>Private Households</td>
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<td>75.0</td>
<td>-</td>
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<tr>
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<td>2,363.0</td>
<td>1538.0</td>
<td>59.0</td>
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Another major area is breeding horses for food product manufacturing, essentially two sub-sectors – meat (tabun) and milking.

Specialized tabun (meat) horse breeding is developed in the eastern regions of the country, famous for the vast territories of natural pastures and a light snow cover during the winter season. These climatic conditions make it possible to feed livestock on natural pastures all year. These areas are in the Far East, Siberia, some parts of the Urals, and the Volga region, where about 200 farms specializing in meat horse breeding and 93 koumiss producing farms are located. In these areas, horsemeat comprises a considerable share of meat consumption...
of the population. For instance, in the Republic of Sakha (Yakutia) the share of horsemeat in the total meat ration is 20 to 25 percent. In Altai, the respective share is ten percent.

In the central regions of Russia, adult horses that are injured or otherwise unwanted are used for meat production. Annually, the total output of the horse breeding industry is 60,000 tons of meat (live weight), of which half is supplied by the regions with developed specialized tabun horse breeding.

Horse milk breeding provides for the production of mare milk (koumiss) at specialized farms. It is considered a highly valuable, nutritious, and dietetic product. Natural koumiss is a traditional drink of residents of Bashkortostan and some other regions of Russia. Russia is a country where tuberculosis has been traditionally treated by "koumiss therapy". Today koumiss is used in medicine not only for the treatment of tuberculosis but also for the treatment of gastrointestinal and other diseases.

The average annual production of koumiss in Russia may be illustrated by the following figures: from 1965-1970 - 1.4 thousand tons; from 1971-1980 - 1.6 thousand tons; in 1990 - 3.0 thousand tons; and a fall in production to 1.8 thousand tons from 1991-1998. As the demand for koumiss on the part of medical institutions treating tuberculosis amounts to 20,000 tons per year, current production is obviously insufficient.

Currently there are 74 stud farms, 400 pedigree horse farms, 42 hippodromes, and 54 public stables functioning on the territory of the Russian Federation. The number of individuals owning pedigree horses is also considerable. The total stock of horses in the pedigree horse breeding industry is a stable figure of 30,000.

Annually, stud farms and pedigree horse-breeding farms sell 5,000-5,500 head for about 50 million rubles to agricultural enterprises, sports and other organizations. Additionally, about 1,000 pedigree, sport and pleasure horses are exported abroad for between 30 and 40 million rubles. About 15,000 horses are used in racing and equestrian sport organizations, employed by tourist companies, leased, and used in other special spheres.

1.2. Changes in horse population

During the transition to market economy, horse breeding in Russia saw changes of mostly a negative nature. A fall in the number of horses was observed in all federal administrative territories (okrugs). A relative decrease in the horse population occurred in major agricultural enterprises. This category saw a decrease in the number of horses of 1,696,600 by 2003 (a drop of 72 percent). The stock of horses grew to 815,600 on private household plots, tripling between 1991 and 2002, including an increase of the mare population by 360 percent to 443,000. The stock of horses kept by the population in areas with developed breeding of work horses grew by 5.6 times in the Central Okrug and Moscow versus by a factor of 4.3 in the North Western Okrug.

The trend shows a dramatic increase in the number of horses in individual subsidiary enterprises (Note: Most of these horses are kept for field work or other production related purposes). The conditions that have taken shape encourage the growth of the number of horses in private households and their use in small and subsistence agricultural production.

Today, 58 percent of all horses in Russia are in private households and peasant enterprises (70 percent of mares are age three or over), while only 42 percent of all horses are on agricultural enterprises (though only 30 percent are over 3 years of age).
1.3. Key trends for the development of horse breeding in other areas

1.3.1. Pedigree horse breeding

The number of pedigree horses in the major stud farms in 2003 was 15,100, including 5,600 mares. The stock of horses in trotter breeding reached 5,300, while in equestrian breeding establishments the respective figure is 6,400. Stud farms, where the most valuable stock of cultured breeds are concentrated, are undergoing heavy economic pressure. Lack of infrastructure in the external and domestic market for the sale of pedigree horses leads to the overstocking of stud farms with pedigree horses of all breeds. Alternatively, uncontrolled export of the very best pedigree horses by commercial organizations threatens to deplete the gene pool of the breeds raised on stud farms.

Between 1991 and 2002, stud farms decreased the total number of pedigree horses by 8,000. The drop in the trotter stud stock was 419 (18 percent); racing, equestrian and carriage breeds 481 (22 percent) and draft breeds 454 (32 percent). At the same time, the stock of mares in the three breeds of the sport horses increased from 400 to 488 (22 percent).

On the whole, in all stud farms taken for this survey the number of colts per 100 mares fell from 73 to 60 from 1990 and 2002 (18 percent drop), while sales decreased from 68 to 42 (38 percent lower).

Such deterioration of the key production indicators of stud farming, against the background of a multifold increase of production costs, resulted in a respective decrease of the main economic indicators of the industry.

Presently, 54 government-owned stud farms function in the Russian Federation with 1,500 stallions. The results of the activity of the stud farm stables over the past several years could be assessed as most unsatisfactory. The data shows that the number of stallions per one government-owned stable dropped by 42 percent, the number of mares served fell by 58 percent, and the stock of colts decreased by 56 percent.

Under the conditions of de-concentration of the stud mare stock, the establishment of numerous small farms and private owners who keep one or two mares, the role of state-owned stables acting as service stations should be growing. However, the trends which have taken shape are evidence of the contrary: the results offered by the state-owned stud stables are even worse than before and the ability of such enterprises to increase the working and food qualities of horses on a large scale is insufficient.

1.3.2. Sport horse breeding

Sport horse breeding is developed in most federal okrugs of Russia. According to the Federation of Equestrian Sport of Russia, there are 167 equestrian organizations with 734 individual members. About 5,000 sport horses are owned by these organizations. Approximately the same numbers of horses are held by commercial sport and leisure organizations. On average, approximately 20 horses are kept in such organizations (the figure fluctuating from ten to 30 horses). As a rule, four different kinds of services are provided. Riding is the dominant service followed by veterinary medicine, equestrian training, lease of riding horses and carriages, and lease of stall boxes. Other services are sale of horses, horse breeding, and colting and foaling.
Changes in financial indicators of horse breeding

On the whole, the proceeds from the sale of pedigree horses from stud farms exceeded annual herd maintenance costs by 8.3 million rubles in 1990. By 2000, the financial status of the industry had drastically changed. Annual production costs for stud farm maintenance exceeded the proceeds from sales by 65.4 million rubles, which meant that the industry started to incur losses.

The greatest losses were suffered by stud farms raising traditional Russian breeds of pedigree horses. Under the current economic situation, the possibility to preserve the gene pool of our Russian traditional breeds becomes doubtful.

There are 400 pedigree stud farms in Russia with 5,000 stud mares. It is possible to get from these mares 3,000 young pedigree and sport horses yearly. Forty-two hippodromes function in the Russian Federation, the performance of which has also fallen considerably due to the deterioration of the stud farms. Between 1990 and 2001, the number of tamed and trained horses also fell dramatically from 8,300 to 4,100 head, including tamed trotter horses from 5,900 to 2,600 and saddle horses from 2,400 to 1,500.

Such a sharp decrease in the number of pedigree horses raised in stud farms is accounted for by the fall in the number of colts born, which may be explained by the low reproduction rate in the industry and the low quality of young horses due to poor breeding and inadequate stud-farm training. The major reason, however, is the irreparable losses suffered by the industry due to the improper maintenance of young horses and unprofessional breaking in of young colts at hippodromes. In connection with the latter circumstance, the number of individuals who train and break in their own horses at hippodromes has greatly increased. The trend towards an increase in private individuals breaking horses at hippodromes should be considered a key area in reforming the system of stud farming in the future. As in other parts of the world, stud farms should act as reproducers of horse stock, while the costs for further breeding, training, taming, and commercial use should be compensated for by the new owners of horses.

Significant changes have taken place in the revenue structure of hippodromes. In 1990, out of 20.6 million rubles revenue, 10.6 million rubles (51.5 percent) accounted for the proceeds from the sales of horses and 9 million rubles (44 percent) were from racing. Budget (government) allocations amounted to 1.0 million rubles, making up just five percent of the total funds. In 2001, this share equaled 24.4 million rubles (33 percent) of total industry funding of 73.5 million rubles, while 23.3 million (32 percent) came from racing and eight million rubles (11 percent) came from money received from the lease of the vacated production facilities.

In order to increase proceeds from betting, new electronic systems should be installed at hippodromes, which would become a new reserve for raising revenue and allowing residents of other cities to get connected to the equestrian and racing lottery. Such systems have been functioning outside hippodromes in most countries with a developed horse breeding industry and have brought stable revenues to hippodromes, the state, and horse owners.

1.3.3. Breeding working and utility horses

Between 1991 and 2002, the number of working horses in Russia, including young horses, dropped from 1,856,000 to 1,324,000. A similar trend was observed in all federal okrugs of Russia. In Russia today, industrial production of horse transport vehicles and other tools of the same class has not yet been organized. This (lack of equipment suitable for horses) makes it impossible to efficiently use working and utility horses in rural transport and
agriculture. At the same time, projections made by the All-Russia Research Institute of Horse Breeding show that the use of horses in agriculture is comparable in productivity with the use of mini-tractor and considerably exceeds the productivity of two-wheeled garden tractors.

1.3.4. Breeding horses for meat and milk production

Horse breeding for purposes of food production is subdivided into two independent areas: breeding meat tabun horses and milk horses. Under the planned economy, all areas of traditional tabun horse breeding were consistently increasing. After 1995, the stock of meat tabun horses has gone down in the regions that used to specialize in this area of horse breeding.

The key reasons for the drop in the number of tabun meat horses excessive meat production, considerable theft during the year-round pasture, and also losses incurred by wolves, bears and other predators. Given the status of the industry and the trends for the development of milk horse breeding, it should be expected that in the process of economic rehabilitation this area of horse use will also make processing of horsemeat and milk a worthy niche. The objective prerequisites for that are the high consumer demand of natural koumiss produced from mare milk. Koumiss is a dietary, medicinal, restorative, and a "festive" drink in very high demand. In the long term, efforts aimed at the creation of koumiss farms will be enhanced at private enterprises and healthcare institutions.

2. Goals and objectives of the Development Program for Horse Breeding and Stud Farming

Practical implementation of the Development Program for Horse Breeding and Stud Farming is aimed at ensuring the profitable development of the horse raising industry by 2015 on the condition of optimization of technology in the industry, increasing efficiency of labor, expanding auctions, as well as other special measures.

Program for the Development of Stud Farms in the Russian Federation By 2015

Considering the stud farming industry at large, under the plan the target profit will be 117.4 million rubles with a profitability rate in the industry of 40 percent. By way of comparison, the total loss from stud farming in Russia recently exceeded 65 million rubles. The highest financial indicators will be achieved in raising riding breeds and sport half-breeds, where the profitability is expected to reach 65 percent and 26 percent. At the same time, the projections show that the development of the traditional Russian breeds, such as trotters (Orlov and Russian trotters), draft (Vladimir, Russian and Soviet) and half-breeds (Budenov, Don, Tersk), the projected trend in profitability falls below 20 percent. In connection to this, the Development Program provides to keep state subsidies for the major Russian stud breeds. The amount of such financial support should reach 16 to 17 million rubles by 2015, based on the calculation that the allocations per one stud mare will amount to 3,000 rubles. This will ensure profitability of 30 percent per breed.

3.3. Prospects for the development of hippodromes

The major objective in developing hippodromes presupposes broader use of parimutuel betting. Currently, the greatest amount of funds would go to the Central Moscow Hippodrome. Nonetheless, given the technical limitations of its parimutuel equipment and the financial status of the owners, the value and number of bets concluded at this hippodrome have actually reached their maximum. Further increases of the volume of the bets may be possible only if the wealthier strata of the population is attracted more actively
to racing events and if parimutuel equipment is refurbished. Moreover, the parimutuel system widely used all over the world has not been used in Russia.

3.5. Meat tabun horse breeding

High economic efficiency is typical for the development of meat tabun horse breeding. By 2015, the tabun herd is planned to double from 209,000 to 421,000 horses. It should be noted that in 1995 tabun horses in Russia reached 356,000. In order to increase the stock of horses, it should be reasonable to organize peasant (farm) horse breeding enterprises on mostly a family basis.

3.6. Breeding milk horses

Given the valuable, curative, dietary and nutritious properties of koumiss, it should be expedient to develop breeding of milk horses at an accelerated pace. It is planned to increase horse milk productivity by 20 percent by 2015. In the course of implementation of the koumiss production project, it will be feasible to increase koumiss production to 6,500 MT (3.6 times the current volume). This will meet the demand for koumiss of both general consumption and specialized medical institutions in major cities.

Fifty-four out of 85 constituent subjects of the Russian Federation have state-owned stables at stud farms, but they are dramatically under-funded to adequately engage in milk production activity. The projections of the Program show that if in each of the state-owned stables kept 30 milk mares for koumiss production, with the fodder produced by the farm itself, the extra profit could amount to 54 million rubles at each enterprise.

When speaking about the possibilities of efficient development of the state-owned stud farm stables and the organization of koumiss farms on these farms, it is worth mentioning that these enterprises are centers for reproducing horse stock for use by small enterprises and individuals. A significant reserve of breeding horses for meat and milk exists if the number of colts can be increased from 75-80 heads per 100 mares (a colt born each year from each mare). It is common knowledge that the mare cannot give milk without producing a colt, which excludes the very possibility to develop small-scale commodity production of koumiss. Moreover, a 25 to 30 percent higher number of colts kept on an individual peasant holdings is a considerable gain of potential horse meat in Russia.

3.7. Breeding of working and utility horses

No growth is expected in the livestock of horses of this type, since the Program provides that the stock of such horses will remain at the current level. This is accounted for by the development of small-scale mechanization in plant growing and livestock farming.