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Report Highlights:
Production of poultry meat in Russia is forecast to increase for the sixth straight year in 2003 as abundant feed and significant investment boost local broiler production. Imports still account for the largest share of consumption and are expected to rise by five percent in 2003 due to strong consumer demand. In 2002, U.S. exports were down significantly from previous estimates and 2001 due to a ban in March and April, when Brazil and EU dominated the imported poultry market.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

Chicken production in Russia continues to increase due to a combination of abundant feed supplies from two successive of large grain harvests and increasing investment in broiler operations. A ban on U.S. chicken was introduced on March 10 and lifted on April 15, 2002. However, cancellation of import permits and the development of a new veterinary certificate, plus the aforementioned ban, led to a sharp decrease in U.S. poultry exports to Russia during the first half of 2002. As of September, U.S. exports are set to resume using the new certificate.

Production

Total chicken meat production in Russia in 2003 is forecast to be 0.55 million metric tons (MMT) (live weight), an increase of ten percent from 2002. Furthermore, chicken meat production has risen by 175 percent since 1997, according to the Russian Ministry of Agriculture. Total poultry meat production includes chickens from broiler farms, small farms, and spent hens. Turkey meat production is expected to increase by 25 percent in 2003, though from a small base level. In 2003, the number of layers and eggs produced anticipated to reach 145 million and 38 billion (up two percent and three percent), respectively.

Significant investment into the Russian broiler sector has made it the most efficient of all the meat sectors. The broiler industry has effectively used good grain harvests and resulting low grain prices to increase the quality and amount of feed. According to the Russian Ministry of Agriculture, investment in the broiler industry is high due to quick returns and lower renovation costs for equipment and buildings, in comparison to other types of livestock production. Furthermore, chicken meat remains the most affordable source of protein for Russian consumers. Recent data shows that incomes, while growing, still limit meat purchases for 37 percent of the population and forces 34 percent to rarely or never purchase these desired products. As disposable incomes increase, the poorest groups are able to start purchasing chicken meat before other meats. Industry specialists predict that if the overall demand maintains its positive trend, total poultry meat production will double in four years. Currently, there are about 166 broiler farms, 29 of which are working at full capacity, 112 are working at somewhat below capacity, and 25 have ceased operation. Thus, willing investors can find both excess production capacity to invest in and a growing demand for their product.

In 2002, there were 458 egg production facilities in Russia, 40 of which were breeder farms. According to the Russian State Statistic Committee, egg production per hen increased by 3.5 percent in 2001 versus 2000. The egg laying industry projects that egg output will increase to the point that, in four years, the Russian government dietary recommendation of 292 eggs per person per year will be met.

Table 1. Poultry Statistics, 1998-2002

	1998	1999	2000	2001	Jan.-Jun., 2002
Poultry Number, mln birds	360	356	346	338	345
Egg production, billion eggs	32.7	33.1	34.0	35.2	18.3

Source: Russian State Statistic Committee

In 2001, the average profitability level in the broiler industry was 5.2 percent and 6.5 percent at egg farms. At the same time, 30 percent of all farms were slightly profitable or not profitable at all. This illustrates that, while egg production can be profitable, the broiler sector remains more attractive for investment because of increasing demand for meat. Experts expect the poultry industry to maintain high investment levels in comparison to egg production and the other meat sectors, such as beef and pork. The differences in growth rates between 2001-2003 in the various sectors (28 percent for boiler meat versus eight percent for eggs) also attests to current profitability of the broiler industry.

Table 2 presents a rating of the largest and most successful Russian poultry farms from 1998-2000. These statistics show the significant differences in efficiency of Russian poultry producers. The production cost of 100 kilograms of chicken meat differs from 1,088 rubles to 1,495 rubles. These differences result from differing levels of investment in modern equipment, use of modern management practices, and access to high quality feed. Some of the variance may decrease as more farms come under efficient management, but differences will remain due to geography and local market conditions.

Table 2. Rating of Russian Broiler Operations, Averages from 1998-2000

Farm	Region	Number of birds, 1,000	Production Cost, Rubles /100 kilo	Farm meat price, Rubles /100 kilo
SAO"P/F "Severnaya"	St. Petersburg	1,420	1,495	1,761
GK Reftinskaya"	Ekaterinburg	1,509	1,588	1,797
ZAO"Tumenskii Broiler"	Tyumen	1,335	1,435	1,747
GP"Octyabrskaya"	Mordovia	982	1,088	1,501
ZAO"Kaluzhskaya"	Kaluga	1,393	1,523	1,701

Source: Krestiyanskiye Vedomosty, #13-14, April 2002.

Consumption

Russian poultry producers are confident that domestic production can match the increase in consumption, estimating that production can double, to approximately 12 kilos per capita in 2005. At the same time, experts expect that domestic production cannot simultaneously keep up with consumption growth and displace the current level of imports. Therefore, imported poultry meat will continue to play a significant role in the Russian market as imports continue to cover dietary needs for protein. Imports, which are forecast to grow by 5 percent in 2003, can be expected to maintain a significant presence in the Russian market in the medium term.

The egg industry feels that it has been hurt by some of the negative press surrounding poultry and food safety issues. Officials from the Ministry of Agriculture and the industry have complained that the media are not informing consumers about the food value of eggs or the quality and safety of Russian eggs; only cases of salmonella detection and high cholesterol content are reported, which leads customers to reject eggs for other foods. Many feel that positive press coverage is important in both increasing investment into egg production and keeping a positive consumer image of eggs.

Trade

According to Russian statistics, the ban on U.S. poultry imports did not significantly influence total import volume. Imports dropped only three percent in January - June 2002 versus the same period in 2001. The U.S. share of exports to Russia during first half of 2002 was largely transferred to Brazil and the European Union. The ban on U.S. chicken meat was introduced on March 10, 2002 and after the ban was lifted on April 15, all import permits were cancelled. Further damage to U.S. trade was done by slow issuance of new permits and the negotiation of a new veterinary certificate. This new certificate come into use on September 15, 2002. All these delays and uncertainties negatively influenced exporters' willingness and ability to conclude contracts and consequently, U.S. poultry export volumes fell. The U.S. share of the import market dipped from 79 percent in the first half of 2001 to 59 percent in the first half of 2002. To fill this void, Brazil increased its market share three times, Belgium, China and Canada by two times, while France, Germany, Great Britain and other countries also increased their exports to Russia.

Table 3. Russian Poultry Imports by Country, January-June 2001 versus January-June 2002

Country	January-June 2001		January-June 2002		Volume Share, % of total	
	MT	$1,000	MT	$1,000	2001	2002
Total	591,733	315,547	573,044	332,485	100	100
US	467,362	240,047	342,124	190,030	79	59
Brazil	28,921	18,888	88,217	58,939	4.9	15
France	28,546	15,744	46,447	24,492	4.8	8
Belgium	13,878	7,394	23,127	12,383	2.3	4
Germany	18,855	11,166	25,478	15,702	3.2	4.4
China	3,501	2,876	7,541	6,388	0.6	1.3
Netherlands	11,874	6,669	13,973	7,631	1.8	2.4
Great Britain	7,329	3,853	9,170	4,751	1.2	1.6
Canada	3,712	2,044	6,842	3,751	0.6	1.2

Source: Russian State Custom Statistics
Note: Not all exporting countries are included in Table 3.

Imports Stabilize Meat Prices

Imported poultry meat is important because it stabilizes poultry prices and makes meat affordable to lower income Russians. In turn, incomes are slowly increasing and rising consumption continues to provide a strong market for poultry meat, both domestic and imported. As a result of current price dynamics in the meat market, imports play a significant role in keeping poultry meat more affordable than other meats and thereby maintaining healthy demand. Though prices on poultry meat increased by about 10 percent when the ban on U.S. poultry meat was introduced in March 2002, inflation in 2002 is expected to be slightly higher (at 14 percent) and help prevent switching to other meats.

Table 4 indicates price differences in two separate Russian regions. Prices for poultry products in Tyumen, a relatively wealthy region in Western Siberia, were significantly lower than prices in Moscow. Price differences between various chicken parts were sometimes unexpected, such as low prices for breast meat.

Table 4. Poultry Meat Prices in Moscow and Tyumen (Siberia), September 2002

	Moscow		Tyumen	
	Rubles/kilo	$/kilo	Rubles/kilo	$/kilo
Whole chicken:	55-65	1.74- 2.06	55	1.74
Legs: imported local	47 60-70	1.49 1.90-2.22	 45	1.42
Breast: local	80-90	2.53-2.86	53-62	1.68-1.96
Wings:	75	2.38	73	2.31
Thigh: imported Local	47 60-70	1.49 1.90-2.22	 69	2.19
Whole turkey:	90-100	2.85 - 3.17	75-100	2.38-3.17
Turkey Leg quarter:			70	2.22
Goose:			100 R	3.17

Exchange Rate : 31.5R/1$

Table 5. Average Farm Price of Meat (live weight), rubles per MT, end of year

	1996	1997	1998	1999	2000	2001
Poultry	5,636	7,111	8,694	16,507	20,481	26,868
Swine	5,674	7,272	8,769	16,247	20,152	31,310
Cattle	3,287	3,972	4,933	11,729	14,142	19,775

Source: Russian State Statistic Committee

Table 6 shows steadily increasing retail poultry meat prices. The table illustrates that poultry products are much cheaper to produce than other meats in Russia and there is a significant difference between production price and retail price. This high level of profitability explains the investment in the industry.

Table 6. Average Retail Price of Meat, rubles per kilo, end of the year

	1996	1997	1998	1999	2000	2001
Poultry	13.82	16.06	30.74	39.28	48.80	56.92
Pork	16.81	19.06	33.99	43.37	58.45	79.22
Beef	14.14	15.79	30.04	42.01	52.72	70.33

Source: Russian State Statistic Committee

Stocks

Stocks of poultry meat in Russia are usually small and are almost directly correlated to uncertainties in the market. The threat of introducing a tariff rate quota (TRQ) or increasing tariffs generally encourages the trade to bring in as much product as is logistically possible. In March 2002, Russian officials reported 100,000 MT of imported poultry meat stored in cold storage.

Policy

The Economic Development and Trade Ministry recently announced that they will investigate the need for protective measures against imports of poultry and poultry products. The investigation is in response to an appeal from the Russian Poultry Union claiming damage from poultry meat imports. The Russian producers supporting the appeal account for more than half of the country's production of poultry and poultry products. The data included in the appeal, covering the period 1999-2001, accuse exporters of causing damage to Russian producers through the use of unfair trade practices. The Government Commission for Protective Measures in Foreign Trade and Customs Tariff Policy's Working Group proposed the immediate introduction of special import duty increases on poultry meat effective until December 31 in the amount of 8.3 percent, but no less than 0.07 euros per kilogram. A decision to increase import duties on imported poultry products does not have support in all areas of the government and an agreement with other sections of the economy may be difficult to reach on this issue.

New Sanitary Norms and Regulations

New food safety regulations (SanPin 2.3.2.1078-01) entered into force on September 1, 2002. Post reported on the most significant changes in GAIN Report RS2020, sent on August 15, 2002. This report includes the complete unofficial translation of the table of contents, SanPin-01's scope, general provisions, and hygienic requirements for food safety and nutrition.

Table 7. Broiler Imports

Import Trade Matrix	Poultry		

Country:		Units:	1,000 MT
Commodity:	Broiler Meat		
Year:	2001		January-June 2002
Imports from:		Imports from:	
U.S.	1050	U.S.	342
Others		Others	
France	10	France	46
Brazil	90	Brazil	89
Netherlands	20	Netherlands	14
Belgium	20	Belgium	23
Great Britain	4	Great Britain	9
Canada	3	Canada	8
Germany	30	Germany	26
China	9	China	8
Belarus	8	Belarus	3
Total for Others	177	Total for Others	226
Others not listed	9	Others not listed	36
Grand Total	1235	Grand Total	604

Note: Calendar year 2001 is compared to January - June 2002.

Table 8. Turkey Meat Imports

Import Trade Matrix	Poultry		
Country:	Russian Federation	Units:	1,000 MT
Commodity:	Turkey Meat		

Year:	2001		2002
Imports from		Imports from	
U.S.	38	U.S.	20
Others		Others	
France	60	France	65
Belgium	25	Belgium	28
Great Britain	12	Great Britain	13
Netherlands	2	Netherlands	3
Germany	14	Germany	15
Canada	4	Canada	5
Denmark	1	Denmark	2
Italy	1	Italy	2
Spain	2	Spain	3
Poland	2	Poland	3
Total for Others	123	Total for Others	139
Others not listed	4	Others not listed	4
Grand Total	165	Grand Total	163

Note: Calendar year 2001 is compared to January - June 2002.

Table 9. Production, Supply, and Distribution of Chicken Meat

PSD Table						
Country:	Russian Federation					
Commodity:	Plty, Meat, Chicken -16 wks					
		2001		2002		2003
	Old	New	Old	New	Old	New
Calendar Year Begin		01/2001		01/2002		01/2003
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	430	430	470	500	0	550
Whole, Imports	105	80	150	70	0	80
Parts, Imports	1175	1155	1200	1150	0	1200
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	1280	1235	1350	1220	0	1280
TOTAL SUPPLY	1710	1665	1820	1720	0	1830
Whole, Exports	1	1	1	1	0	1
Parts, Exports	4	4	5	4	0	4
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	5	5	6	5	0	5
Human Consumption	1687	1622	1794	1695	0	1805
Other Use, Losses	18	18	20	20	0	20
Total Dom. Consumption	1705	1640	1814	1715	0	1825
TOTAL Use	1710	1645	1820	1720	0	1830
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	1710	1645	1820	1720	0	1830

Table 10. Production, Supply, and Distribution of Turkey Meat

PSD Table						
Country:	Russian Federation					
Commodity:	Poultry, Meat, Turkey					
		2001		2002		2003
	Old	New	Old	New	Old	New
Calendar Year Begin		01/2001		01/2002		01/2003
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	7	7	7	8	7	10
Whole, Imports	3	3	4	3	4	4
Parts, Imports	160	165	161	160	161	165
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	163	168	165	163	165	169
TOTAL SUPPLY	170	175	172	171	172	179
Whole, Exports	0	0	0	0	0	0
Parts, Exports	0	0	0	0	0	0
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Human Consumption	169	174	171	170	171	178
Other Use, Losses	1	1	1	1	1	1
Total Dom. Consumption	170	175	172	171	172	179
TOTAL Use	170	175	172	171	172	179
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	170	175	172	171	172	179

Table 11. Production, Supply, and Distribution of Eggs

PSD Table						
Country:	Russian Federation					
Commodity:	Poultry, Eggs					
		2001		2002		2003
	Old	New	Old	New	Old	New
Calendar Year Begin		01/2001		01/2002		01/2003
Layers	140	140	140	142	0	145
Beginning Stocks	0	0	0	0	0	0
Production	34300	35200	34400	37000	0	38000
Hatch Eggs, Imports	75	75	75	75	0	80
Shell Eggs, Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
Intra EC Imports	0	0	0	0	0	0
TOTAL Imports	75	75	75	75	0	80
TOTAL SUPPLY	34375	35275	34475	37075	0	38080
Hatch Eggs, Exports	50	50	50	50	0	50
Shell Eggs, Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
Intra EC Exports	0	0	0	0	0	0
TOTAL Exports	50	50	50	50	0	50
Hatch Eggs, Consumption	2160	2160	2170	2170	0	2190
Shell Eggs, Human	30750	31650	30850	33450	0	34430
Shell Eggs, OT.Use/Loss	1415	1415	1405	1405	0	1410
Other Dom. Consumption	0	0	0	0	0	0
Total Dom. Consumption	34325	35225	34425	37025	0	38030
TOTAL Use	34375	35275	34475	37075	0	38080
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	34375	35275	34475	37075	0	38080
Calendar Yr. Imp. from U.S.			0	0	0	