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Report Highlights:
Imports of red meat into Russia totaled 1.38 million metric tons in January-September 2007. Pork production is expected to increase by 8 percent in 2008, while beef production is likely to fall by 3.5 percent. The National Priority Project for agriculture attracted large investments from private companies and provincial budgets in 2007. Declining beef production, combined with limited availability in the world market, has led the Russian veterinary service to lift a ban on meat products from Poland. The Federal Customs Service issued an order providing a new list of approved customs declaration points authorized to handle meat and meat products. As of January 1, 2008, Russia no longer differentiates between meat and meat products for retail trade and for further processing. The Russian veterinary service has inspected an additional 43 Brazilian meat processing facilities that will increase Brazilian meat exports to Russia. Russia and the United States are currently negotiating new health protocols for live cattle, live pigs, live horses and bovine embryos. Veterinary certificates for beef and bovine semen have been negotiated.

Includes PSD Changes: Yes
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Data included in this report are not official USDA data. Official USDA data are available at http://www.fas.usda.gov/psdonlineonline.

Executive Summary

Pork production is expected to increase 6 percent in 2008, due in most part to growing investments in swine production and higher reproductive yields. This growth is directly related to investment credit subsidies as laid out by the National Priority Project in agriculture as well as imposition of import restrictions. By contrast, beef production is expected to decrease 3.5 percent in 2008 as poor cattle husbandry and generally negative profitability continues to scare away potential investors. Production of beef fell by approximately 5 percent in 2007. The Federal Customs Service issued an order in late 2007 announcing a new list of approved customs declaration points authorized to handle meat and meat products that left out many major points in the Russian Far East and the port of Saint Petersburg. Russia and the United States are currently negotiating new health protocols for live cattle, live pigs, live horses and bovine embryos. Veterinary certificates for beef and bovine semen have already been negotiated.

Overview

Private plots generate 48 percent of cattle, 43 percent of swine and 54 percent of sheep and goats in Russia. The Russian government recently approved a new program that will succeed the National Priority Project in agriculture (NPP) titled, “The State Program for Development of Agriculture and Regulation of Food and Agricultural Markets in 2008-2012,” that encourages pork and beef production and attempts to address Russia’s declining cattle numbers. This program includes import-substitution policies designed to stimulate domestic livestock production and to protect local producers.

In the beginning of 2007, the economic environment for swine production was generally unfavorable. The average production cost was RUR40-45/kilo of live weight, while the farm gate price was RUR40/kilo live weight. Pork producers have been expressing concern for years about sales after implementation of the NPP as pork consumption is growing at a slower rate than pork production. As a result, the pork sector has been lobbying the Russian government to regulate imports in spite of the meat TRQ agreement.

From January-September 2007, 1.38 million metric tons (MMT) of red meat was imported. A 12-year decline in beef production has resulted in limited beef availability in the Russian market leading to a spike in prices. In response, the Russian government has been force to take steps to increase the availability of beef by lifting a meat ban on Poland and by looking to Latin America for higher volumes of product. Feed stocks decreased during the first 11 months of 2007 compared to the previous year which will likely create even greater financial problems for livestock operations in 2008 as feed prices continue to skyrocket. Grain prices increased rapidly in Russia through the middle of July 2007 before stabilizing at high levels as harvest progress reports were released.

The Russian pig crop is expected to increase by 6 percent in 2008, while cattle herds are predicted to decrease by 3.5 percent. Some meat market analysts predict that by 2012, as new and modernized pig farming complexes reach planned capacity, pork production could reach 3.5 MMT – up 75 percent from 2008 estimates.

According to the Russian Statistics Agency (Rosstat), 1/3 of all Russian “large farms” are unprofitable. Many of these are involved in livestock production. Small, inefficient producers are uncompetitive and have already begun disappearing from the market.

The Russian veterinary service continues to playa decisive role in meat import supply management.

Production

Swine production is expected to increase by 6 percent in 2008 and will equal 41.7 million pigs. Larger pig stocks are sustained by high meat prices and subsidized credits as part of the now expired NPP. The forecast of 2008 swine production was increased slightly over the previous forecast due to slighter better than expected reproductive yields. The forecast for pork production was also revised and increased by 1.5 percent. This represents a 6 percent increase overall in 2008 from normal slaughter weights and higher reproductive yields. Some meat market analysts predict that by 2012, as new and modernized pig farming complexes reach planned capacity, pork production could reach 3.5 MMT – up 75 percent from 2008 estimates.

Cattle inventories are forecast to decrease 3.5 percent in 2008, continuing a 12-year decline in this sector. In 2008 the cattle herd is forecast to decrease a further 3 percent due to low production and reproductive efficiency. As a result, beef production is expected to fall 3.5 percent. Beef production also fell 4 percent in 2007, as poor cattle husbandry and general negative returns have not made beef an attractive area for investment.

Under the NPP, 114 new pork production facilities are to be built and are expected to raise domestic pork production (live weight) by 855,000 MT in 2008 and 950,000 MT in 2009 (in comparison to 2005 numbers). Many of them will feature foreign equipment imported under a resolution adopted in November 2006 that extended duty-free importation of all agricultural machinery and equipment that are not produced domestically. The Russian government has set a goal for annual domestic pork production of 2.4 MMT (once all proposed measures are fully implemented and successful).

Domestic livestock production is currently cost prohibitive due to unreasonably high production costs, feed conversion ratios and rising energy prices. As a result, 65 percent of swine farms operate with an inefficient business model. Such farms cannot compete with the other 35 percent that operate using the latest technology available. Modernized swine farms are stable due to the fact that they many have their own feed supplies, use modern technologies and management practices, and, in many cases, have their own processing and trading facilities. In general, meat production costs are much higher in Russia in comparison with other countries that export meat to Russia. The Ministry of Agriculture has identified several areas where pork producers need to improve, including:

<u>Swine genetics</u>: Russian breeds represent only 35-38 percent of meat consumed, while domestic meat usually accounts for 60 percent of consumption in other countries, according to Dr. Andrey Lisitsin, Director of Scientific Research of the Institute of Meat Processing. Meat processing companies cannot rely solely on domestically produced meat for their products due to a lack of uniformity and brand standards. Furthermore, at the beginning of 2007, the farm gate hog price was RUR40/kilo, in comparison with RUR50/kilo in the summer of 2006. At the same time, processors were forced to pay RUR60/kilo to ensure appropriate and stable quality.

<u>Integration of new technologies and equipment</u>: Most farms currently use equipment purchased over a decade ago, while Russian agricultural machinery factories sit almost idle. Manual labor is the current modus operandi for more than 50 percent of pig farms.

<u>Education of managers and workers at all levels of farming</u>: Many old cadres are not familiar with modern, up-to-date technologies and management methods.

Construction of swine farms with 200-300 head per farm: This objective would not require significant levels of investment. An efficient system for swine collection and transportation from the production site to the slaughterhouse should be developed to ensure the quality and safety of the meat.

Improve current storage, transportation and trade networks: The predominant players in the Russian meat market are small companies that, in most cases, deliver meat by unrefrigerated ground transport to small collection centers. Meat is then stored at a temperature of -2 to -6 degrees Celsius in most cases, instead of the required -18 degrees. This is mainly due to Russia's lack of modern cold storage facilities.

Processed meat production totaled 2.3 MMT in January-November 2007, up 15.7 percent from 2006. Sausage production also increased 6.5 percent to 2.1 MMT, according to Rosstat. Of the 5 MMT of meat produced in Russia, 3 MMT was produced by small farms or private households. Animals are slaughtered at on–farm facilities under generally unsanitary conditions. According to Dr. Lisitsin, so far as he is aware, Russia is the only country where carcasses are washed with water and brushed after slaughter, which significantly reduces the shelf life of the meat products to 10-15 days, whereas the shelf life of chilled meat from Argentina is 90 days and from Brazil, 120 days.

Table 1. Russia: Livestock Conversion Factors: Calculations of "Cow-Equivalent Units"

Type of Livestock	Conversion Factor
Adult cattle	1.0
Calves. more than 1 year old	0.50
Calves. less than 1 year old	0.12
Adult hogs	0.50
Piglets. more than 4 month old	0.25
Piglets less than 4 month old	0.05
Adult sheep and goats	0.10
Lambs	0.06
Adult horses	1.10
Colts. more than 12 month old	0.80
Colts. less than 12 month old	0.25
Poultry	0.02

Source: Manual "Statistics". A.F. Grishina. 2003

Feed Stocks

Feed stocks decreased during the first 11 months of 2007 compared to the same period in 2006. Low feed stocks will create even greater problems for livestock operations in 2008 as domestic feed prices have been skyrocketing. Grain prices increased rapidly in Russia through the middle of July before finally stabilizing at high levels as harvest progress reports were released (see RS8013).

Increases in the consumption of feed by the livestock sector and potentially high demands on grain exports will place upward pressure on grain prices beginning late fall 2008. To limit the negative effects of grain exports on feed prices, the Russian government issued a resolution on December 15, 2007 that authorizes the government to impose, as deemed necessary, the export of several "essential commodities" such as grain and grain products (see RS7094).

Currently Russia is developing protocols to register feed produced from genetically modified organisms (GMOs). A Russian government resolution transferred the testing and registration of feeds containing GMOs to the Ministry of Agriculture's Federal Veterinary and Phytosanitary Surveillance Service (VPSS). VPSS has developed the draft administrative regulation for registration and has already begun accepted applications based on the procedures described in that draft (see RS7078).

Table 2. Russia: Feed Availability as of December 1, 2007

Calendar Year	2005	2006	2007
Feed, total feed units*. Million metric tons	22.0	20.3	20.1
including feed grain	6.7	6.5	6.4
Per cow-equivalent unit, fodder unit, Kilogram	1370.0	1250.0	1220.0

Source: Russian Statistics Agency

*One feed unit equals 1 kilogram of oats in energy equivalent.

PSD Table

Country **Russian Federation**

Commodity **Meat. Swine** (1000 HEAD) (1000 MT CWE) (PERCENT)

	2006	Revised		2007	Estimate		2008	Forecast	
	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
Slaughter (Reference)	32852	32500	32852	34100	34450	34670	36250	0	36910
Beginning Stocks	0	0	0	0	0	0	0	0	0
Production	1805	1800	1805	1880	1910	1910	2000	0	2030
Intra-EU Imports	0	0	0	0	0	0	0	0	0
Other Imports	835	700	835	855	700	870	875	0	875
Total Imports	835	700	835	855	700	870	875	0	875
Total Supply	2640	2500	2640	2735	2610	2780	2875	0	2905
Intra EU Exports	0	0	0	0	0	0	0	0	0
Other Exports	1	1	1	1	1	1	1	0	1
Total Exports	1	1	1	1	1	1	1	0	1
Human Dom. Consumption	2580	2440	2580	2680	2555	2725	2819	0	2849
Other Use. Losses	59	59	59	54	54	54	55	0	55
Total Dom. Consumption	2639	2499	2639	2734	2609	2779	2874	0	2904
Ending Stocks	0	0	0	0	0	0	0	0	0
Total Distribution	2640	2500	2640	2735	2610	2780	2875	0	2905
CY Imp. from U.S.	0	0	0	0	0	0	0	0	0
CY. Exp. to U.S.	0	0	0	0	0	0	0	0	0
Balance	0	0	0	0	0	0	0	0	0
Inventory Balance	0	0	0	0	0	0	0	0	0
Weights	55	55	55	55	55	55	55	0	55
Production Change	4	4	4	4	6	6	6	-100	6
Import Change	11	4	11	2	0	4	2	-100	1
Export Change	0	0	0	0	0	0	0	-100	0
Trade Balance	-834	-699	-834	-854	-699	-869	-874	0	-874
Consumption Change	6	4	6	4	4	5	5	-100	4

Not Official USDA Data

PSD Table

Country	**Russian Federation**								
Commodity	**Meat. Beef and Veal**				(1000 HEAD) (1000 MT CWE) (PERCENT) (HEAD) (KG)				
	2006	Revised		2007	Estimate		2008	Forecast	
	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
Slaughter (Reference)	8310	8610	8310	7950	8141	7950	7850	0	7900
Beginning Stocks	0	0	0	0	0	0	0	0	0
Production	1430	1460	1430	1380	1380	1370	1370	0	1322
Intra-EU Imports	0	0	0	0	0	0	0	0	0
Other Imports	939	710	939	1050	720	1150	1100	0	1180
Total Imports	939	710	939	1050	720	1150	1100	0	1180
Total Supply	2369	2170	2369	2430	2100	2520	2470	0	2555
Intra EU Exports	0	0	0	0	0	0	0	0	0
Other Exports	8	5	8	8	5	8	8	0	8
Total Exports	8	5	8	8	5	8	8	0	8
Human Dom. Consumption	2321	2125	2321	2382	2050	2472	2422	0	2507
Other Use. Losses	40	40	40	40	45	40	40	0	40
Total Dom. Consumption	2361	2165	2361	2422	2095	2512	2462	0	2494
Ending Stocks	0	0	0	0	0	0	0	0	0
Total Distribution	2369	2170	2369	2430	2100	2520	2470	0	2502
CY Imp. from U.S.	0	0	0	0	0	0	0	0	0
CY. Exp. to U.S.	0	0	0	0	0	0	0	0	0
Balance	0	0	0	0	0	0	0	0	0
Inventory Balance	0	0	0	0	0	0	0	0	0
Weights	172	170	172	174	170	172	175	0	167
Production Change	-6	-4	-6	-3	-5	-4	-1	-100	-4
Import Change	-4	4	-4	12	1	22	5	-100	3
Export Change	-27	0	-27	0	0	0	0	-100	0
Trade Balance	-931	-705	-931	-1042	-715	-1142	-1092	0	-1172
Consumption Change	-5	-2	-5	3	-3	6	2	-100	1
Population	0	0	0	0	0	0	0	0	0
Per Capita Consumption	0	0	0	0	0	0	0	0	0

Not Official USDA Data

PSD Table

Country **Russian Federation**

Commodity **Animal Numbers. Cattle** (1000 HEAD)

	2006	Revised		2007	Estimate		2008	Forecast	
	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
Total Cattle Beg. Stocks	19850	19850	19850	19000	18695	19000	18330	17639	18370
Dairy Cows Beg. Stocks	9770	9770	9770	9450	9250	9500	9300	0	9400
Beef Cows Beg. Stocks	0	0	0	0	0	0	0	0	0
Production (Calf Crop)	7505	7500	7505	7270	7110	7310	7220	0	7280
Intra-EU Imports	0	0	0	0	0	0	0	0	0
Other Imports	58	40	58	60	60	60	60	0	60
Total Imports	58	40	58	60	60	60	60	0	60
Total Supply	27413	27390	27413	26330	25865	26370	25610	17639	25710
Intra EU Exports	0	0	0	0	0	0	0	0	0
Other Exports	0	5	0	0	5	0	5	0	5
Total Exports	0	5	0	0	5	0	5	0	5
Cow Slaughter	1450	1500	1450	1450	1440	1450	1400	0	1430
Calf Slaughter	0	0	0	0	0	0	0	0	0
Other Slaughter	6860	7110	6860	6500	6701	6500	6450	0	6470
Total Slaughter	8310	8610	8310	7950	8141	7950	7850	0	7900
Loss	103	80	103	50	80	50	50	0	50
Ending Inventories	19000	18695	19000	18330	17639	18370	17705	0	17755
Total Distribution	27413	27390	27413	26330	25865	26370	25610	0	25710
CY Imp. from U.S.	0	0	0	0	0	0	0	0	0
CY. Exp. to U.S.	0	0	0	0	0	0	0	0	0
Balance	0	0	0	0	0	0	0	-17639	0
Inventory Balance	-850	-1155	-850	-670	-1056	-630	-625	-17639	-615
Inventory Change	-6	-6	-6	-4	-6	-4	-4	-6	-3
Cow Change	-6	-6	-6	-3	-5	-3	-2	-100	-1
Production Change	-6	-6	-6	-3	-5	-3	-1	-100	0
Production to Cows	77	77	77	77	77	77	78	0	77
Trade Balance	-58	-35	-58	-60	-55	-60	-55	0	-55
Slaughter to Inventory	42	43	42	42	44	42	43	0	43

Not Official USDA Data

PSD Table

Country **Russian Federation**

Commodity **Animal Numbers. Swine** (1000 HEAD)

	2006	Revised		2007	Estimate		2008	Forecast	
	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
Total Beginning Stocks	16550	16550	16550	17180	17610	17180	18580	18840	18210
Sow Beginning Stocks	3600	3600	3600	3750	3800	3750	3950	0	3975
Production (Pig Crop)	37000	37000	37000	38900	39300	39150	41500	0	41700
Intra-EU Imports	0	0	0	0	0	0	0	0	0
Other Imports	382	60	382	400	60	400	400	0	400
Total Imports	382	60	382	400	60	400	400	0	400
Total Supply	53932	53610	53932	56480	56970	56730	60480	18840	60310
Intra EU Exports	0	0	0	0	0	0	0	0	0
Other Exports	0	1	0	0	1	0	0	0	0
Total Exports	0	1	0	0	1	0	0	0	0
Sow Slaughter	0	0	0	0	0	0	0	0	0
Other Slaughter	32852	32500	32852	34100	34450	34670	36250	0	36910
Total Slaughter	32852	32500	32852	34100	34450	34670	36250	0	36910
Loss	3900	3499	3900	3800	3679	3850	3800	0	3800
Ending Inventories	17180	17610	17180	18580	18840	18210	20430	0	19600
Total Distribution	53932	53610	53932	56480	56970	56730	60480	0	60310
CY Imp. from U.S.	0	0	0	0	0	0	0	0	0
CY. Exp. to U.S.	0	0	0	0	0	0	0	0	0
Balance	0	0	0	0	0	0	0	-18840	0
Inventory Balance	630	1060	630	1400	1230	1030	1850	-18840	1390
Inventory Change	0	0	0	4	6	4	8	7	6
Sow Change	3	3	3	4	6	4	5	-100	6
Production Change	4	4	4	5	6	6	7	-100	7
Production to Sows	10.3	10.3	10.3	10.4	10.3	10.4	10.5	0	10.5
Trade Balance	-382	-59	-382	-400	-59	-400	-400	0	-400
Slaughter to Inventory	199	196	199	198	196	202	195	0	203

Not Official USDA Data

Consumption

Pork consumption is expected to grow 5 percent in 2008. Beef consumption is expected to remain flat but only if beef imports are allowed to grow to compensate for declining domestic production. The steady increase in pork and beef prices continues to dampen red meat consumption in Russia. Restrictions on red meat imports, such as tariff rate quotas (TRQ) and regular trade disruptions imposed by the Russian veterinary service, contribute to increasing prices and force consumers to look for alternative animal protein products such as poultry and fish.

Table 3. Russia: Per Capita Consumption of Selected Food Products, in kilograms

Calendar Year	1990	1995	2000	2005	2006	Recommended Yearly Intake
Meat & meat products	78.0	55.0	45.0	55.0	58.0	81.0
Dairy products	386.0	253.0	215.0	235.0	239.0	392.0
Vegetable oil	10.2	7.4	9.9	12.2	12.6	13.0
Seafood	20.3	9.4	10.4	12.6	13.1	23.3

Source: Vladimir Kayshev, Head of Food Processing Industry Department, Ministry of Agriculture, Presentation at the Second Economic Forum. December 2007

Trade

Russian statistics indicate that red meat imports totaled 1.38 MMT from January-September 2007. This figure increased 4 percent by volume compared to the same period in 2006, according to the Russian Federal Customs Service (Customs). The total value of these meat imports reached $3.48 billion from January-September 2007 compared to $2.84 billion during the same period a year earlier.

Russian beef imports increased 25 percent during the first nine months of 2007 in relation to 2006. From January-September 2007, frozen beef imports totaled 488,000 MT -- 66 percent of which came from Brazil. Other significant suppliers of beef include Argentina (16 percent of total beef imports), Paraguay (8.5 percent), and Ukraine (5 percent). The share of carcasses and half-carcasses in relation to total beef imports increased in 2007 after the Russian veterinary service inspected and approved numerous Ukrainian meat processing facilities. Ukraine has traditionally exported beef carcasses and half-carcasses to Russia.

Russian pork imports increased 5 percent year-on-year during the first nine months of 2007. From January-September 2007, fresh and frozen pork imports totaled 446,405 MT –- 66 percent of which came from Brazil. Other significant suppliers of pork include Denmark (13 percent of total pork imports), Canada (10 percent), the United States (10 percent), and Germany (5.5 percent). 71 percent of total pork imports were boneless pork, 15 percent carcasses, 10 percent bone-in cuts, 2 percent fresh cuts boneless and 1 percent fresh carcasses.

Table 4. Russia: Meat Imports, 2004 – January-September 2007, in metric tons

HS Code	Description	2004	2005	2006	Jan-Sep 2007
	-- The World --	2,495,256	3,145,525	3,175,362	2,288,882
0201	Beef, Fresh/chilled	20,261	23,754	22,552	14,970
0202	Beef, Frozen	490,863	672,897	647,247	488,068
0203	Pork, Fresh or Frozen	455,309	562,850	625,657	446,405
0204	Sheep & Goat	3,755	6,894	14,898	6,668
0205	Horses, Asses, Mules	24,397	30,671	35,924	19,684
0206	Edible Animal Offals	209,506	295,948	296,247	217,458
0207	Poultry Meat, Offals	1,101,195	1,318,164	1,274,196	913,567
0208	Other Fresh, Frozen	5,738	10,820	16,513	9,904
0209	Pig & Poultry Fat	183,066	221,421	240,110	170,648
0210	Salted, Dried, etc,	1,164	2,106	2,017	1,510

Source: World Trade Atlas

Table 5. Russia: Meat Imports, 2004 – January-September 2007, in million USD

HS Code	Description	CY 2004	CY 2005	CY 2006	Jan-Sep 2007
	-- The World --	2,247.1	3,021.0	4,894.2	3,472.0
0201	Beef, Fresh/chilled	30.3	40.2	65.3	49.3
0202	Beef, Frozen	657.8	913.8	1,529.5	1,172.3
0203	Pork, Fresh or Frozen	624.3	818.9	1,395.0	1,084.5
0204	Sheep & Goat	5.0	9.5	27.7	14.3
0205	Horses, Asses, Mules	27.4	35.6	51.9	31.1
0206	Edible Animal Offals	119.8	206.3	294.9	233.6
0207	Poultry Meat, Offals	663.4	847.5	921.5	726.1
0208	Other Fresh, Frozen	6.0	12.4	35.9	24.7
0209	Pig & Poultry Fat	110.7	132.2	168.1	131.4
0210	Salted, Dried, etc,	2.3	4.5	4.4	4.6

Source: World Trade Atlas

Table 6. Russia: Frozen Beef Imports, HS 0202, January-September 2005-2007, in metric tons

Rank	Country	Jan-Sep 2005	Jan-Sep 2006	Jan-Sep 2007
	-- The World --	442,104	392,934	488,068
1	Brazil	190,174	135,606	321,182
2	Argentina	129,136	89,954	76,659
3	Paraguay	32,731	68,198	41,516
4	Ukraine	40,741	529	24,941
5	Uruguay	2,562	45,693	7,987
6	Germany	11,503	12,489	4,836
7	Ireland	10,951	16,883	2,942
8	Italy	5,471	3,706	1,387
9	Denmark	2,102	2,558	1,164
10	Australia	722	5,838	1,145

Source: World Trade Atlas

Table 7. Russia: Pork Imports, HS 0203, January-September 2005-2007, in metric tons

Rank	Country	Jan-Sep 2005	Jan-Sep 2006	Jan-Sep 2007
	-- The World --	359,336	426,347	446,405
1	Brazil	251,626	149,718	216,736
2	Denmark	21,986	70,642	58,030
3	Canada	6,182	50,768	46,183
4	United States	22,071	48,757	43,566
5	Germany	11,240	30,168	24,358
6	Netherlands	6,304	9,954	11,898
7	Spain	2,739	9,969	11,137
8	Finland	5,729	13,058	9,936
9	Belgium	610	9,151	8,643
10	France	6,790	10,285	4,902

Source: World Trade Atlas

Table 8. Russia: Edible Animal Offal Imports, HS 0206, January-September 2005 - 2007, in metric tons

Rank	Country	Jan-Sep 2005	Jan-Sep 2006	Jan-Sep 2007
	--The World--	209,070	205,190	217,459
1	Germany	42,693	37,196	32,198
2	Denmark	22,003	35,905	27,384
3	Brazil	23,327	6,835	25,236
4	Argentina	3,149	14,009	20,124
5	United States	14,388	11,937	17,918
6	Spain	9,844	12,647	13,552
7	Australia	17,312	14,469	13,332
8	France	16,938	16,397	13,048
9	Belgium	7,094	9,610	11,525
10	Netherlands	7,876	9,318	10,861

Source: World Trade Atlas

Table 9. Russia: Pig & Poultry Fat Imports, HS 0209, January-September 2005 - 2007, in metric tons

Rank	Country	Jan-Sep 2005	Jan-Sep 2006	Jan-Sep 2007
	--The World--	147,996	173,333	170,648
1	Germany	45,223	46,043	48,739
2	Spain	19,411	30,176	27,534
3	Denmark	21,745	24,963	27,087
4	France	18,582	18,975	18,124
5	Belgium	10,173	16,224	15,751
6	Canada	6,224	16,739	12,697
7	Netherlands	5,930	9,135	10,873
8	Brazil	2,596	2,056	2,608
9	Italy	2,218	3,891	2,238
10	United States	5,098	1,942	1,715

Source: World Trade Atlas

Table 10. Russia: Live Bovine Imports, CY 2004-2006, in head

Rank	Country	CY 2004	CY 2005	CY 2006
	--The World--	6,889	13,966	57,736
1	Germany	1,320	0	21,074
2	Netherlands	1,171	6,091	18,040
3	Australia	0	0	6,832
4	Denmark	1,230	3,754	3,808
5	Austria	809	2,819	3,803
6	France	0	0	2,360
7	Hungary	209	1,183	1,666

Source: World Trade Atlas

Table 11. Russia: Live Bovine Imports, January-September, 2005-2007, in million USD

Rank	Country	Jan-Sep 2005	Jan-Sep 2006	Jan-Sep 2007
	--The World--	13.97	60.61	141.19
1	Germany	0.00	15.87	67.52
2	Netherlands	3.65	25.57	39.64
3	Austria	2.83	3.76	9.71
4	France	0.00	0.72	8.00
5	Canada	0.00	0.00	5.65
6	Denmark	6.14	5.99	4.62
7	Australia	0.00	6.36	3.29
8	Hungary	1.16	2.34	1.89
9	Finland	0.00	0.00	0.60

Source: World Trade Atlas

Table 12. Russia: Live Bovine Imports, CY 2004-2006, in million USD

Rank	Country	CY 2004	CY 2005	CY 2006
	--The World--	8.76	26.731	108.96
1	Germany	2.33	0.00	42.81
2	Netherlands	2.05	12.63	38.02
3	Denmark	2.37	7.31	9.04
4	Austria	1.60	4.44	8.21
5	Australia	0.00	0.00	4.87
6	Hungary	0.39	2.14	3.24
7	France	0.00	0.00	2.46
8	Estonia	0.00	0.00	0.21
9	Lithuania	0.00	0.00	0.07

Source: World Trade Atlas

Table 13. Russia: Purebred Swine for Breeding Imports, January-September 2005 - 2007, in million USD

Rank	Country	Jan-Sept 2005	Jan-Sep 2006	Jan-Sep 2006
	--The World--	4.76	11.82	27.22
1	France	0.39	0.88	6.25
2	Canada	0.00	0.00	5.11
3	Poland	2.59	2.40	4.25
4	United Kingdom	0.25	2.22	2.92
5	Hungary	0.00	0.00	2.03
6	Country Unknown	0.00	0.00	1.78
7	Denmark	1.45	5.23	1.38
8	Germany	0.00	0.00	1.32
9	Lithuania	0.00	0.81	0.81
10	Ireland	0.00	0.00	0.78

Source: World Trade Atlas

Table 14. Russia: Purebred Swine for Breeding Imports, CY 2004-2006, in million USD

Rank	Country	CY 2004	CY 2005	CY 2006
	--The World--	1.51	6.59	19.54
1	Denmark	1.17	1.48	6.98
2	Poland	0.30	3.57	3.93
3	Canada	0.00	0.40	2.38
4	United Kingdom	0.00	0.39	2.29
5	France	0.00	0.57	1.81
6	Lithuania	0.00	0.06	1.39
7	Finland	0.00	0.04	0.18
8	Austria	0.00	0.04	0.16
9	Spain	0.00	0.00	0.13
10	Estonia	0.01	0.00	0.11

Source: World Trade Atlas

Table 15. Russia: Live Animal Imports by Region, in head

Commodity	Number	Region	Origin	Date
Dairy cattle	1,400	Novosibirsk	Holland	2008
Swine	10,000	Sverdlovsk Oblast	Denmark	2008
Cattle (Hereford)	350	Tatarstan	Canada	November 2007
Cattle (Angus)	1,050	Tver Oblast	Canada	November 2007
Swine	240	Orenburg	Hungary	August 2007
Swine	1,000	Mordovia	U.K.	June 2007
Swine	1,200	Orel	Canada	June 2007
Cattle	3,680	Tyumen	Germany	May–June 2007
Beef and dairy cattle (Angus & Holsteins)	2,000	Tatarstan	Canada	May 2007
Swine	1,432	Kirov	Canada	May 2007
Cattle	1,780	Primorskiy Kray	Australia	April 2007
Cattle (Simmentals)	2,000	10 Oblasts	Germany	2007
Dairy cattle	2,000	Krasnodar	Australia	2007
Cattle	1,500	Kaluga	Canada	2007
Cattle	10,660	Bashkiriya	Germany, Holland, France, Austria	2007
Swine	2,337	Bashkiriya	Germany	2007
Sheep	1,638	Bashkiriya	Germany	2007
Horses	155	Bashkiriya	Germany	2007
Dairy cattle (Limousin)	750	Bashkortostan	France	2007
Dairy Cows	192	Samara	Holland	2006

Source: Press reports and FAS Moscow contacts

Table 16. Russia: Bovine Semen Imports, CY 2004-2006, in thousand USD

Rank	Country	CY 2004	CY 2005	CY 2006
0	--The World--	78.04	487.72	827.99
1	Canada	28.47	176.36	516.04
2	Netherlands	0.00	73.78	166.24
3	United States	0.00	0.00	110.50
4	Germany	6.53	0.00	24.45
5	Switzerland	7.50	0.00	6.00
6	Lithuania	4.85	6.58	4.74
7	Sweden	0.00	198.21	0.00
8	Ukraine	0.00	0.00	0.00
9	EU 15 (Country Unidentified)	0.00	3.38	0.00
10	Finland	30.69	29.37	0.00

Source: World Trade Atlas

Meat Imports from Poland

Russian Minister of Agriculture Aleksey Gordeyev and his Polish counterpart, Marek Sawicki, agreed late in 2007 to sign a memorandum that would lift Russia's ban on meat imports from Poland. The memorandum was signed on January 17, 2008. in Berlin. Polish meat exports to Russia are expected to reach 45,000 MT per year. Since the signing, the Russian veterinary service has approved 36 Polish meat processing establishments that can ship beef and pork to Russia.

Russia had introduced a ban on Polish meat and plant products in 2005, saying exports did not meet Russian food safety requirements. In response, Poland blocked talks on a new EU-Russia strategic partnership accord and heightened tension between the European Union and Russia.

Food Prices

The Russian Statistics Agency (Rosstat) announced that the annual inflation rate hit 11.9 percent in 2007 with growth in food prices as a primary contributor. This is much higher than the originally forecast 8 percent. According to Rosstat, food prices in Russia increased by as much as 30 percent in September 2007 alone for 9 out of every 10 food products. The Russian government took a number of measures to combat climbing food prices, including the introduction of export tariffs on barley and wheat, the reduction of import duties on dairy products, and a temporary freeze on prices of staple foodstuffs.

Staple commodities experienced considerable price increases, such as vegetable oil (up 13.5 percent), pasteurized milk (up 9.4 percent), yogurt products (up 7.9 percent), and cottage cheese (up 7.5 percent). Increasing meat prices are a large contributor to inflationary pressures in Russia.

In October 2007, Minister of Agriculture Gordeyev headed a closed-door meeting attended by government officials and major retailers and producers to discuss concerns with growing food prices. At that meeting, representatives from large retail chains such as Metro, Perekryostok and Mosmart and major dairy operations such as Wimm-Bill-Dann and Unimilk agreed to freeze prices at October 15 levels on staple foodstuffs until January 31, 2008 and possibly beyond that date. The price freeze has already been extended to May 2008.

Despite measures to halt price growth, food prices continued to climb 3.3 percent in October 2007 and 1.9 percent in November 2007.

Russia Takes Measures to Combat Price Growth

The Russian government has taken several measures to combat climbing food prices:

- In an effort to reduce inflationary pressures on the Russian economy, on October 10, 2007, Minister of Agriculture Aleksey Gordeyev announced a 30 percent export tariff on barley and 10 percent export tariff on wheat would be imposed in November (see RS7065, RS7068 and RS7070).

- On October 24, 2007, a formal agreement was signed between the Ministry of Agriculture, major retailers, and producers to freeze prices at October 15 levels on staple foodstuffs until January 31, 2008. Specific varieties of bread, cheese, milk, eggs and vegetable oil are some of the products considered to be of social significance that were affected by the price freeze (see RS7094). The price was extended until May 2008 in late January (see RS8006).

- The Russian government announced that the new 2008 budget will allocate one billion rubles ($40 million) to subsidize interest rates on working capital loans for milk processors to acquire raw materials. However, companies applying for the subsidized loans must agree to maintain price controls for a certain period.

- The Russian government ordered the Federal Antimonopoly Service to work with regional leaders to ensure producers and food retailers are observing antimonopoly legislation, with special attention to be paid to meat and dairy products.

- The Russian government lowered tariff rates to 5 percent of customs value for milk and dairy products, and 0.3 Euro per kilo on cheese, excluding HS codes 0406 10 through 0406 40, on which duties are set at 5 percent. Market analysts predict it will have little if any effect on rising dairy prices as consumer demand continues to grow rapidly.

- The Ministry of Economic Development and Trade has proposed implementing an export duty on dry milk.

- The Russian export tariff on wheat and meslin was raised to 40 percent ad valorem but not less than 105 Euros per MT, a prohibitive level effective January 28, 2008 to April 30, 2008.

Table 17. Russia: Consumer Price Indices for Selected Food Products, 2007

	Percentage as of previous month				Dec 07 as of Dec 06	Dec 06 as of Dec 05
	September	October	November	December		
Bread & bakery products	101.6	101.0	100.4	100.6	122.4	111.1
Cereals & legumes	102.1	102.9	102.9	101.7	124.7	112.1
Pasta	102.5	103.1	103.3	102.0	123.6	104.7
Meat & poultry	101.2	101.0	100.8	101.0	108.4	105.9
Seafood	100.6	100.9	101.0	101.1	109.0	107.8
Dairy products	107.2	109.6	103.7	102.5	130.4	108.7

Source: Source: Russian Statistics Agency

Russia Amends List of Approved Customs Declaration Points for Meat

On November 17, 2007, Customs published a new list of declaration points authorized to handle import documentation for meat and meat products. Conspicuously missing were many declaration points in the Russian Far East Customs Directorate and the North West Customs Directorate, which handle more than 85 percent of total Russian meat imports. The list was scheduled to go into effect February 17, 2008 but this was later postponed until April 15, 2008 (see RS7085 and RS8007). Meat importers and processors hope the list of declaration points will be expanded, as the current order would cause considerable disruption to imports and prices. Due to complaints and requests for further information, the Federal Customs Service has published more information concerning the Order, promising to expand the list of custom posts authorized to clear meat shipments. The inclusion of the Baltiyskiy customs post in Saint Petersburg is the highest volume declaration point being considered.

The 2-month extension will give officials from the Russian Far East Customs Directorate and the North West Customs time to take necessary action to be added to the new list before the April 15 deadline.

Stocks

Meat stocks are stable due to an elastic balance between domestic meat and poultry production, imports and prices.

Policy

Russia's chief negotiator for World Trade Organization accession, Maksim Medvedkov, recently stated that Russia may complete talks on joining the World Trade Organization (WTO) in August. "Technically the possibility of completing (WTO) talks in August really exists." he said. Medvedkov also stated in a recent press conference that he believes that progress is being made in talks on Russia's accession. To date, Russia has signed WTO protocols with all WTO members that wished to hold bilateral talks, excluding Georgia and Saudi Arabia. In addition to bilateral talks, Russia has yet to complete multilateral WTO negotiations although much progress has been made during the last year.

Tariff-rate quotas on beef, pork and poultry meat imports will remain in their established frameworks until 2009. Negotiations will be conducted with major trading partners to decide what mechanism will be established for meat imports. Russian officials have not ruled out extending the current tariff-rate quota system, but its future after 2009 remains uncertain. Representatives of the Ministry of Economic Development and Trade (MEDT) have stated in the past that Russia may change its policy on meat imports after it joins the WTO. In 2009, Russia has the option of switching from quotas to tariffs, which would effectively increase the level of protection in the domestic meat market. Commenting on proposals to eliminate the country allocation principle for distributing meat quotas, an MEDT representative said that this mechanism fully complies with WTO rules. He also added that this may be source of friction at future negotiations (see RS7025).

After Russia joins the WTO, the average duty on agricultural products will decrease by three percent to about 18 percent.

National Priority Project for Agriculture

The Ministry of Agriculture continues to track Russia's progress on achieving the goals outlined in the National Priority Project (NPP) for agriculture Minister Aleksey Gordeyev reported. "An increase in meat production due the Priority Project has doubled from the planned number." More than 1,700 facilities participate in construction and reconstruction programs to modernize livestock farms with over 90 percent of those facilities signing credit agreements totaling RUR131 billion. Since implementation of the NPP 62,100 head of pedigree cattle (62 percent of plan) and equipment purchases totaling RUR1.1 billion for 124,600 cattle head equivalent (95.8 percent of plan) were purchased to revitalize the domestic livestock sector (see RS5086 and RS7020).

The Russian government recently approved a new program that will succeed the NPP titled, "The State Program for Development of Agriculture and Regulation of Food and Agricultural Markets in 2008-2012," that encourages pork and beef production and attempts to address Russia's declining cattle numbers. This program includes import substitution policies designed to stimulate domestic livestock production and to protect local producers (see RS7051).

Distribution of 2008 Beef and Pork Tariff Rate Quotas Has Begun

On December 14, 2007, MEDT announced the distribution of 25 percent of the 2008 beef, pork, and poultry TRQ.

The timing of the publication is in accordance with Russian government resolutions relating to the TRQ legislation. The complete list is available on MEDT's website at www.economy.gov.ru in the following four documents:

- List of participants in foreign trade and calculation of 25 percent of maximum import volumes of fresh and chilled beef (HS 0201) in 2008 according to the data of the Federal Customs Service.

- List of participants in foreign trade and calculation of 25 percent of maximum import volumes of frozen beef (HS 0202) in 2008 according to the data of the Federal Customs Service.

- List of participants in foreign trade and calculation of 25 percent of maximum import volumes of pork (HS 0203) in 2008 according to the data of the Federal Customs Service.

- List of participants in foreign trade and calculation of 25 percent of maximum import volumes of poultry (HS 0207) in 2008 according to the data of the Federal Customs Service.

The 25 percent allocations were based on January–September 2007 import data by individual companies provided by Customs. The remaining 75 percent allocations will be based on full-year import data.

The total 2008 allocation for the United States for frozen beef is 18,300 MT, of which 25 percent (4,575 MT) has been allocated so far. The 2008 U.S. allocation for pork is 49,800 MT, of which 25 percent (12,450 MT) has been allocated so far. The remainder of the TRQ is expected to be announced soon.

Russia and Brazil Collaborate Further on Meat Trade

In January 2008, Russia and Brazil signed a protocol for a new inspection system on Brazilian meat imports called, "The Protocol Statement from the Meeting between the Heads of Russian Federal Veterinary and Phytosanitary Surveillance Service and the Secretariat for Crop and Livestock Protection of the Brazilian Agriculture Ministry Regarding the Import Terms on Animal Products from Brazil to Russia."

According to VPSS Head Sergey Dankvert, both Russia and Brazil became more confident in the quality of Brazilian meat imports to Russia. An electronic verification system was introduced for Brazilian meat product imports to Russia and both sides have agreed on the application of special labels to accompany meat deliveries and products from Brazil specifying the producer and indicating that the product meets Russian veterinary and sanitary requirements.

In addition Brazilian inspectors, instead of Russian resident veterinary inspectors, are now examining meat shipments coming out of Brazilian ports. Inacio Afonso Kroetz, the Brazilian Agricultural Ministry's Secretary for Crop and Livestock, promised to increase the number of veterinary inspectors that verify meat shipments to Russia meet all food safety requirements.

Brazilian Minister of Agriculture Reinhold Stephanes confirmed that 16 states are eligible to export to Russia (a decision taken last year) and that the list of approved meat processing facilities eligible to export to Russia will have more than 40 establishments. Russian veterinary specialists have already finished their audit of dozens of meat processing facilities in several states and will soon visit the port of Santos and the state office of the Ministry of Agriculture in Sao Paulo. The purpose of this visit is to become familiar with Brazil's Port and Airport Inspection and Surveillance System known as "VIGIAGRO".

Russia Wants Guarantee Regarding Meat Shipments from Argentina

Russia has asked that Argentina sign an agreement that would guarantee shipments of meat and agricultural products to Russia. VPSS Head Sergey Dankvert told reporters in a recent press conference that Russia is interested in guarantees regarding exports of meat and agricultural products from Argentina. "Rather than some single shipments Russia would like to see a system as we should regulate and plan our markets," Dankvert was quoted as stating. Argentina unexpectedly introduced a temporary ban on the export of beef in March 2006 in an attempt to fight inflation. Some of the restrictions are still in force today. Argentine officials have not yet publically commented on Russia's request for an agreement ensuring meat shipments to Russia. The possibility of signing such an agreement is expected to be discussed during the course of regular meetings of the Russian–Argentine

Commission on Trade and Economic, Scientific and Technical Cooperation, which is next scheduled to take place in Moscow June 5-6. 2008.

Russia Unifies Standards for Meat Imported for Retail or Further Processing

VPSS announced in late 2007 that Russia will require that all meat imports, whether for further processing or retail, to be in compliance with the requirements established for meat destined for retail sale. This new system took effect January 1, 2008, and is much stricter than was previously used for meat destined for further processing.

2008 Out-Of-Quota Import Duties Changed for Beef and Pork

Russian government decree No. 13 dated January 19, 2008, increases 2008 out-of-quota import duties on pork and poultry but lowers duties on beef. Out-of–quota import duties will increase from 55 percent but no less than 0.9 Euro per kilo to 60 percent but not less than 1 Euro per kilo for all pork categories. For all beef categories 2008 out-of quota import duties will decrease from 45 percent but not less than 0.6 Euro per kilo for fresh/chilled and from 50 percent but not less than 0.5 Euro per kilo for frozen to 30 percent but not less than 0.3 Euro per kilo. The decree comes into force February 19. 2008 (see RS8003).

Other Relevant Reports

RS8006 Food Price Control Will Be Extended Until May 1, 2008
http://www.fas.usda.gov/gainfiles/200801/146293562.pdf

RS8005 Import Duties on Meat and Poultry Changed
http://www.fas.usda.gov/gainfiles/200801/146293562.pdf

RS8003 Russia and Brazil Sign Protocol on Meat Shipments
http://www.fas.usda.gov/gainfiles/200801/146293483.pdf

RS7094 List of Essential Commodities Subject to Potential Export Ban
http://www.fas.usda.gov/gainfiles/200712/146293328.pdf

RS7093 25 Percent of 2008 Meat and Poultry Tariff Rate Quota Distributed
http://www.fas.usda.gov/gainfiles/200712/146293295.pdf

RS7092 Creation for Legal Basis of Food Price Regulation
http://www.fas.usda.gov/gainfiles/200712/146293347.pdf

RS7091 Russia May Prolong Food Price Controls As Long As Inflation Continues to Grow
http://www.fas.usda.gov/gainfiles/200712/146293287.pdf

RS7090 Additional Information on Points of Entry for Meat Products
http://www.fas.usda.gov/gainfiles/200712/146293259.doc

RS7089 Russia Drafts a List of Essential Commodities
http://www.fas.usda.gov/gainfiles/200712/146293331.pdf

RS7085 Russian Customs Limits Ports of Entry for Meat
http://www.fas.usda.gov/gainfiles/200711/146293118.pdf

RS7084 Dairy Annual Report
http://www.fas.usda.gov/gainfiles/200712/146293349.pdf

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

RS7067 Livestock Annual Report
http://www.fas.usda.gov/gainfiles/200710/146292718.pdf

RS7058 Increase in Minimum Customs Declaration Prices Boosts Import Values
http://www.fas.usda.gov/gainfiles/200708/146292217.pdf

RS7051 Government Program for Agriculture and for Market Regulation 2008-2012
http://www.fas.usda.gov/gainfiles/200707/146291764.pdf

RS7041 Russia Increases Import Quota for Pork
http://www.fas.usda.gov/gainfiles/200705/146281199.pdf

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