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Russian Federation

Market Development Reports

Ten Percent of Meat Import Quota Auctioned 2004

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Report Highlights:

An auction of rights to import 10 percent of the meat import tariff quota to the Russian Federation was conducted in Russia. The starting minimum bid for pork was exceeded by several times while beef was less in demand. High pork demand was connected with deficit of meat resulting from the ban imposed on imports of livestock products from Brazil and China.

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

In accordance with the Resolution of the Government of the Russian Federation of August 24, 2004 #432, (see GAIN Report RS4046) "On the procedure of conducting 2004 auctions on trade by volumes of beef and pork " the Russian Ministry of Economic development and Trade has issued an instruction on September 13, 2004 "On conduct of an auction on rights to import into the Russian Federation of 10 percent from volumes of fresh, chilled and refrigerated beef and pork". The auction took place on October 11, 2004.

Auction was conducted by increasing of the start price.

	Commodity	Num- ber of lots	Size of one lot (tons)	Minimum bid of one lot (euro)	Price increment (euro)
1	Right to import in 2004 to RF 45,000 MT pork (HS code 0203) at current customs tariffs	90	500	51,100	first increment 900, next increment 1,000
2	Right to import in 2004 to RF 2,750 tons of fresh and chilled beef (HS code 0201) at existing customs tariffs	11	250	10,650	first increment 350, next increment 500
3	Right to import in 2004 to RF 42,000 MT frozen beef (HS code) at current customs tariffs	84	500	46,500	500

Pork prices rose to multiples of the opening bids, but beef was less in demand. Market participants were not sure that they would be able to cover all quotas for beef till the end of the year. 177 lots of 500 tons each out of 185 tendered were sold. With the starting price for pork of 51,100 euro per lot the quotas were sold out at 182,000 – 290,000 euro. The maximum overrun of starting prices for frozen beef was only 500 euro. Seven out of 11 lots of chilled beef went unsold.

In accordance with data of the Saint-Petersburg Exchange which conducted the sales, the majority of lots were purchased by the following companies: "Interfood" – 31 lots, "Roubezh" – 21 lots, "Agerratum" – 16 lots, "DDK" – 14 lots and "Kaiman" – 10 lots.

The winners will pay the State around 25 million euro (21 million euro for quotas for import of pork, 42,600 euro for import of chilled beef and around 3,9 million euro for import of frozen beef).

The Ministry of Economic Development and Trade didn't expect such high demand for pork and beef which resulted from the ban on imports of livestock products from Brazil and China. Importers can exchange their quotas for import from China and Brazil for quotas from Paraguay and European countries.

Some experts consider the price for pork to be high. The wholesale price resulting from the auction will be 46-70 cents per kilogram higher as compared with meat imported on "historical basis" that account for 90 per cent of imported meat.

Nevertheless, the pork shortage on the Russian market and reduced availability from the domestic producers will not create an obstacle to marketing imported pork to Russian consumers.

Quotas are valid only till the end of the year. Around one third of quotas sold may not be executed, as purchase and delivery of meat from the U.S. and South America take about a month.

Experts from the National Meat Association said that low demand for beef is connected with an excess of quotas on the market, while quotas for pork have been already purchased. The main reason for such a big difference in demand between pork and beef is the availability of unlimited, legal, out-of-quota beef imports from CIS member state Ukraine. Russia imported 144,000 MT of beef or 29 per cent of total beef imports from Ukraine in 2003. Such large volumes of pork are not available in CIS countries.