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Global Agricultural Information Network

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Report Highlights:

Broiler meat production is forecasted to grow marginally to 3.77 MMT in 2017 as industry leaders optimize operations and gain market share over smaller farms hit by reduced profitability and limited credit options. Considering the extension of the counter-sanctions food embargo on western suppliers through 2017 and assuming no dramatic changes in currency exchange rates, specifically in Belarus and Brazil, Russian broiler imports may stabilize at the 2016 level of 0.22 MMT. Domestic consumption will flatten at 3.83 MMT. Exports volume is expected to grow 14 percent to 0.16 MMT; however, the dollar value of these shipments unlikely to increase at the same pace due to strong price competition in target export markets.

General Information

NOTE: USDA unofficial data excludes Crimean production and exports. However, as of June 2014, the Russian Federal State Statistics Service (Rosstat) began incorporating Crimean production and trade data into their official estimates. Where possible, data reported by FAS/Moscow is exclusive of information attributable to Crimea.

Changes to Reporting Methodologies

Given the availability of more-specific official data, for this report, henceforth, and going back to 2011, FAS/Moscow will review the “Beginning stocks” and “Ending Stocks” (HS Codes 020711, 040712, 020713, 020714, 160232). When calculating trade estimates between Russia and EAEU countries in this report, FAS/Moscow uses the data of the Federal Customs Service of Russian Federation.

Executive Summary

FAS/Moscow forecasts a 0.5 percent increase of broiler meat production to 3.77 MMT (ready-to-cook weight) in 2017. After two decades of accelerated growth, the industrial production of chicken meat has reached the capacity needed to satisfy domestic demand and is anticipated to slow with stable, low consumer prices for broiler meat. 2015 and 2016 production estimates have been increased to 3.60 and 3.75 MMT based on newly available statistical data of broiler and spent hen shares in the total poultry herd and average weights.

Low margins motivate those producers who are able to enhance value chains and optimize farm operations. These efforts allow companies from the top-20 list to continue growing production, which increases their market share and offsets falling production out of smaller farms that must close operations due to financial challenges. If financial markets stabilize, industry leaders, especially those who produce their own feed crops, may see some improvement of profitability in 2017, as the expectations for the wheat crop in 2016 are very high.

Assuming that currency exchange rates remain a critical factor in determining trade volume and exporters from Brazil and Belarus continue their pricing policies, FAS/Moscow forecasts 220,000 MT of broiler imports in 2017, anticipating no changes from the revised 2016 volume. Because the restrictions on imports from other significant exporters will continue until the end of 2017, imported cuts from Brazil and chilled broilers from Belarus remain in demand.

Exports of broiler meat are anticipated to grow to 160,000 MT in 2017, as Russian poultry and meat industry and authorities continue to expand trade with EAEU partners and intensify their efforts to open new markets in Asia and the Middle East.

FAS/Moscow anticipates stable demand for broiler meat in 2017, forecasting 3.830 MMT of broiler meat consumption, which is a minor increase from the 2016 consumption estimate of 3.825 MMT. Broiler meat will face more competition from falling pork prices and growing domestic supplies of turkey, which will limit expansion of the chicken meat share in the market.

Broiler Meat Production

Table 1. Russia: Broiler Production, Supply and Demand, 1,000 MT (ready-to-cook)

| Poultry, Meat, Broiler Market Begin Year Russia | 2015 | | 2016 | | 2017 | |
|--|------------------|-------------|------------------|-------------|------------------|-------------|
| | Jan 2015 | | Jan 2016 | | Jan 2017 | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Inventory (Reference) | 0 | 420 | 0 | 439 | 0 | 440 |
| Slaughter (Reference) | 0 | 0 | 0 | 0 | 0 | 0 |
| Beginning Stocks | 0 | 61 | 0 | 35 | 0 | 40 |
| Production | 3,550 | 3,600 | 3,700 | 3,750 | 0 | 3,770 |
| Total Imports | 249 | 249 | 150 | 220 | 0 | 220 |
| Total Supply | 3,799 | 3,910 | 3,850 | 4,005 | 0 | 4,030 |
| Total Exports | 71 | 71 | 75 | 140 | 0 | 160 |
| Human Consumption | 3,728 | 3,804 | 3,775 | 3,825 | 0 | 3,830 |
| Other Use, Losses | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Dom. Consumption | 3,728 | 3,804 | 3,775 | 3,825 | 0 | 3,830 |
| Total Use | 3,799 | 3,875 | 3,850 | 3,965 | 0 | 3,990 |
| Ending Stocks | 0 | 35 | 0 | 40 | 0 | 40 |
| Total Distribution | 3,799 | 3,910 | 3,850 | 4,005 | 0 | 4,030 |
| | | | | | | |

(MIL HEAD) ,(1000 MT)

NOTE: Not Official USDA Data.

Official USDA data is available at <http://apps.fas.usda.gov/psdonline>

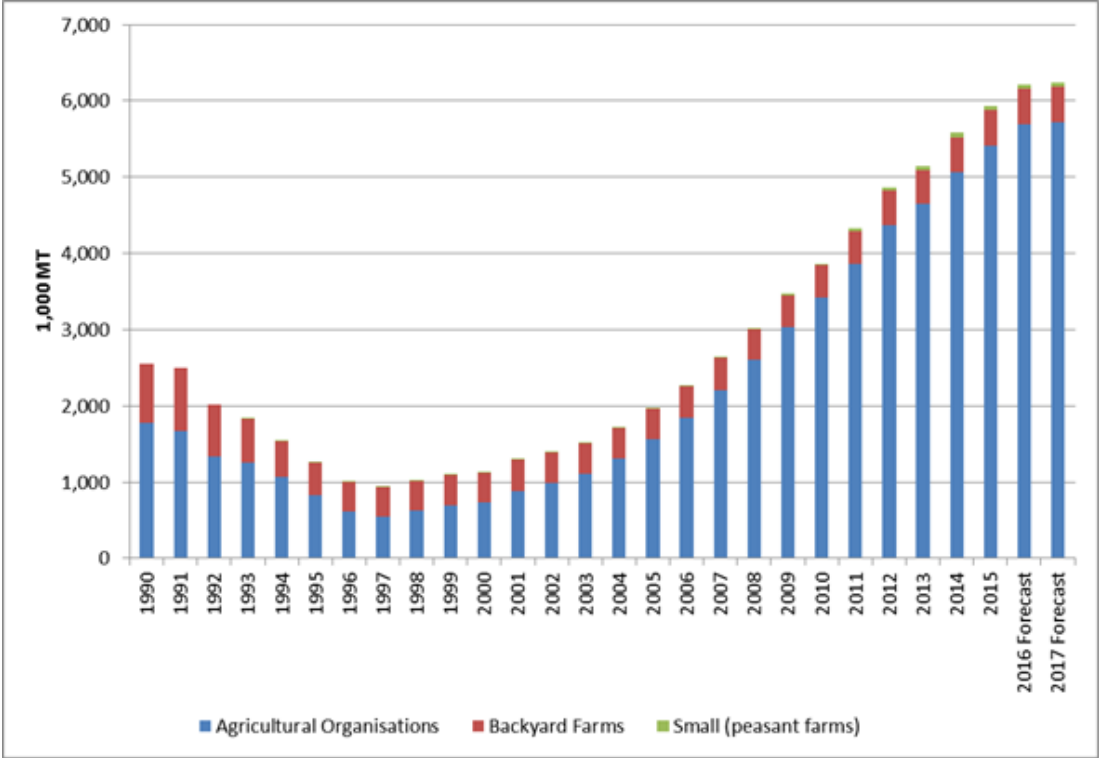
FAS/Moscow forecasts 0.5 percent increase of broiler meat production to 3.77 MMT (ready-to-cook weight) in 2017. The accelerated growth of the industrial production of chicken meat is anticipated to slow as the stable low consumer prices for broiler meat indicate that Russian poultry industry has reached the capacity needed to satisfy the domestic demand. Growing operational costs and expensive credit continue downward pressure on margins and force industry and government to intensify efforts for opening new markets. However, significant increase of exports in 2017 is unlikely due to strong competition in the targeted markets of Middle East and Asia. The overall performance of the broiler production sector in 2017 will be shaped by intensified competition among domestic producers, whose margins will strongly depend on currency rates and stable domestic consumption, assuming that Russia returns to marginal annual GDP growth in 2017¹.

¹ In the first quarter of 2016, GDP contracted by 1.2 percent year-on-year, significantly less than the -3.8 percent in the fourth quarter of 2015 (a revised seasonally adjusted quarter on-quarter series is not available). Russia 2017 GDP forecast has been recently revised upwards by multiple institutions to 1.3 – 1.4 % annual growth.

With some variations each year, broiler meat production in Russia has been actively growing since 2000 at an average annual rate of 14 percent, with an average annual increase of output by approximately 200,000 MT (PWE). Good margins (approx. 30 on average), and government subsidies for long-term credits attracted significant investments in poultry production sector in 2006-2015.

The Government of Russia (GOR) initially supported private capital inflow to industrial poultry production sector by offering financial support under the national program “Development of Agriculture in 2008-2012”, and benefits for poultry businesses continued under the “State Program of the Development of Agriculture in 2013-2020”. As poultry producers have reached the strategic production goals, some changes to the GOR strategy of poultry producers are expected in 2017 due to limited budget and the need to review goals. It’s not clear how much money will be allocated for poultry producers in 2017 budget, but most likely, subsidized credit for investment projects implemented by major industrial producers will remain the most important tool of GOR support. As a result of private and public investments 76 new modern poultry production plants were opened and 137 plants were modernized in 2010-2015; over 60 percent of poultry meat is currently produced at plants that were built or fully modernized after 2008².

Chart 1. Poultry³ Production in Russia in 1990-2016 (1,000 MT Live Weight)



Sources: Rosstat; 2016 and 2017 FAS/Moscow forecast (Not Official USDA Data)

² Source: National Union of Poultry Producers (Rosptitzesouz)

³ Source Rosptitzesouz: Agricultural organizations (excluding backyard and small peasant farms) account for 91.5 percent of all poultry meat production. 91.2 percent of industrially produced poultry is broiler meat, 4 percent is meat of spent layers; 3 percent is turkey meat; 1.3 percent duck, 0.5 percent - goose.

Modern Russian broiler industry is characterized by the following performance indicators⁴: 74 percent of broilers produced with use of floor rearing system, 26 percent – in cages (according to industry contacts the number of producers using cages, has increased in 2015-2016). The average feed conversion ratio (FCR) is 1.8, the average live weight of birds for slaughter is 2.18 kg. Depending on the rearing system, the average slaughter age is 38 - 39 days; livability is 95-97 percent. In terms of financial indicators, ruble price trends reflect the balance of supply and demand in the market, while dollar prices indicate fluctuations of profitability.

Ruble prices for broiler meat in Russia stabilized relatively fast after the market shocks resulted by the [trade restrictions](#) imposed on certain foreign suppliers in August 2014, as the industry managed to accelerate production and replace the reduced supplies. After the rise in the second half of 2014, both, wholesale and retail ruble prices for broiler meat have been stable, with a marginal downward trend, since the beginning of 2015. Domestic producers succeeded to meet the increased demand for broiler meat, which became the meat of choice for Russian consumers during the economic crisis of 2015-2016. Despite the accelerated inflation⁵, ruble prices for broiler meat have remained relatively stable over the last 18 months, indicating balanced supply and demand in the current market. The average retail price⁶ per one kg of broiler meat in in July 2016 was RUB 131.2, a 2.62 percent decline from the average price in July 2015.

Calculated in US dollars, the price of broilers dropped substantially from the previous years , in spite of the ruble appreciation during the first half of 2016⁷. The average retail price for one kg of broiler meat decreased 20 percent, from USD 2.48 in July 2015 to USD 1.98 in July 2016. That has a strong negative impact on producers' profitability due to the high share of production costs, which depend on the ruble exchange rate to international currencies. Producers' expenses for feeds, energy, feed additives, genetics, veterinary medicines, vitamins, and maintenance of imported equipment follow the fluctuations of currency exchange rates, and average production costs calculated in US dollars have grown gradually during 2015 and the first half of 2016.

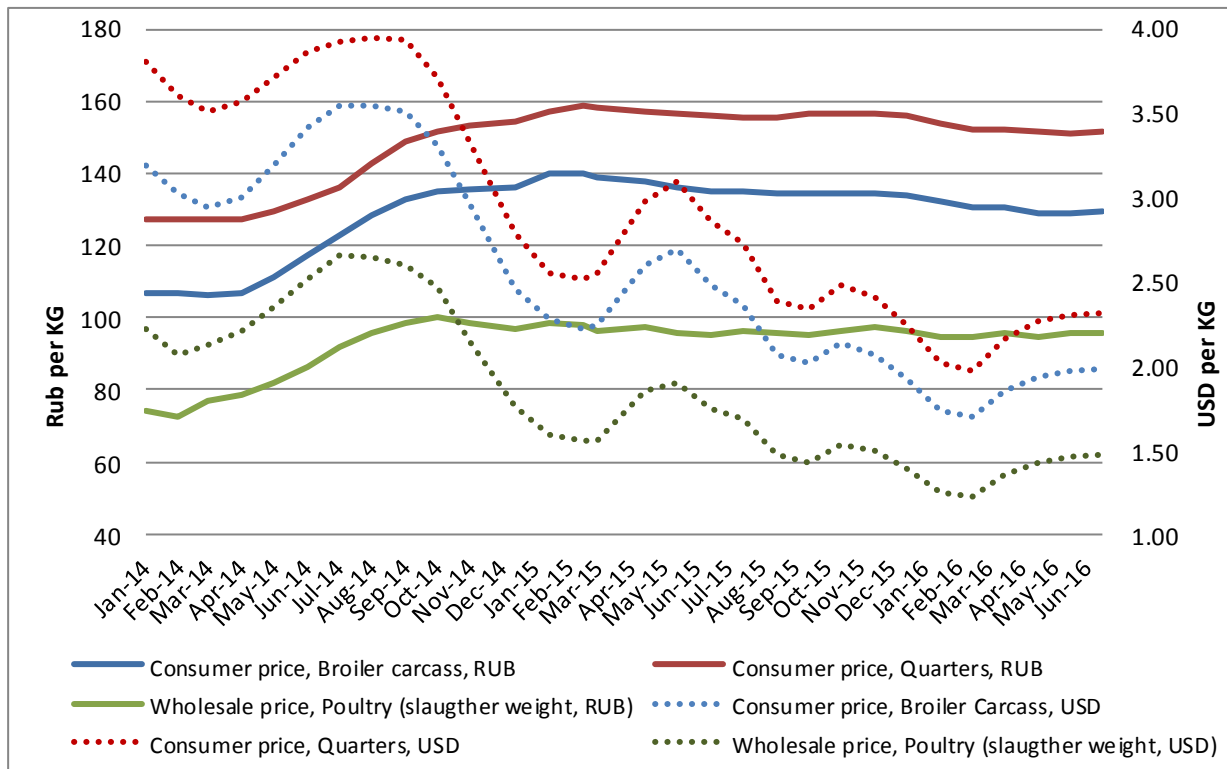
⁴ Source: FAS/Moscow estimate based on publicly available data from Rosstat, the Ministry of Agriculture of the Russian Federation, The National Union of Poultry Producers, the National Union of Compound Feed Producers, industry experts, and operational results reported by companies and regional authorities.

⁵ According to Rosstat on an annualized basis, the headline inflation rate was 7.5 percent year-on-year in June 2016. Russia's headline consumer price index (CPI) totaled 3.3 percent in June (since the beginning of the year). According to CBR, deflation may take place in August-September due to seasonal factors, with some shift in seasonality in view of the earlier than usual decline of food prices registered in 2016. With cumulative inflation at 3.3 percent in the first half of 2016 and given seasonality in the second half of the year when inflation is traditionally lower than in the first half, analysts forecast that full-year CPI may come in at 6.3 percent or even fall to 6 percent. CBR and Ministry of Finance have revised their annual CPI forecasts down projecting the CPI to fall to 5-6 percent by the end of 2016. CPI was 12.9 in 2015

⁶ Source: Rosstat

⁷ [Official](#) Rub to Dollar Exchange rate peaked on January 22, 2016 at 83.59 Rub per USD; compare to 56.23 Rub per USD on January 1, 2015. Ruble has appreciated by approximately 15% to US dollar from January to August 2016. Official exchange rate as of August 15, 2016 is 64.34 Rub per USD

CHART 2: Comparison of Broiler Meat Prices in Russia in Rubles and US Dollars



Source: Rosstat

Growth of operational costs and reduction in dollar value of revenues resulted in lower profitability in the sector by 15-20 percent. Rosptitzesouz estimates the average sales margins (in rubles) of broiler meat producers in 2015-2016 at the level of approximately 14.6 percent, but if non-deductible expenses and costs for parent flock maintenance are taken into consideration, the level of actual profitability may be as low as 4.6 percent or worse. Producers’ financial state has additionally deteriorated due to high cost of capital. After holding the key rate⁸ at 11 percent for ten months since March 2015, the Central Bank of Russia has eventually decreased the rate to 10.5 percent on June 14, 2016. On July 29, the regulator [decided to keep the key rate unchanged](#), and the signals about further improvements before the end of 2016 are not clear, as a result, interest rates for business loans remain at record high levels.

Continued volatility of the ruble and rather pessimistic signals from country’s financial⁹ and monetary regulators¹⁰ make mid-term projections of margins uncertain throughout the economy, including in the poultry industry. As a result, refinancing options may be limited for some broiler businesses for the first

⁸ Starting from 1 January 2016 the refinancing rate was set equal to the Bank of Russia key rate set as of the respective date. Starting from 1 January 2016, the independent value of the refinancing rate will not be set. [Refinancing rate values prior to 01.01.2016](#)

⁹ The First Deputy Finance Minister Tatiana Nesterenko; “[The Russian economy is in the center of the storm](#)”.

¹⁰ According to the Bank of Russia forecast, as the moderately tight monetary conditions remain in place, annual inflation will dip below 5% in July 2017 to reach the target level of 4% by late 2017. However, CBR noted that “the risks of failure to deliver on the 4% inflation target in 2017 persist following primarily, along with the external risks, the inertia of inflation expectations and the uncertainty over specific fiscal consolidation measures, including wage and pension indexation.”

time in their history, since these companies enjoyed good access to credit in the past due to positive sector outlook.

Compared to smaller companies, large-scale businesses known as “integrators”, which control the production value chain from “field to retail shelf”, are better equipped for the new reality of reduced margins. Those “integrators” who publish operational and financial results showed declining profitability in the first half of 2016, but still were able to increase volumes of broiler meat production and total sales¹¹.

Major producers responded to challenges of 2016 with strategies that they will likely continue in 2017: freeze construction of new farms for commercial flock expansion and continue investments in production optimization and improvements of the primary activities of companies’ value chains. These investments may include crops planting, feed production, storage, meat processing, logistics, growing and improving parent-stocks and hatcheries, and developing retail chains and brands.

In terms of the optimization methods used at poultry farms, industry contacts emphasize the stocking density and the overall flock performance (meat output per square meter and flock FCR) as key success factors in the current market. Good productivity per square meter has become the main focus and advantage for the industry leaders. Experts also emphasize the necessity to adjust and enhance feeding and management methods to fully use the genetic potential of highly productive crosses.

Enhancements of value-chain and production optimization likely allow top companies to continue gaining market shares, and if financial markets stabilize, some improvement of their profitability is possible in 2017. Expansion of production by major companies will likely offset missing supplies from smaller farms, which may have to close operations due to financial challenges. In the beginning of 2016 several auctions¹² were announced after bankruptcies of poultry farms, but most of the auctions were cancelled due to lack of interest from investors. Thus, major companies most likely prefer to invest in optimization and enhancement of their own assets and facilities rather than purchase smaller businesses, which are in debt and would require additional finances for integration after the merger.

Possible influence of feed prices on the industry performance in 2017 is not definite as there are mixed trends in the grain and feed market. Wheat is the major crop in Russia and the main component of compound feeds consumed by broiler industry. The National Union of Compound Feed Producers estimates that forage grains of domestic origin account for 74-80 percent of compound feeds for broilers. At the same time, wheat has become an important export commodity. Feed prices in the internal market are calculated in dollars or euros and are shaped by international market trends. Therefore, feed prices

¹¹ [Cherkizovo Group \(LSE: CHE; MOEX: GCHE\) operating results 1 H 2016](#): Sales volume in the first half of 2016 increased by 12% year-on-year to 252,351 tons of sellable weight from 225,223 in the first half of 2015. This growth was driven by higher production levels, which resulted from improvements in efficiency, sales of excess inventory and the launch of new poultry houses. The average price during the first half of 2016 dropped by 6% year-on-year to 90.06 RUB/kg1 due to oversupply in the market and consumers’ falling purchasing power. On a quarter-on-quarter basis, the average price grew by 3% to 91.61 RUB/kg.

¹² Some examples of possible closures or change of ownership: “[Zdorovaya Ferma](#)”(former “Ural Broiler”, Chelyabinsk Region, Annual capacity 110,000 MT), [Ramfood Group of Companies](#) (Annual capacity: 5,000 MT); [Bektysh Poultry Factory](#) (Chelyabinsk region; Annual Capacity; N/A); [Rayevskaya Poultry Factory](#) (Krasnodarsky Krai; Annual capacity: 24,000 MT); [Meat Plant “Orlovskiy”](#) (Orel region; Annual capacity; N/A); Abakan Meat Company (Krasnoyarsk Krai; Annual capacity: N/A); [Sredneuralskaya Poultry Factory](#) (Sverdlovsk Region; Annual capacity 50,000 MT).

fluctuate with the currency exchange rate. Despite GOR protective actions and policies¹³, such as grain export fees and intervention purchases, producers' expenses from feeds have increased in 2016. The upcoming bumper crop season¹⁴ and expectations for decreased commodity wheat prices in 2017 may not improve the situation because costs of compound feeds production, logistical expenses, and prices for high-protein ingredients are likely to grow.

Prices for protein components of feeds may increase due to recent limitations of imports related to biotech and SPS concerns in animal feeds. Following the SPS ban on imports of U.S. soybeans for crushing, Rosselkhoznadzor, the veterinary and phytosanitary watchdog, tightened requirements for registration of biotech grains, oilseeds and feeds. Rosselkhoznadzor also recently introduced multiple temporary bans on imports from a number of Brazilian, Chinese, Argentinian, German and Ukrainian feed trading companies due to findings of non-registered genetically engineered components in their products. The adoption of Federal Law 358 in July 2016 banned cultivation of genetically engineered crops in the country. After all of these restrictions, some poultry producers may further increase the ratio of grains in their feeding rations, even at the expense of operational efficiency, and poultry companies that do not have feed production component in their business structure may be impacted by a possible reduction of proteins in feeds.

FAS Moscow anticipates 2016 broiler production at 3.750 MMT, or a 4 percent increase from revised 3.6 MMT produced in 2015. According to Rosstat, industrial production of poultry meat increased 5.2 percent in January-June 2016 compared to the same months of 2015. As of July 1, 2016, poultry inventories were 434.764 million head, or 1.16 percent more than in July 1, 2015, which indicates slower growth compared to 2015, when inventories had grown 5.53 percent year-on-year. The 2015 Production estimate was revised to 3.6 MMT based on available year-end statistical data.

Broiler Meat Consumption

FAS/Moscow anticipates stable demand for broiler meat in 2017, forecasting 3.830 MMT of broiler meat consumption, which is a minor increase from 2016 consumption estimate of 3.825 MMT. Broiler meat will face more competition from falling pork prices and growing domestic supplies of turkey, which will limit expansion of the chicken meat share in the market.

According to multiple reports from retailers, consumers continue to look for the best prices and their interest in promotional sales remains strong. As mentioned earlier in this Report, consumer prices for broiler meat have remained low during 2015 and the first half of 2016. The average consumer price for one kg. of broiler meat in July 2016 was RUB 131.2, a 2.62 percent decline from the average price in July 2015. Noteworthy to mention is that consumer prices for pork (in rubles) have also decreased by 8 percent year-on-year. Low prices stimulate consumption of poultry and pork, and the less expensive products continue to replace beef. The trend is expected to continue in 2017 because competition between local producers of poultry and pork will intensify, resulting in even better prices for consumers than in 2016.

¹³ GOR initially enacted wheat export tariffs in February 2015, but later replaced them with a floating export duty on wheat in July 2015 and amended the export duty in October 2015 ([RS1577 Wheat Export Duty Amended](#)).

¹⁴ Most Recent forecast is 107.7 MMT including 65 MMT of wheat, 17.5 MMT of barley, 13.5 MMT of corn, 2.5 MMT of rye and 4.5 MMT of oats, and almost 4.32 MMT of other grains and pulses ([RS1636 Grain and Feed July 2016 Update](#))

Industry contacts also report consumer preference shifting from traditional processed meat products (sausages, salamis, deli meats) to chilled meat, specifically to whole chicken and new [branded chicken products](#), such as marinated chilled or half-cooked chicken cuts in plastic packages. The demand for fresh chicken meat may be explained by growing interest in an affordable healthy diet. For example, GFK Market research panels show increased demand for fresh ingredients used for traditional recipes to be cooked at home¹⁵. These patterns in consumer behavior and economizing strategies will unlikely change in 2017.

Another continuing consumption trend is the expansion of fast food chains and economy class restaurants¹⁶. CBR, for example, anticipates in its most recent [analytical bulletin](#) that sector of economy restaurants will be growing in 2017, while the expansion of the retail sector may slow. Despite some improvement signs including the 12-month CPI slow down to 7.5 in July 2016 from 15.3 in July 2015 and the relatively stable ruble in the first half of 2016, the household consumption declined 3.5 percent (after 9.7 percent drop in 2015), while retail sales contracted 5.7 percent year-on-year. The continued decline of consumer spending has worsened tensions between suppliers of food products and grocery retail chains.

Agricultural businesses, including meat and poultry producers, have been lobbying for changes to current legislation aimed at reducing the market powers of better consolidated retail sector¹⁷. President Vladimir Putin on July 3, 2016, signed controversial [amendments to Russian Trade Law](#). The amendments introduce tighter payment-related provisions; the law reduces the maximum period for deferred payments for goods, in accordance with the goods' shelf life. The time limit for payments to suppliers of fresh product with short shelf life is decreased from 10 to 8 days; for the products with shelf life up to one month the time limit is reduced from 30 to 25 days; for the goods with shelf life exceeding one month – the time lag reduced from 45 to 40 days. Such period starts from the date of actual receipt of the goods by the retailer. The amendments went into effect immediately, and existing contracts that do not adhere to the new rules must be renewed by January 1, 2017.

The new amendments introduce an aggregate cap of 5 percent of the purchase price (decreased from 10 percent) for both volume bonus payments and service fees payable by food suppliers to resellers. The service fees for all services rendered to food supplier by retail chains related to market research, advertising, merchandising, or other "promotional services", logistics, services related to preparing, processing and packaging of goods shall not exceed the above mentioned five percent of the purchase price. The provision of such services may not be included into a supply contract and may only be rendered under a separate service contract. All contracts that do not comply with the new requirements shall become void on January 1, 2017. Also, the retail chains and foodstuff suppliers must publish information on the selection of their counterparties and essential terms of their supply contracts. It is unclear whether the amendments may result in any substantial improvement of poultry producers' margins in 2017. Multiple major retail chains reported worsened margin on sales in the first half of 2016 and will be looking for legal options to make up the missing revenues in new contracts.

¹⁵ Reading in Russian: http://www.aif.ru/money/market/gotovim_doma_kak_rossiyane_ekonomyat_na_ede

¹⁶ Please refer to [RFATO029](#) information about HRI Sector in Russia

¹⁷ The top 10 largest grocery retailers' account for approximately 20 percent of the Russian broiler meat retail market ([RSATO036 Retail Sector Impacted by Slowing Economy and Inflation](#))

Meat producers also actively advocate the launch of the Domestic Food Assistance Program in Russia, which may support domestic consumption. Authorities, including the Ministry of Agriculture and the Ministry of Industry and Trade, have promised since the beginning of the crisis in 2014 to launch the food assistance program. The program cost is estimated at RUB 240 billion (USD 3.75 billion) and was designed to provide eligible citizens with a debit card for purchases of some domestically produced foods, including poultry. However, the Minister of Industry and Trade, Denis Manturov has recently announced that the launch of a proposed food assistance program for Russian citizens living below the poverty line has been postponed until at least 2018 because the necessary appropriations are unlikely to gain concurrence across the relevant Ministries needed for approval in the forthcoming 3-year Federal budget.

Broiler Meat Trade

Assuming that exporters from Brazil and Belarus will be able to continue their pricing policies, FAS/Moscow forecasts 220,000 MT of broiler imports in 2017, anticipating no changes from the revised 2016 volume. Because the restrictions on imports from other significant exporters will continue until the end of 2017, imported cuts from Brazil and chilled broilers from Belarus remain in demand.

Some processing plants in regions with historically low levels of local poultry production were specifically designed for processing of imported meat and successfully operated for two decades. These businesses have developed strong trade and distribution channels, optimal logistics, sound management practices, and in some cases, created strong national brands. Some of these processors partner with international brands and supply ready-to-eat or half-cooked chicken products to large restaurant chains, and have to follow quality requirements set by the restaurants and brand owners. These processors confirm their willingness to continue purchasing frozen broiler cuts from international suppliers to ensure consistent taste and quality of final products.

In June, 2016 Russian President Vladimir Putin signed decree #305, extending the [trade restrictions](#) until the end of 2017. Decree #305 is identical to decree #320 of June 24, 2015, except for that the terms are now extended for 18 months, through December 31st, 2017, whereas last year's decree mandated only a 12-months extension. (Please refer to [RFATO038](#); [RS1540](#) for detailed information).

Another noteworthy change to the trade restrictions was made by GOR Decree # 472 in May 2016, when some products intended for the production of baby food were excluded from the ban. The decision [reportedly](#) was taken to support the operations of the [large baby food production plant](#) in Kalinigrad region. According to the MinAg drafts, all baby food ingredients to be imported under the new rules will have to be organic, including the planned 10 MT of HS Code 0207141009 "Meat of chicken, frozen, boneless, and organic". The volume is minor, but the change proves that even after the boost of domestic production there is still a niche market for imported broiler meat and cuts. (Please refer to [RS1628](#) for detailed information).

As mentioned above, 2017 will be the third year of effective restrictions for exports of broiler meat from several western suppliers due to "counter-sanctions" ban on certain imported foods¹⁸ and, at the same

¹⁸ For the original Russian ban, related amendments and other effective trade restrictions please see GAIN reports [RSATO017 Russia Announces Ban on Many US Agricultural Products](#); [RS1455 Amended List of Banned US Agricultural](#)

time, the third year of intensive consolidation in the segment of Russian meat traders. Russian importers are currently allowed to ship 250,000 MT of HS codes 0207142001 and 0207146001 under 25% in-quota tariff rate (compare to 80% out of quota tariff). Despite low utilization of TRQs in 2015 and 2016¹⁹, in-quota poultry imports may increase in 2017. Customs clearance of goods subject to TRQs is carried out on the basis of an import license issued by the Russian authorities. The distribution of quotas within TRQs on poultry (as well as on pork and beef) is based on the 3-year historical shares of the applicants in imports. Those importers who shipped more in 2014, 2015, and 2016 (in and out of quota) may receive bigger in-quota volume in 2017 and 2018. The assumption is that those companies, who now import products out of quota at 80 percent rate²⁰, may wish to utilize their quotas next year.

Regardless the low prices for broiler meat and generous supply of domestic products, imports of broiler meat in the first half of 2016 were higher than previously expected. FAS/Moscow revised its 2016 import estimate to 220,000 MT from its previous 150,000 MT. The stronger ruble encouraged Russian processors to purchase frozen broiler meat from Brazil. The ruble has appreciated by approximately 15 percent to the US dollar between January and August 2016, at the same time Brazilian exporters were willing to offer discounted prices due to weakened Real and soft domestic demand. Even with boost in local supply, processors choose Brazilian cuts due to their low price and good quality for processing.

In January-June 2016 Russia decreased its broiler meat imports from Belarus to 47,312 MT from 59,616 MT during the same months of 2015²¹, while the imports from Brazil increased to 41,780 MT from 29,674 MT in same months of 2015. Similar to previous years, Belarus mostly supplied chilled broiler meat HS Code 020711, while 99.9 percent of shipments from Brazil is HS code 020714 - various frozen cuts for processing industry. The average price per MT of Brazilian frozen cuts was USD 1,221 or 22.85 percent less than in 2015; the average price per MT of broiler meat from Belarus was USD 1,333.2 or a 14 percent decline year-on-year.

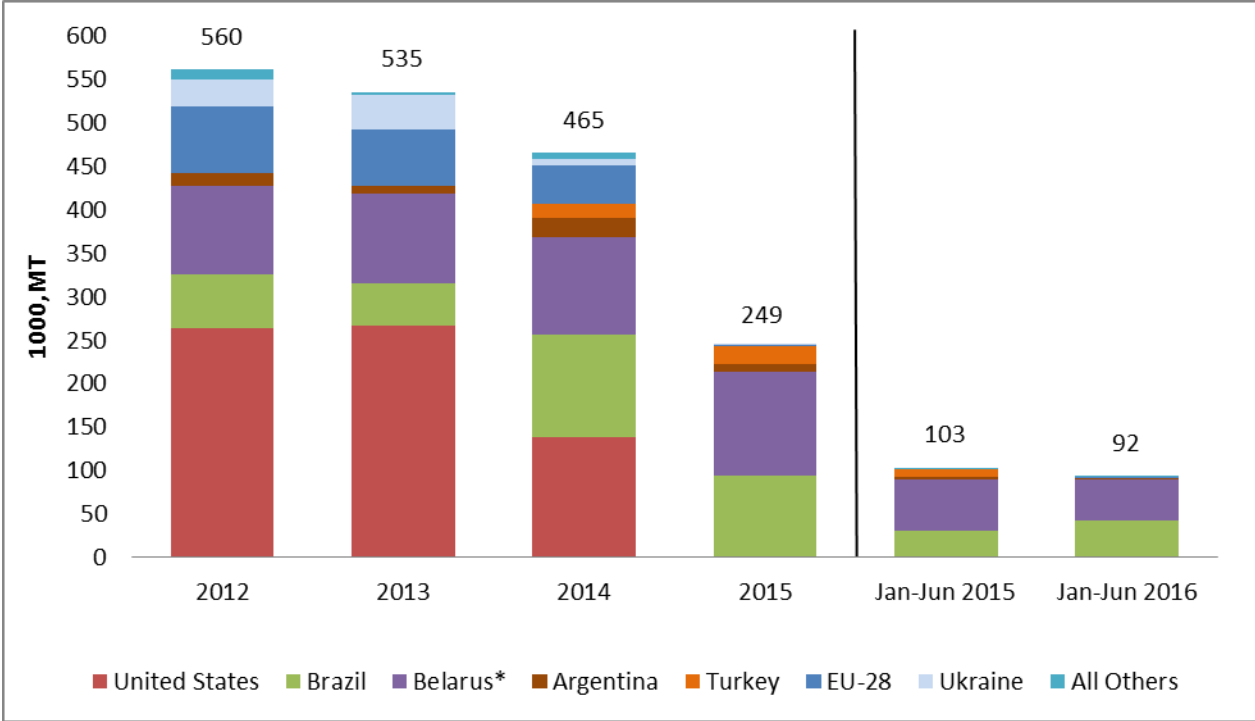
[Products; RS1540 Russian Food Ban Extended Until August 2016](#); [RFATO030 Russia Bans Turkish Produce Starting January, 1 2016](#); [UP1602 Ukraine Trade Regime Change](#)

¹⁹ Source: Emeat: as of July 24, 2016, only 6 percent of 364,000 MT quota for HS Code 0207 was utilized. In-quota imports were 23,400 MT

²⁰ As of July 24, 2016, Russia imported 30,100 MT of HS Code 0407 out of quota from non EAEU suppliers

²¹ Source: Russian Federal Customs Service

CHART 3. Russia: Broiler Meat Imports in 2013-2015 and in Jan-Jun 2016 (1,000 MT, Product Weight)



Source: Federal Customs Service of Russia

Exports of broiler meat are anticipated to grow to 160,000 MT in 2017, as Russian producers most likely will continue expanding broiler trade with EAEU-member countries (specifically Kazakhstan and Kyrgyzstan) and may start growing into newly opened markets.

The industry and authorities have intensified joint efforts to open new markets in Asia and the Middle East. Since 2015, the Russian Ministry of Agriculture has shifted its focus from searching for poultry suppliers to expanding new markets for Russian producers. Thus, instead of participation as usual in Green Week 2016 in Berlin, the Ministry of Agriculture for the first time supported the joint participation of leading meat producers in GulFood 2016 in Dubai. In 2015-2016 Rosselkhoznadzor organised and hosted visits of veterinary inspectors from different countries including Azerbaijan, Vietnam²², China, UAE, Egypt, Iran and others, which has already resulted in leading producers’ certification and new exports to Egypt and UAE in the first half of 2016²³. As a first step to opening the poultry trade with Russia, China has lifted AI related ban for exports of poultry meat from Russia, which was effective since 2005. Nevertheless, significant increase of exports in a short-term perspective is unlikely due to strong price competition in the targeted markets of Middle East and Asia.

²² Noteworthy to mention is that the EAEU has ratified the [Free Trade Agreement with the Socialist Republic of Vietnam](#). According to the Eurasian Economic Commission (EEC), on July 28, 2016, the Free Trade Agreement (FTA) between the Armenia-Belarus-Kazakhstan-Kyrgyzstan-Russia Eurasian Economic Union (EAEU) and Vietnam has been ratified by all EAEU Member States. The EAEU-Vietnam FTA assumes removal of customs duty on HS Code 0407 from base rate of 40 to 20 percent to 0 during 5 years after the FTA enters into force.

²³ Russia supplied 451 MT HS Code 020714 (frozen chicken, not cut in pieces) to UAE in 2016, in January-May 2016; as of date of the report no FCS information on shipments to Egypt is available, but Cherkizovo [reported](#) about first 270 MT of broiler meat shipped to Egypt.

FAS/Moscow revised its previous 2016 broiler exports forecast to 140,000 MT, which is 50 percent growth year-on-year²⁴ based on the available trade data published by the Federal Customs Service of Russia. In January-June 2016 Russia exported 57,056 MT of broiler meat; 33.5 percent shipped to Ukraine (19,113 MT), and 33.2 percent (18,979 MT) to Kazakhstan.

²⁴ The spike in trade in 2016 is due to increased shipments to Ukraine.

Production Tables

Table 2. Top Broiler Producing Companies in Russia in 2014-2015

| | Company Name | Broiler Meat Production 1,000 MT 2014 | Broiler Meat Production 1,000 MT 2015 | % Change, 2015/2014 | Location |
|---|---|---|---|------------------------|--|
| 1 | "Prioskolye" | 436 | 638 | 46.33% | Belgorod Region |
| 2 | "Cherkizovo" | 417 | 573 | 37.41% | Moscow Region; Penza Region, Bryansk Region; Lipetzk Region; Voronezh Region |
| 3 | Group of Aricultural Companies "Resurs" | 174 | 300 | 72.41% | Stavropol Krai; Krasnodarsk yi Krai; Karachaevo-Cherkessia; Tambov Region |
| 4 | "Belgrankorm" | 182 | 281 | 54.40% | Belgorod Region |
| 5 | "Severnaya" Poultry Factory (CPF PCL) | 251 | 248 | -1.20% | Leningrad Region |
| 6 | "Belaya Ptica" | 125 | 236 | 88.80% | Belgorod Region |
| 7 | "Akashevskaya" | 131 | 203 | 54.96% | Republic Mari El |
| 8 | "Prodo - Trade" | 137 | 192 | 40.15% | Kaluga Region; Rostov Region; Novosibirsk Region; Perm Krai; Tumen Region; Omsk |
| 9 | "Chelny-Broiler" | 108 | 114 | 5.56% | Republic of |

| | | | | | |
|----|---|-----|-----|---------|-------------------------|
| | | | | | Tatarstan |
| 10 | Group of Companies "Zdorovaya Ferma" | 93 | 110 | 18.28% | Chelyabinsk Region |
| 11 | "Bryanskyi Broiler" (Miratorg) | 36 | 101 | 180.56% | Bryansk Region |
| 12 | "Poultry Factory Chamzinskaya" | 79 | 99 | 25.32% | Republic Mordovia |
| 13 | "Agrokomplex" | 92 | 98 | 6.52% | Krasnodarsk yi Krai |
| 14 | "Sitno" | 93 | 89 | -4.30% | Chelyabinsk Region |
| 15 | "Ravis - Sosnovskaya Poultry Factory" | 75 | 83 | 10.67% | Chelyabinsk Region |
| 16 | "Reftinskaya Poultry Factory" | 65 | 70 | 7.69% | Sverdlovsk Region |
| 17 | "Agricultural Company Oktyabrskaya" | 48 | 66 | 37.50% | Republic Mordovia |
| 18 | "Elinar Broiler" | 48 | 57 | 18.75% | Moscow Region |
| 19 | "Chebarkulskaya Ptica" | 53 | 53 | 0.00% | Chelyabinsk Region |
| 20 | "Russkoye Pole" | 38 | 53 | 39.47% | Nizhnyi Novgorod Region |
| 21 | "Ak Bars" | N/A | 51 | N/A | Republic of Tatarstan |

Source: Rospticesouz

Table 3. Russia: Poultry Production by Region, 1,000 MT, Live Weight

| Regions | January – June 2015 | January – June 2016 | Ratio of 2016 to 2015 |
|----------------------------|---------------------|---------------------|-----------------------|
| RUSSIAN FEDERATION* | 2661.1 | 2804.7 | 105.1 |
| CENTRAL DISTRICT | 1009.3 | 1062.3 | 105.3 |
| Belgorod region | 409.0 | 403.5 | 98.7 |
| Bryansk region | 98.8 | 127.0 | 128.5 |
| Vladimir region | 13.2 | 13.7 | 103.9 |
| Voronezh region | 53.5 | 59.0 | 110.4 |
| Ivanovo region | 8.7 | 10.4 | 120.6 |
| Kaluga region | 30.9 | 32.4 | 104.9 |
| Kostroma region | 3.6 | 3.2 | 87.6 |
| Kursk region | 66.2 | 70.9 | 107.2 |
| Lipetsk region | 85.8 | 91.5 | 106.6 |
| Moscow region | 85.3 | 95.8 | 112.2 |

| | | | |
|---|-------|-------|-------|
| Orel region | 8.8 | 7.7 | 88.0 |
| Ryazan region | 2.1 | 1.8 | 88.6 |
| Smolensk region | 0.04 | 0.1 | 385.3 |
| Tambov region | 61.1 | 59.7 | 97.7 |
| Tver region | 29.0 | 32.3 | 111.4 |
| Tula region | 24.5 | 24.9 | 101.7 |
| Yaroslavl region | 28.8 | 28.4 | 98.5 |
| Moscow | 0.1 | | |
| NORTHWEST DISTRICT | 249.1 | 251.3 | 100.9 |
| The Republic of Karelia | 2.7 | 2.4 | 90.3 |
| The Republic of Komi | 9.6 | 10.6 | 110.1 |
| Arkhangelsk region | 4.9 | 1.1 | 21.6 |
| Arkhangelsk region (excluding Nenets Autonomous District) | 4.9 | 1.1 | 21.6 |
| Vologda region | 6.2 | 7.3 | 117.9 |
| Kaliningrad region | 13.2 | 12.5 | 94.9 |
| Leningrad Region | 146.0 | 148.0 | 101.4 |
| Murmansk region | 2.4 | | 0.01 |
| Novgorod region | 53.5 | 57.9 | 108.3 |
| Pskov region | 10.6 | 11.4 | 107.4 |
| SOUTHERN DISTRICT | 220.0 | 199.9 | 90.9 |
| The Republic of Adygea | 21.2 | 5.6 | 26.2 |
| The Republic of Kalmykia | | | |
| Krasnodar Krai | 105.3 | 99.9 | 94.8 |
| Astrakhan region | 3.6 | 3.4 | 93.2 |
| Volgograd region | 36.7 | 30.5 | 83.0 |
| Rostov region | 53.1 | 60.6 | 114.1 |
| NORTH-CAUCASIAN FEDERAL DISTRICT | 152.9 | 165.1 | 108.0 |
| The Republic of Dagestan | 9.5 | 9.6 | 101.4 |
| The Republic of Ingushetia | | | |
| Kabardino-Balkaria | 12.6 | 13.2 | 105.4 |
| Karachay-Cherkessia | 6.9 | 6.3 | 90.8 |
| Republic of North Ossetia-Alania | 4.7 | 1.0 | 21.6 |
| The Chechen Republic | 0.4 | 0.3 | 80.1 |
| Stavropol Krai | 118.9 | 134.7 | 113.3 |
| THE VOLGA FEDERAL DISTRICT | 539.9 | 606.8 | 112.4 |
| The Republic of Bashkortostan | 25.6 | 24.7 | 96.5 |
| The Republic of Mari El | 102.9 | 104.9 | 102.0 |
| The Republic of Mordovia | 76.1 | 96.7 | 127.1 |
| The Republic of Tatarstan | 89.2 | 94.4 | 105.8 |
| Udmurt Republic | 20.5 | 24.8 | 120.8 |
| Chuvash Republic | 19.8 | 30.9 | 156.5 |
| Perm Krai | 23.6 | 24.3 | 103.1 |
| Kirov region | 1.8 | 0.8 | 42.9 |

| | | | |
|--|-------|-------|-------|
| Nizhny Novgorod region | 30.3 | 34.4 | 113.8 |
| Orenburg region | 20.7 | 23.2 | 112.1 |
| Penza region | 87.6 | 107.0 | 122.1 |
| Samara region | 27.4 | 26.8 | 97.9 |
| Saratov region | 13.6 | 13.3 | 97.5 |
| Ulyanovsk region | 0.9 | 0.7 | 75.8 |
| URAL FEDERAL DISTRICT | 259.9 | 280.5 | 107.9 |
| Kurgan region | 5.6 | 6.0 | 107.7 |
| Sverdlovsk region | 60.7 | 70.2 | 115.7 |
| Tyumen region (including Khanty-Mansi Autonomous District Yugra and Yamal-Nenets Autonomous District)Tyumen Region | 22.3 | 23.0 | 103.5 |
| Chelyabinsk region | 171.4 | 181.3 | 105.8 |
| SIBERIAN FEDERAL DISTRICT | 199.6 | 209.4 | 104.9 |
| Altai Republic | | | 100.0 |
| The Republic of Buryatia | 0.1 | 0.02 | 27.8 |
| The Republic of Tuva | | | |
| The Republic of Khakassia | 0.7 | | |
| Altay Krai | 41.0 | 40.1 | 97.7 |
| Trans-Baikal Krai | | | 59.7 |
| Krasnoyarsk Krai | 8.6 | 5.9 | 68.6 |
| Irkutsk Region | 28.4 | 29.2 | 103.0 |
| Kemerovo region | 21.8 | 22.0 | 101.1 |
| Novosibirsk region | 35.9 | 40.4 | 112.6 |
| Omsk Region | 28.3 | 33.6 | 119.0 |
| Tomsk region | 35.0 | 38.1 | 109.0 |
| FAR EASTERN FEDERAL DISTRICT | 30.4 | 29.4 | 96.9 |
| The Republic of Sakha (Yakutia) | 1.9 | 1.4 | 72.8 |
| Kamchatka | 0.1 | 0.2 | 285.1 |
| Primorsky Krai | 13.6 | 11.4 | 84.1 |
| Khabarovsk Krai | 3.2 | 3.9 | 120.1 |
| Amur Region | 11.2 | 12.1 | 107.6 |
| Magadan region | 0.2 | 0.2 | 132.0 |
| Sakhalin Region | 0.2 | 0.3 | 124.6 |
| Yevreiskaya Autonomous Oblast | 0 | 0 | |
| | | | |

Note: Includes data attributable to some products which are not reported in the PSD

Source: Rosstat *Excluding Crimean Production

Table 4. Russia: Monthly Industrial Production of Poultry Meat and Sub-products

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|-----|---------|---------|---------|---------|---------|
| Jan | 265,418 | 291,755 | 304,336 | 347,493 | 361,652 |

| | | | | | |
|-------|---------|---------|---------|---------|---------|
| Feb | 268,417 | 278,558 | 295,619 | 335,032 | 365,496 |
| March | 290,958 | 298,192 | 318,354 | 369,696 | 390,465 |
| April | 280,095 | 301,791 | 337,239 | 365,415 | 386,165 |
| May | 282,294 | 294,987 | 327,616 | 359,096 | 377,498 |
| June | 260,235 | 276,173 | 306,967 | 340,366 | 364,698 |
| July | 284,569 | 293,795 | 316,318 | 350,135 | |
| Aug | 277,740 | 281,769 | 316,412 | 347,639 | |
| Sept | 272,306 | 289,114 | 325,619 | 357,192 | |
| Oct | 284,067 | 304,823 | 338,530 | 379,225 | |
| Nov | 288,425 | 296,723 | 336,464 | 370,168 | |
| Dec | 306,582 | 332,032 | 361,474 | 390,481 | |

Trade Tables

Table 5. Russia: Import Volume of Broiler Meat, 2013 – 2015 & Year To Date: 06/2015 & 06/2015, MT (020711, 020712, 020713, 020714, 160232)

| | 2012 | 2013 | 2014 | 2015 | % Change 2014/15 | Jan-Jun 2015 | Jan-Jun 2016 | % Change 2016/15 |
|---------------|---------|---------|---------|---------|------------------|--------------|--------------|------------------|
| World | 456,610 | 511,718 | 443,652 | 249,100 | - 43.85% | 102,832 | 92,280 | - 10.26% |
| Brazil | 61,847 | 48,367 | 117,785 | 92,977 | - 21.06% | 29,674 | 41,780 | 40.80% |
| Belarus | N/A | 82,501 | 94,058 | 120,478 | 28.09% | 59,616 | 47,312 | - 20.64% |
| United States | 262,882 | 266,236 | 137,713 | 0 | -100% | 0 | 0 | 0 |
| Argentina | 14,026 | 8,221 | 21,699 | 8,659 | - 60.09% | 2,700 | 2,238 | - 17.11% |
| Turkey | 341 | 0 | 16,040 | 21,152 | 31.87% | 8,790 | 1 | - 99.99% |
| EU-28 | 76,997 | 64,946 | 45,437 | 201 | - 99.56% | 68 | 103 | 51.47% |
| Kazakhstan | 0 | 147 | 2,893 | 3,729 | 28.90% | 1,539 | 744 | - 51.66% |
| Ukraine | 30,440 | 39,691 | 7,036 | 1,488 | - 78.85% | 298 | 0 | -100% |
| All Others | 10,077 | 1,609 | 991 | 416 | - 58.02% | 147 | 102 | - 30.61% |

Source: Federal Customs Service of Russia

Table 6. Russia: Export Volume of Broiler Meat, 2011 – 2015 & Year to Date: 06/2015 & 06/2016, MT (020711, 020712, 020713, 020714, 160232)

| | 2012 | 2013 | 2014 | 2015 | % Change 2014/15 | Jan- Jun- 2015 | Jan- Jun 2016 | % Change Jan-Jun 2016/15 |
|------------|---------|--------|--------|--------|---------------------|----------------------|---------------------|-----------------------------------|
| World | 42,225 | 55,631 | 62,490 | 75,509 | 20.83% | 28,631 | 57,056 | 99.28% |
| Kazakhstan | 25,538* | 30,218 | 23,659 | 35,345 | 49.39% | 15,478 | 18,979 | 22.62% |
| Ukraine | 140 | 14 | 2 | 16,697 | 834750.00% | 2,062 | 19,113 | 826.92% |
| Kyrgyzstan | 288 | 371 | 1,135 | 6,723 | 492.33% | 1,773 | 4,292 | 142.08% |
| Hong Kong | 10,741 | 14,683 | 24,236 | 5,405 | -77.70% | 3,511 | 3,994 | 13.76% |
| Vietnam | 2,650 | 1,421 | 5,216 | 3,206 | -38.54% | 1,654 | 3,146 | 90.21% |
| Tajikistan | 11 | 11 | 30 | 720 | 2300.00% | 101 | 2,204 | 2082.18% |
| Belarus | 936** | 658 | 2,308 | 2,377 | 2.99% | 998 | 932 | -6.61% |
| Armenia | 66 | 329 | 387 | 662 | 71.06% | 338 | 842 | 149.11% |
| Abkhazia | 1,314 | 1,256 | 1,341 | 1,335 | -0.45% | 538 | 681 | 26.58% |
| Mongolia | 0 | 23 | 62 | 376 | 506.45% | 47 | 647 | 1276.60% |
| UAE | 0 | 0 | 0 | 0 | 0.00% | 0 | 451 | N/A |
| Liberia | 54 | 1,459 | 946 | 1,412 | 49.26% | 1,360 | 130 | -90.44% |
| Thailand | 325 | 2,447 | 1,834 | 405 | -77.92% | 405 | 113 | -72.10% |
| All Others | 162 | 2,764 | 1,334 | 846 | -36.58% | 366 | 1,532 | 318.58% |

Source: Federal Customs Service of Russia; *Eurasian Economic Commission (HS Code 0207);

**Belstat

Includes data attributable to some products which are not reported in the PSD