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## **Report Name:** Livestock and Products Annual

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### **Report Highlights:**

Beef production in 2021 is projected to grow based on heavier slaughter weights. A weak ruble should underpin red meat exports to traditional and new markets, while dampening imports. The COVID-19 crisis hit beef consumption harder than pork. Pork production now meets domestic demand and has largely replaced imports. As competition intensifies, less efficient companies may be forced to cease operations. After a decade of intensive growth swine inventories are forecast to decline.

## ***Trade restrictions***

The Russian market is closed for U.S. and some other key suppliers of pork and beef until the end of 2020 due to counter-sanctions introduced in 2014. As of the date of this report the Government of Russia (GOR) has not extended the embargo through 2021, but there have been no announcements suggesting any intentions to lift the restrictions.

## ***Executive summary***

### ***Cattle and Beef***

Cattle farming remains the least industrialized livestock sector in Russia compared to other meat producing sectors. Backyard farms are shrinking, but still account for 40 percent of the total herd. Meanwhile, the share of industrialized commercial farms is growing and partially offsets the decline of backyard herds. Cow inventories are gradually increasing at specialized beef farms, while the milking herd is declining. The beef cow herd is expected to reach 1.22 million head in 2021, approximately 15.4 percent of total cows. The rising share of beef cattle will drive improvements in average productivity. The growing supply of feeder calves from specialized beef farms and better management of dairy calves will produce heavier slaughter weights and support the projected beef production increase to 1.385 MMT (CWE) in 2021.

The COVID-19 related crisis and Ruble depreciation in 2020 hit beef consumption harder than other meats. The market outlook is unfavorable for recovery in the midterm. Real Disposable Incomes are expected to decline 3.8 percent in 2020 with hopes of a fragile recovery in 2021. Beef consumption is forecast to decline to 1.693 MMT in 2021 due to weak purchasing power of consumers and intensified competition with other meats.

Reduction of beef imports to 330,000 MT (CWE) in 2021 is forecast due to depreciation of the Ruble, growing domestic supply and a projected reduction in beef consumption. Meanwhile, for the same reasons, the weaker Ruble and falling domestic consumption will encourage export shipments to traditional and new destinations. The 22,000 MT (CWE) of beef exports forecast in 2021 is based on expectations of stable demand from EAEU<sup>1</sup> partners and other neighboring countries. The significant increase of exports in 2020 is attributable to demand from China. Two leading Russian beef plants have been approved for export to the Chinese market in 2020, but the potential of the growth is unclear due to opaque policies of the importer.

### ***Swine and Pork***

The opening of the Vietnamese market for Russian pork and dramatic decline of imports were the two key factors that supported domestic prices at levels motivating production growth. Pork production in 2020 is forecast to increase to 3.52 MMT (CWE) reflecting a faster-than-anticipated pace of import substitution and opening of new export markets. Production growth to 3.60 MMT (CWE) is forecast in 2021 on expectations of better domestic demand and moderate growth of exports. Competition between producers is intense resulting in more affordable retail prices. Lower prices will stimulate domestic consumption, which is forecast to increase 1.75 percent to a level of 3.48 MMT (CWE) in 2021 following a 1.7 percent increase in 2020. Availability of feeds from the ample grain crop in Russia will provide support for hog production and partially offset the negative impact of a weaker Ruble on production costs.

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<sup>1</sup> EAEU - Armenia-Belarus-Kazakhstan-Kyrgyzstan-Russia Eurasian Economic Union

As the Russian industry has reached the capacity needed to meet domestic demand for pork, competition between producers has intensified. Reduced margins are prompting producers to shift their focus from expansion to operational efficiency. Less efficient non-modernized businesses may face financial difficulties forcing them to reduce or close operations. After more than ten consecutive years of intensive growth, swine inventories are expected to marginally decline year-on-year to 25.455 million head by the end of 2021. Backyard production continues to shrink as a component of the overall swine herd due to negative rural demography and African Swine Fever (ASF) eradication measures contributing to the slowdown anticipated at the end of 2021.

The impact of COVID-19 on pork consumption has been relatively limited, but it strongly impacted imports. As expected, pork imports have declined because the import quota was eliminated. The zero in-quota rate has been replaced by a 25 percent tariff on all pork imports since January 2020. But the stronger-than-anticipated decrease of imports is attributable to ruble depreciation and COVID-19 related disruptions of distribution. When dine-in restaurants closed at the end of April 2020, consumer demand shifted from HRI to retail stores. As a result of the shift, consumption of local chilled pork increased at the expense of imported frozen meat. Pork imports have dropped to 10,000 MT (CWE) in 2020 and are forecast to remain flat in 2021. Local suppliers have rapidly replaced the missing imports making trade recovery doubtful.

Pork exports are forecast to increase to 130,000 MT (CWE) in 2021, following the record 110,000 MT (CWE) expected in 2020. Export growth projections are based on the expectations of stable demand from traditional importers in Eastern Ukraine, Belarus, other neighbor CIS and EAEU markets. The shipments to recently the opened markets of Vietnam and Hong Kong are expected to be driven by a weaker ruble. The industry in cooperation with authorities, is working on receiving approval for exports to other key Asian markets, but the endemic ASF in Russia hampers these initiatives.

Key Macroeconomic indicators in 2020: GDP forecasts range -4.5/ - 5.5 percent; CPA forecast range is 3.8–4.8 percent; Real Disposable Incomes - 3.8 percent. According to Rosstat, Real Disposable Incomes have fallen a record 8 percent in the second quarter. The ruble depreciated 17.06 percent against the U.S. dollar in year-to-date terms as of the date of this report, August 28, 2020.

**NOTE:** USDA unofficial data excludes Crimean production and exports. However, in 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.

### ***Cattle and Beef***

*Table 1. Russia: Cattle Numbers, 1,000 Head*

Animal Numbers, Cattle Market Begin Year	2019		2020		2021	
	Jan 2019		Jan 2020		Jan 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
<b>Total Cattle Beg. Stocks</b>	18,050	18,050	18,044	18,024	0	18,000
<b>Dairy Cows Beg. Stocks</b>	6,824	6,792	6,759	6,714	0	6,695
<b>Beef Cows Beg. Stocks</b>	1,068	1,100	1,155	1,200	0	1,220
<b>Production (Calf Crop)</b>	6,700	6,680	6,650	6,700	0	6,710
<b>Total Imports</b>	112	112	100	75	0	70
<b>Total Supply</b>	24,862	24,842	24,794	24,799	0	24,780
<b>Total Exports</b>	30	30	24	24	0	25
<b>Cow Slaughter</b>	0	0	0	0	0	0
<b>Calf Slaughter</b>	0	0	0	0	0	0
<b>Total Slaughter</b>	6,510	6,500	6,500	6,500	0	6,500
<b>Loss</b>	278	288	280	275	0	280
<b>Ending Inventories</b>	18,044	18,024	17,990	18,000	0	17,975
<b>Total Distribution</b>	24,862	24,842	24,794	24,799	0	24,780
<b>(1,000 HEAD)</b>						

*NOTE: Not Official USDA data; Official USDA data is available at <http://apps.fas.usda.gov/psdonline/>*

### ***Cattle Production***

Cattle inventories are forecast at 17.98 million head by the end of 2021; a slight decrease from 18 million head anticipated for December 2020. Cattle farming remains the least developed sector compared to Russian poultry and pork industries. Backyard farms currently account for 40 percent of the total 18.024 million head herd. The backyard part of the sector has been declining for decades due to negative demographic trends in rural areas. Meanwhile, industrialized commercial farms are developing and partially offsetting the decline of backyards.

The lion share of beef in Russia is still produced from spent dairy cattle. Dairy cow inventories are forecast to decline to 6.695 million head as commercial milk farms optimize operations by replacing “dual purpose milk and meat” cows of local selection with modern highly productive dairy breeds. Meanwhile, beef cow inventories are gradually increasing at specialized meat farms and are expected to reach 1.22 million head by the end of 2020. According to industry sources, specialized beef cattle currently accounts for approximately 15 percent of the total herd. Beef cattle numbers in 2019 and 2020 have been adjusted based on the final 2019 data from Rosstat and industry sources.

Development of beef farms drives improvement of the average herd productivity. According to Rosstat, the average calf per cow yield in 2019 was 76 calves per 100 cows, while commercial beef farms report average yields of 93 calves per 100 cows. The growing share of beef cows is expected to result in a better calf crop in 2021 despite from essentially an unchanged number of cows.

#### *Cattle Trade*

##### *Cattle Imports*

Live Cattle (HS Code 0102) is not included on the list of agricultural commodity imports banned due to counter-sanctions. Russia continues purchasing cattle from the EU, Canada and Australia. Total imports were 112,888 head in 2019, including 73,149 head of breeding cattle and 39,739 head of livestock for slaughter. Dairy farms continue improving genetics of their milking herds with purchases of quality breeding heifers mostly from the EU. Beef industry leaders believe there is a deficit of consistently high-quality cattle for slaughter on the market and have responded by importing supplies from Australia.

Imports in 2019 reflect the actual demand for quality livestock better than the year-to-date 2020 data. The decline of live cattle imports in the first half of 2020 is largely attributed to COVID-19 related travel restrictions. Importers could not send representatives to select breeding livestock and in-person supervision of the shipments by Russian veterinarians was not possible. Ruble depreciation had an additional negative impact on importers' plans. Live cattle imports are forecast to decline to 75,000 head in 2020, and 70,000 in 2021. The projected imports are below the existing demand. The anticipated decline is mostly attributed to uncertainty about the financial health of the beef and dairy sectors and their ability to continue investing in quality genetics. Also, as of the date of this report there is no clarity about the VAT rate to be applied to imported breeding cattle in 2021. Purebred breeding cattle and genetic materials are exempt from VAT payments until December 31, 2020.

Exports of slaughter cattle to traditional destinations of Kazakhstan, Azerbaijan, Turkmenistan, and Uzbekistan are forecast at 24,000-25,000 head due to stable demand in these markets. Significant growth of the trade is unlikely due to insufficient supply of live cattle inside Russia.

Table 2. Russia: Beef and Veal Production, Supply & Distribution (1,000 MT CWE)

Meat, Beef and Veal Market Begin Year	2019		2020		2021	
	Jan 2019		Jan 2020		Jan 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
<b>Slaughter (Reference)</b>	6,510	6,500	6,500	6,500	0	6,500
<b>Beginning Stocks</b>	0	0	0		0	0
<b>Production</b>	1,369	1,374	1,377	1,380	0	1,385
<b>Total Imports</b>	401	401	350	360	0	330
<b>Total Supply</b>	1,770	1,775	1,727	1,740	0	1,715
<b>Total Exports</b>	17	17	18	25	0	22
<b>Human Dom. Consumption</b>	1,753	1,758	1,709	1,715	0	1,693
<b>Other Use, Losses</b>	0	0	0	0	0	0
<b>Total Dom. Consumption</b>	1,753	1,758	1,709	1,715	0	1,693
<b>Ending Stocks</b>	0	0	0	0	0	0
<b>Total Distribution</b>	1,770	1,775	1,727	1,740	0	1,715
(1000 HEAD), (1000 MT CWE)						

NOTE: Not Official USDA data; Official USDA data is available at <http://apps.fas.usda.gov/psdonline/>

#### Beef Production

Growing supply from specialized beef farms and improved management of dairy calves will produce heavier slaughter cattle projected to lift production to 1.385 MMT (CWE) in 2021.

Total cattle inventories declined in 2019, but heavier slaughter weights supported a one percent beef production growth year-on-year. Rosstat reports a 2.9 percent increase of average slaughter cattle weights at industrialized farms in 2019. The same trend is expected to continue in 2020 and 2021. Beef production is projected to gradually grow along as the share of heavier slaughter cattle in the total herd increases.

Russian meat producing giant “Miratorg” leads the development of the beef farming sector. In July 2020, official statistics reported growing cattle numbers in Bryansk (+3.5%), Tula (+8.5%), Kaluga (+6.9%), Smolensk (+7.1%) and Kaliningrad (+15.4%). These are the regions where “Miratorg” operates its cow-calf farms, feedlots and meat processing plant. The company currently owns 98 farms in 6 regions; its cattle stocks are estimated at 700,000 head. The beef subdivision of Miratorg produced 137,000 MT of meat in 2019. Beef operations generated over 3 billion rubles profit after two years of reported losses. “Miratorg” has announced plans to increase beef production to 178,000 MT in 2020 and raise its cattle inventories up to one million head “in the nearest future”. The “Zarechnoye” group of companies is the second largest specialized beef producer. The company operates a meat processing plant in Voronezh and has 70,000 head of specialized beef cattle. Both industry leaders mostly produce premium beef from the Black Angus breed. Both companies started buying dairy calves from milk farms to fill the capacities of their slaughter plants and address consumer demand for cheaper beef.

“Miratorg” and “Zarechnoye” have been approved for exports to China and began shipping in January 2020.

According to industry sources, the average live weight of slaughter cattle in the country is 380 kg. The low slaughter weight reflects the fact that 85 percent of cattle at processing plants originate from dairy farms. According to the Ministry of Agriculture, approximately 650,000 calves from dairy farms are slaughtered the day after birth each year. The Ministry estimates that better management of calves may boost beef production from 480 to 700 thousand MT. Leading dairy businesses started improving the beef component of their operations. Such farms are adopting the practice of keeping calves at feedlots for a longer period of time. Several milk production leaders have even started their own specialized beef projects. For example, the largest milk producer “Econiva” reported 10,140 beef cattle in its inventories in August 2020. “Argocomplex named after N. Tkachyov” also reported a specialized beef herd of 9,000 head. (Please refer to Table 5 “Largest Beef and Dairy Cattle Producers in Russia” for details).

#### *Beef consumption.*

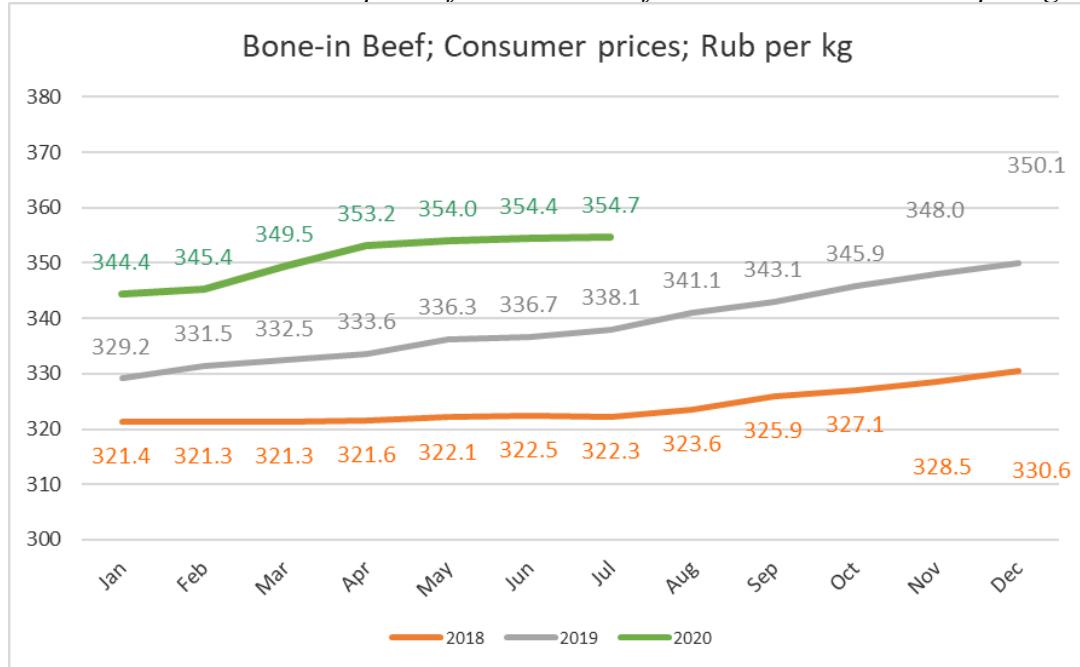
Beef sales have been shrinking for decades due to growing consumption of poultry and pork. The COVID-19 related crisis and Ruble depreciation in 2020 hit the beef segment stronger than any other meat. Market outlook in the midterm is unfavorable for any recovery of beef consumption, which is forecast to decline to 1.693 MMT in 2021 due to weak purchasing power of consumers and intensified competition with other meats.

Beef distribution channels suffered from Covid-19 related disruptions stronger than other meats. Premium restaurants and steakhouses in the Hotel, Restaurant and Institutional (HRI) sector were the only segment where beef sales grew over the recent years. When the restaurants closed because of Covid-19, producers redirected the supply of meat from HRI to retail. That worked well for pork and poultry, but not beef. Moreover, the modernized pork industry has boosted supply of high-quality branded pork at attractive prices adding pressure on retail sales of beef. During the January-July period in 2020, prices for boneless beef were on average 24 percent higher than prices on comparable cuts of pork and bone-in beef cuts were 18 percent more expensive than bone-in pork.

Ruble depreciation hit beef prices harder than other meats. Unlike pork and poultry, the Russian beef industry has not yet reached the capacity to fully meet domestic demand. While pork and poultry prices are declining due to abundant local supply, beef prices are rising. In July 2020 average consumer prices for beef were 3.5 to 5 percent higher than in July 2019. Conversely, chicken and pork prices declined 2.5 to 3.8 percent, respectively, over the same period.

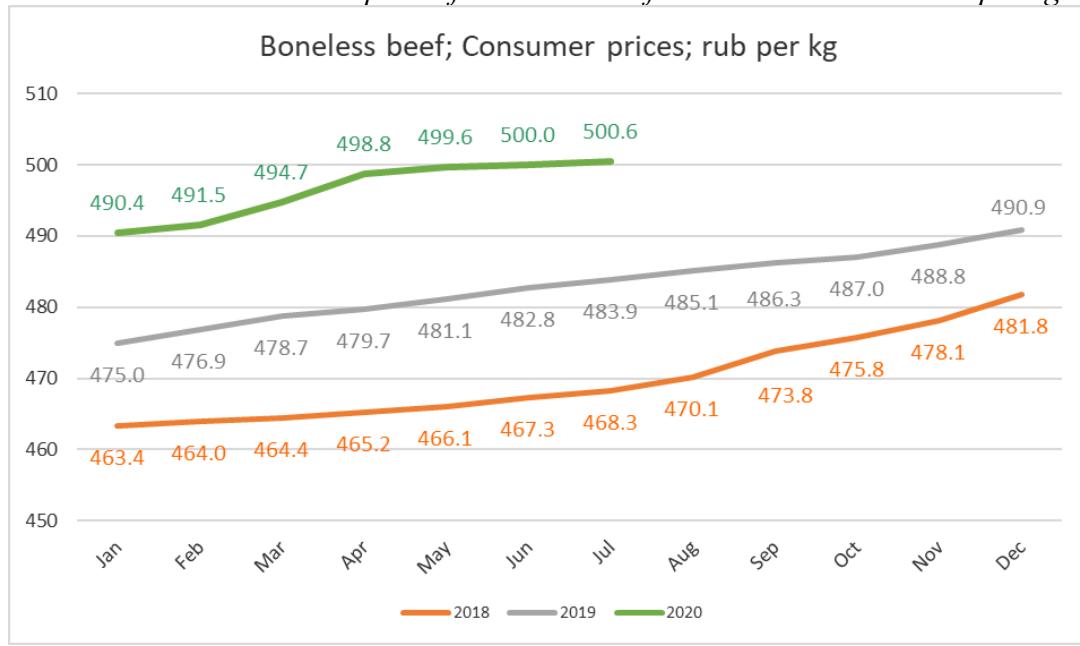
Purchasing power has been falling in Russia since 2014. The Covid-19 related crisis created additional pressure on incomes. Real disposable income suffered a steep fall during the second quarter of 2020, plunging a record 8 percent. The most optimistic scenarios forecast - 3.8 percent annual accumulated decline of disposable incomes. Even if a fragile economic recovery starts in 2021 as expected, disposable incomes in Russia will have a long road to recovery. Per official estimates, 18.6 million people, or 12.6 percent of the total population, live below poverty level. This number is forecast to increase by the end of 2020. In the current economic conditions, the average price for a whole chicken in July 2020 of 141.6 Rub per kg is more attractive than average prices of 354.7 Rub per kg for bone-in beef or 500.6 Rub per kg for boneless beef. Consequently, consumption of beef, the most expensive protein in the market, will further deteriorate.

*Chart 1. Russia: Consumer prices for bone-in beef in 2018-June 2020. Rub per kg*



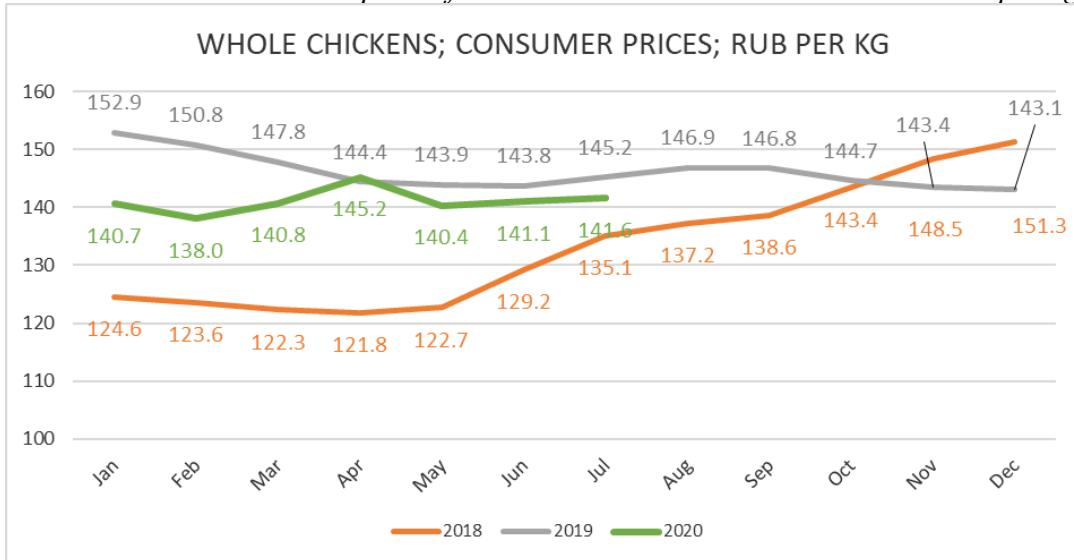
Source: [www.fedstat.ru](http://www.fedstat.ru)

*Chart 2. Russia: Consumer prices for boneless beef in 2018-June 2020. Rub per kg*



Source: [www.fedstat.ru](http://www.fedstat.ru)

*Chart 3. Russia: Consumer prices for whole chicken in 2018-June 2020. Rub per kg*



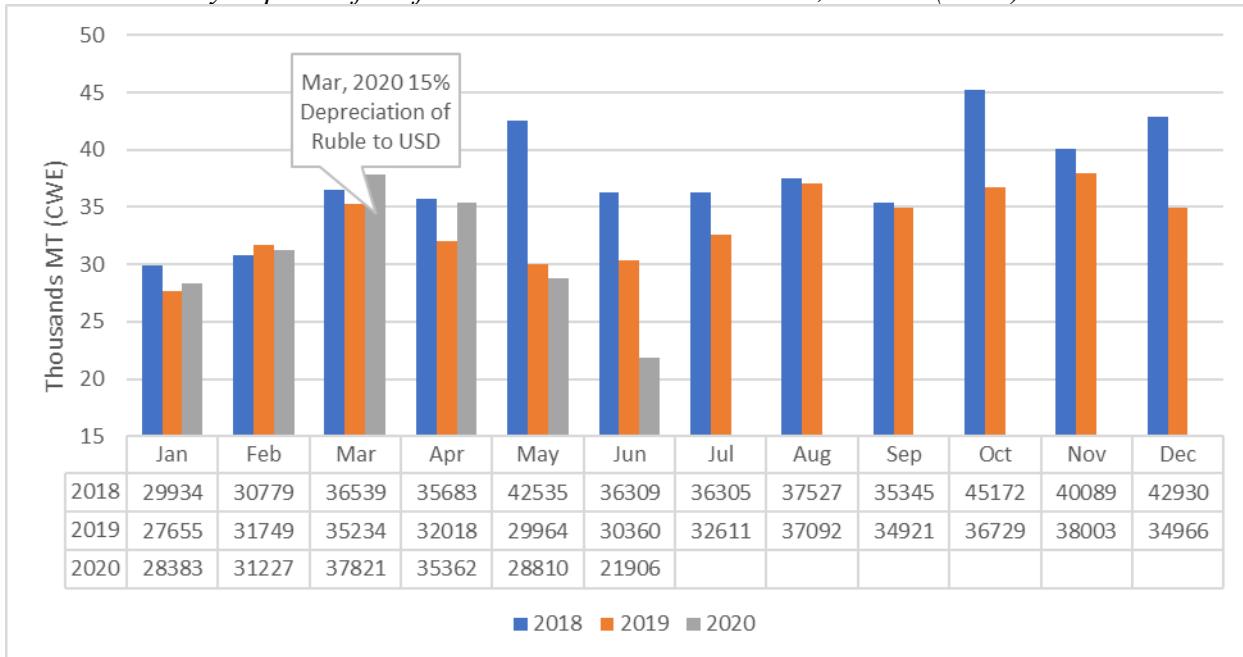
Source: [www.fedstat.ru](http://www.fedstat.ru)

#### *Beef Trade*

##### *Beef Imports*

A reduction of beef imports to 330,000 MT (CWE) in 2021 from 360,000 MT (CWE) in 2020 is forecast due to a weaker Ruble, growing domestic supply and declining demand for beef.

*Chart 4. Monthly imports of beef to Russia in 2018-Jun 2020. 1,000 MT (CWE)*



Source: Trade Data Monitor

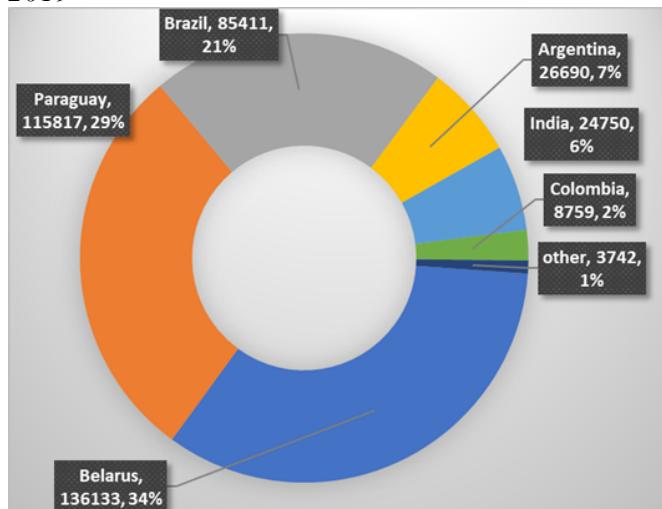
The Russian market remains closed for U.S. and some other key suppliers of beef until the end of 2020 due to counter-sanctions introduced in 2014<sup>2</sup>. As of the date of this report, the GOR has not extended the embargo through 2021. However, there have been no announcements of any intentions to lift the restrictions.

Unlike pork, the tariff rate quota trade regime for beef will continue without changes in 2021. Importers are allowed to bring in 40,000 MT of chilled and 530,000 MT of frozen beef subject to a 15 percent in-quota tariff rate (the out of quota rate is 55 percent).

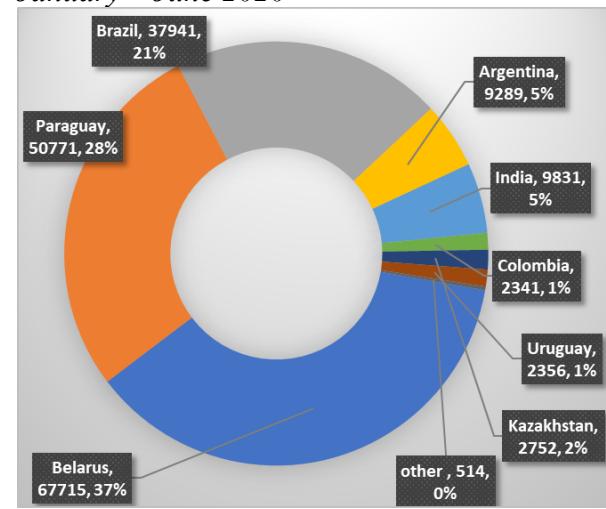
The importance of the tariff rate quota is weakening due to growing domestic production and a declining share of imports in consumption. The quota utilization rate has been declining in the recent years with 32.5 percent quota used in 2019. Quota utilization most likely will further decline in 2021. In January-April 2020, 50,500 MT (10 percent) were imported under the preferential in-quota tariff.

In-quota beef imports were 170,500 MT in 2019. EAEU partners supplied 138,047 MT of beef under tariff-free terms within the trade union. Thus, out of quota shipments accounted for approximately 23 percent of the total 401,000 imports in 2019.

*Chart 5. Russia Beef Imports. Major Suppliers in 2019 and Jan-June 2020. MT (CWE), %*  
2019



January – June 2020

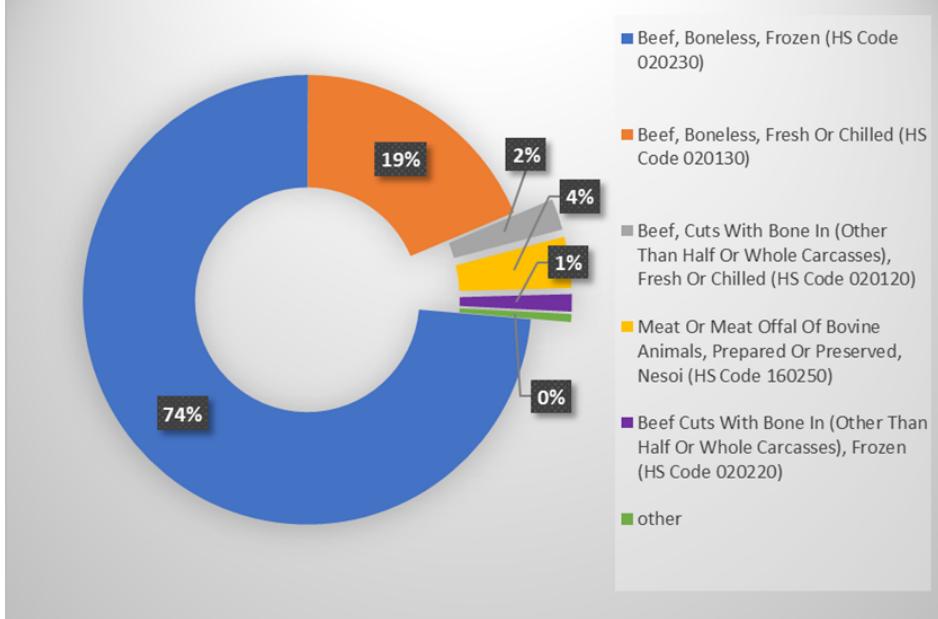


Source: Trade data monitor

Belarus, Paraguay, and Brasil traditionally account for the bulk of the imports; these three countries supplied 86 percent of imported beef during the first half of 2020 (84 percent in 2019). Frozen boneless beef accounts for 74 percent of the imports. Twenty-one percent is fresh or chilled meat coming from Belarus. Growing local supplies will continue to gradually substitute for imports from all sources.

<sup>2</sup> USDA GAIN REPORT RS1907 Russia Extended Food Import Ban Through 2020

*Chart 6. Russia Beef Imports in Jan-Jun 2020. Types of products.HS Codes, share in imports.*

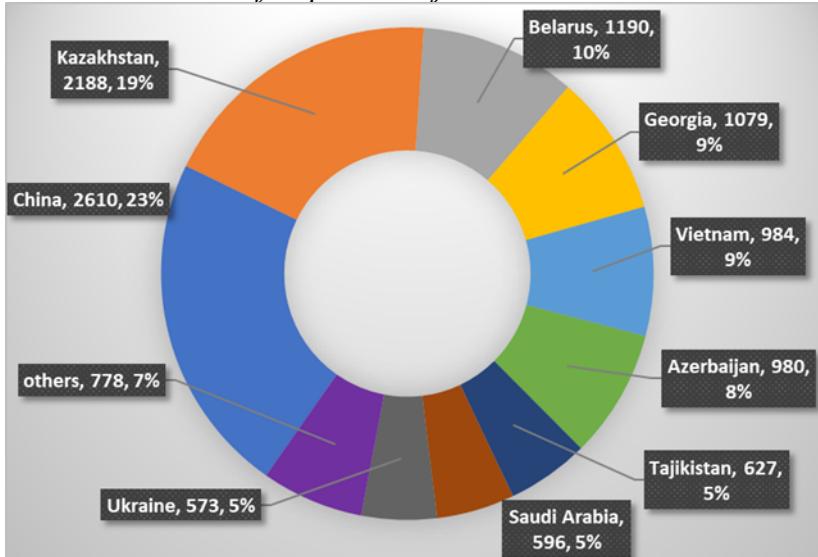


*Source: Trade Data Monitor*

#### *Beef Exports*

Beef exports are forecast at 22,000 MT (CWE) in 2021, lower than record 25,000 MT (CWE) expected in 2020. Exports increased 65 percent in the first half of 2020 due to demand from China, which has opened its market for two Russian beef plants. Shipments to China grew to 2,610 MT (CWE) from 16 MT shipped during the same months in the previous year. Shipments to another recently opened market, Saudi Arabia, were 596 MT (CWE) in January-June 2020.

*Chart 7. Russia Beef Exports. Major destinations in Jan-June 2020. MT (CWE), %*



*Source: Trade Data Monitor*

Favorable world prices and falling domestic consumption encourage exports to all the traditional destinations in 2020: Kazakhstan (2,188 MT; +12.6% year-to-date), Belarus (1,190 MT, +17%), Georgia (1,709 MT, +53%), Azerbaijan (980 MT, +60%), Vietnam (984 MT, +23%), Tajikistan (627 MT, +14%), and Donetsk and Luhansk regions of Ukraine (573 MT, +90%)<sup>3</sup>. In addition to the above listed markets Russia exported beef to 13 other countries, but the shipments to each did not exceed 200 MT.

The projected 22,000 MT (CWE) of beef exports are based on expectations of stable shipments to traditional markets in 2021. However, stable exports to recently opened markets, namely China, are uncertain due to opaque policies of the importer.

### ***Swine and Pork***

*Table 3. Russia: Swine Numbers, 1,000 Head*

Market Begin Year	2019		2020		2021	
	Jan 2019		Jan 2020		Jan 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
<b>Total Beginning Stocks</b>	23,600	23,600	25,083	25,048	0	25,710
<b>Sow Beginning Stocks</b>	3,110	3,290	3,150	3,400	0	3,400
<b>Production (Pig Crop)</b>	51,398	52,910	52,410	54,665	0	55,000
<b>Total Imports</b>	13	14	10	20	0	20
<b>Total Supply</b>	75,011	76,524	77,503	79,733	0	80,730
<b>Total Exports</b>	6	6	3	23	0	25
<b>Sow Slaughter</b>	0	0	0	0	0	0
<b>Other Slaughter</b>	43,400	44,880	45,000	47,000	0	48,000
<b>Total Slaughter</b>	43,400	44,880	45,000	47,000	0	48,000
<b>Loss</b>	6,522	6,590	6,800	7,000	0	7,250
<b>Ending Inventories</b>	25,083	25,048	25,700	25,710	0	25,455
<b>Total Distribution</b>	75,011	76,524	77,503	79,733	0	80,730
(1,000 HEAD), (1,000 MT CWE)						

NOTE: Not Official USDA data; Official USDA data is available at <http://apps.fas.usda.gov/psdonline>

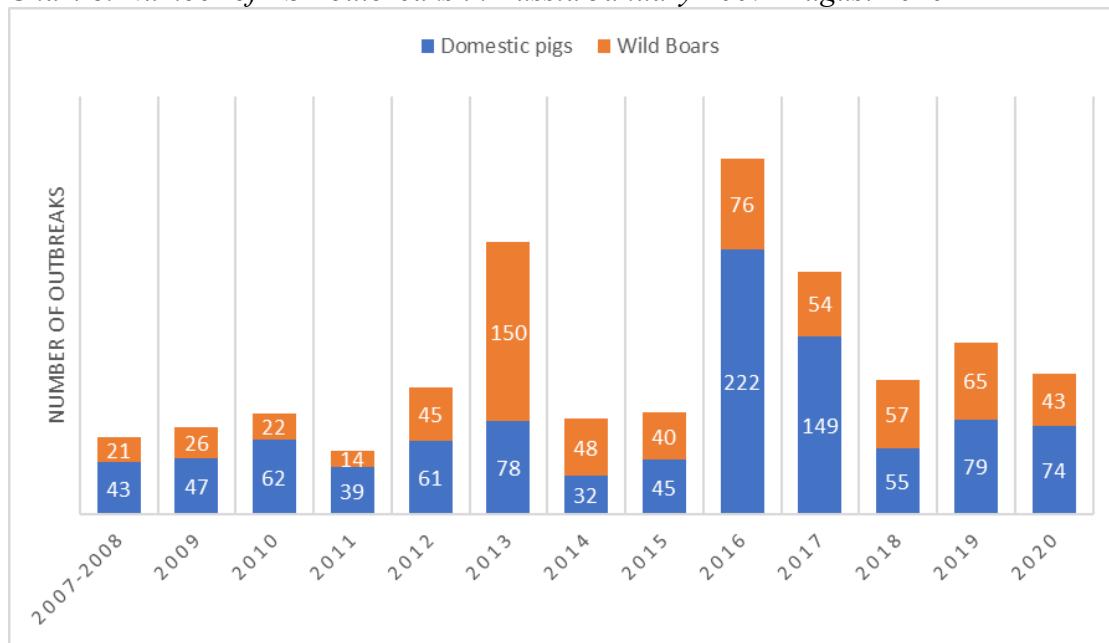
### ***Pigs, Production***

After more than ten consecutive years of the intensive growth driven by large industrialized farms, swine inventories are forecast to decline 0.8 percent to 25.455 million head by the end of 2021. Total inventories have risen to the capacity needed to meet the domestic demand for pork. Swine inventories at industrialized farms reached 23.622 million head in July 2020, accounting for 88.4 percent of the total herd. As industry leaders continue investing in further growth, competition between producers had intensified. Less efficient non-modernized businesses may be forced to downsize or close operations. Backyard swine herds are also in decline due to negative rural demography and African Swine Fever (ASF) eradication measures that contribute to the expected slowdown by the end of 2021.

<sup>3</sup> The State Customs Committee of Ukraine does not report these imports from Russia.

Industrialized farms managed to grow in the environment of the endemic ASF in the country. The first outbreak was reported in 2007, and the disease remains the major animal health issue constraining further growth and expansion into new markets. VPSS reported 117 outbreaks in 20 regions in January-August 2020, 74 cases were registered on pig farms and backyards and 43 in wild boars.

*Chart 8. Number of ASF outbreaks in Russia January 2007- August 2020*



*Source: Federal Service for Veterinary and Phytosanitary Surveillance*

Despite of the widespread presence of the virus throughout its territory, Russia has contained the disease from getting a foothold on large farms comparatively well. As mentioned above in the report, large companies currently handle the lion share of the swine herd. Their operations include the whole cycle from managing the breeding farms to slaughter plants, where strict bio-security protocols are carefully followed. All the leading companies produce their own compound feeds which, in turn, lowers the risk of feed contamination. Large companies have the practice of selling or transporting live pigs for slaughter for better biosecurity. The outstanding bio-security measures taken by commercial pig producers and veterinarian services successfully prevent the catastrophic spread of the virus but cannot guarantee total protection of the industrial farms before vaccination is available.

#### *Pigs Imports.*

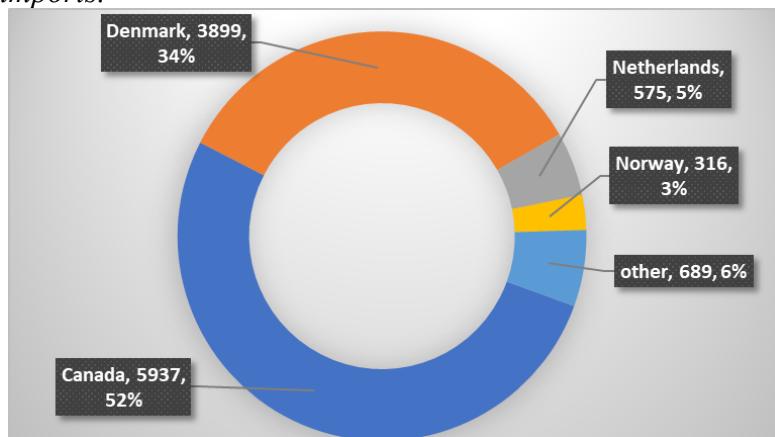
The Russian industry needs quality breeding pigs. Consequently, the GOR implements policies favorable for trade with preferred suppliers. The countersanctions do not ban imports of purebred pigs. Moreover, trade operations with purebred breeding pigs and genetic material are exempt from VAT payments<sup>4</sup>. Zero VAT rate for these products is effective at least until December 31, 2020. The demand remains strong, and there are indications that favorable policies may continue in the midterm. For

<sup>4</sup> The VAT exemption is also applicable to purebred breeding animals and genetic material of other agricultural animals including poultry (hatching eggs), cattle, sheep, goats, and horses. In the case of imports, the exemption shall be granted upon the submission of the documents to Customs in accordance with the Federal law 123 FZ – 08.03.1995 On Livestock Breeding.

example, due to Covid-19 related travel restrictions, VPSS [simplified imports of breeding pigs' from Denmark](#) in May 2020 temporarily allowing shipments from the approved farms without in-person supervision and signature from a Russian veterinarian.

Companies that grew intensively or had to quickly restock their herds after ASF, sometimes used run-on mill commercial gilts for breeding purposes. These practices have had a negative impact on the per-animal productivity. After several consecutive years of improvements, Rosstat has reported 0.25 percent decline of the average per-animal productivity<sup>5</sup>. Meanwhile, competition among producers intensifies and producer focus is shifting from expansion to operational efficiency. The reproductive quality of sows comes into play as one of the key competitive factors, so leading producers will continue enhancing the genetics of their herds. The demand for quality breeding pigs from internationally leading producers will remain strong in 2021. Annual imports of 20,000 live pigs are forecast in 2020 and in 2021.

*Chart 9. Russia: Main Suppliers of Breeding pigs to Russia in Jan-Jun 2020; head, % of share in imports.*



Source: *Trade Data Monitor*

Russia increased imports of breeding pigs to 11,416 head in the first half of 2020; up 83 percent from the previous year. Canada shipped 5,937 head accounting for 52 percent of the imports; Denmark shipped 3,899 head and accounted for 34 percent. Russia also imports breeding pigs from Netherlands, Czech Republic, Norway and France.

Despite of presence of endemic ASF, exports of live pigs have increased to 18,999 head in the first half of 2020. Shipments of slaughter hogs under HS Code 010392 neighboring Georgia account for 94.5 percent of the trade. Russia also exported slaughter pigs to Armenia, Kyrgyzstan and breeding pigs to Kazakhstan. A growing supply of slaughter pigs in Russia will drive exports to neighboring markets, mostly to the EAEU and Georgia, where elevated meat prices will likely remain favorable for imports. Exports in 2021 are forecast to grow to 25,000 head.

<sup>5</sup> Rosstat reports annual sow productivity as number of live piglets born from 100 sows, excluding first time farrowing gilts. It was 3171 in 2018 and 3163 in 2019. Source: [Rosstat](#)

Table 4. Russia: Pork Production, Supply & Distribution (1,000 MT CWE)

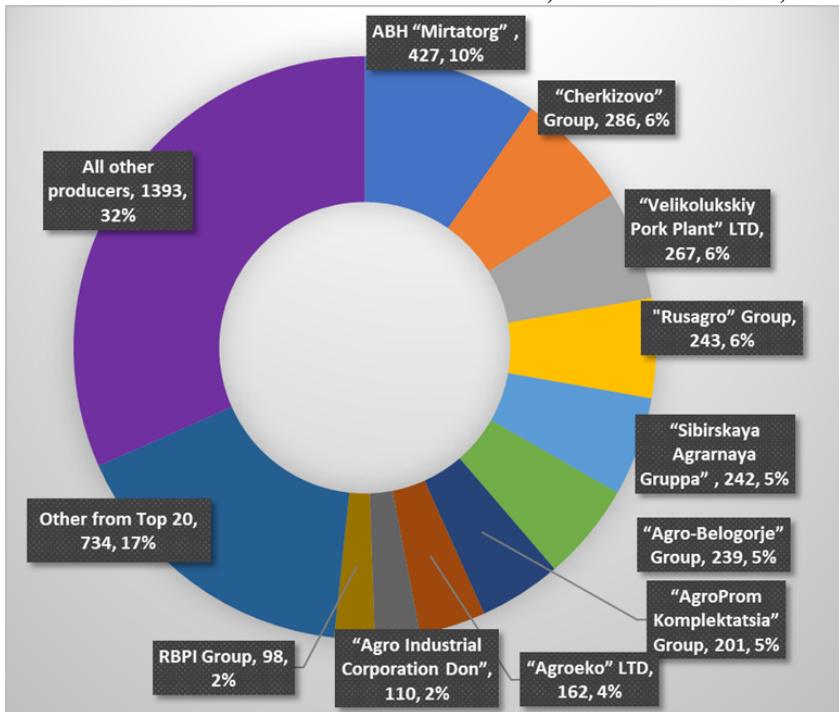
Meat, Swine Market Begin Year	2019		2020		2021	
	Jan 2019		Jan 2020		Jan 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
<b>Slaughter (Reference)</b>	43,400	44,880	45,000	47,000	0	48,000
<b>Beginning Stocks</b>	0	0	0	0	0	
<b>Production</b>	3,321	3,324	3,435	3,520	0	3,600
<b>Total Imports</b>	107	107	70	10	0	10
<b>Total Supply</b>	3,428	3,431	3,505	3,530	0	3,610
<b>Total Exports</b>	68	68	75	110	0	130
<b>Human Dom. Consumption</b>					0	
	3,360	3,363	3,430	3,420		3,480
<b>Other Use</b>	0	0	0	0	0	0
<b>Total Dom. Consumption</b>	3,360	3,363	3,430	3,420	0	3,480
<b>Ending Stocks</b>	0	0	0	0	0	0
<b>Total Distribution</b>	3,428	3,431	3,505	3,530	0	3,610
(1,000 HEAD, 1,000 MT CWE)						

NOTE: Not Official USDA data; Official USDA data is available at <http://apps.fas.usda.gov/psdonline>

#### Pork production

Pork production in 2020 is forecast to reach 3.52 MMT (CWE) on a faster-than-anticipated pace of import substitution and opening of new export markets in Vietnam and Hongkong. Production growth by 80,000 MT (CWE) to 3.60 MMT (CWE) is forecast in 2021 on expectations of better domestic demand and moderate growth of exports. Competition between producers has intensified resulting in a decline of retail prices which, in turn, should stimulate domestic consumption. Availability of feeds from the strong grain crop in Russia will be positive in the market and partially offset the negative impact of a weaker Ruble on production costs. Shipments of Russian pork to Vietnam became the major positive event in 2020 and supported domestic prices at the levels that motivated production growth.

Chart 10. Russia: Pork Producers in 2019, 1000 MT live wt., market shares



Sources: Rosstat, [National Union of Swine Producers](#)

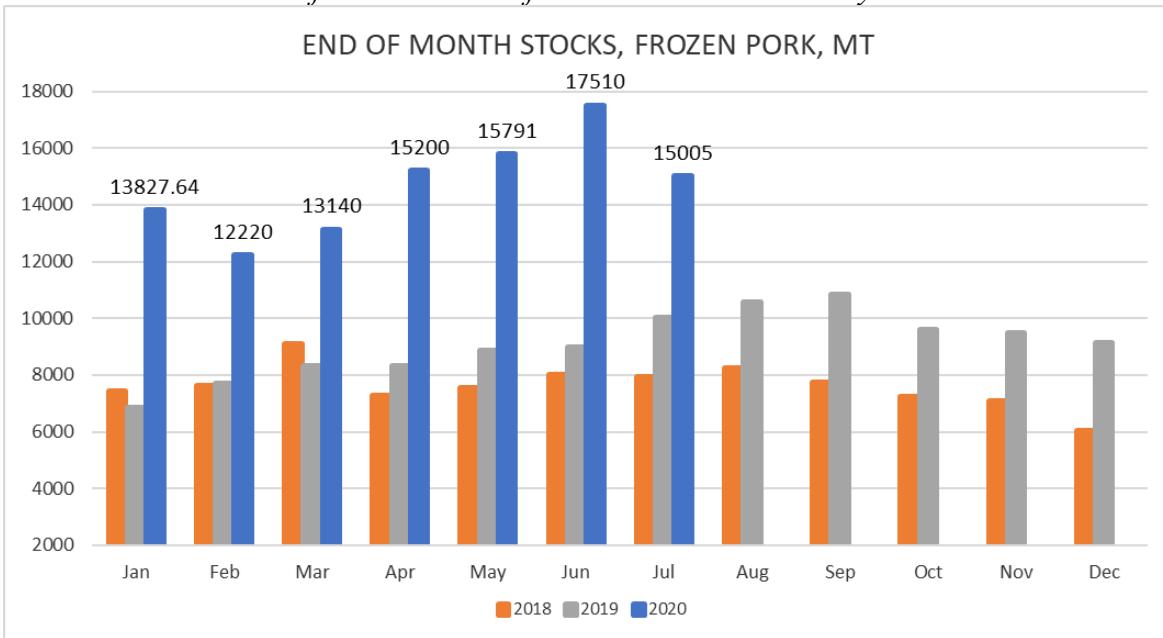
Seventeen out of the top twenty pork companies reported growth in 2019, when their collective increase was 286 1000 MT (live weight), or 10.5 percent annual growth. The share of the Top Twenty in the total Industrial Production (exclusive households) grew from 66 percent in 2018 to 68 percent in 2019. The leading companies the most adept at taking advantage of new export opportunities. Industry leaders are reporting growth of pork sales in absolute numbers in the first half of 2020 and have announced further expansion plans in 2021. (Please refer to Table 6. 20 largest Russian pork-producing companies in 2019 for details).

Covid-19 related supply issues have resulted in significant price increases in the animal nutrition market. According to industry contacts, prices for premixes increased on average 40-50 percent year-on-year due to disruptions and delays in the supply of the imported components. Also, the Ruble depreciated against the U.S. Dollar in March 2020<sup>6</sup> pressuring producer margins by effectively increasing the cost of imported components of feeds, breeding stock and equipment.

The average price for one MT of compound feed for swine increased to 17,143 Ruble per MT in June 2020, which is a 5 percent increase from June 2019. Meanwhile, retail prices for pork declined 3.5 percent. Considering the level of the accumulated stocks of frozen pork, price competition between producers will increase and, in turn, narrow margins further. Less efficient companies may be forced out of business. The pace of the total production growth may slow in 2021, as market consolidation processes intensify.

<sup>6</sup> Ruble sharply depreciated 13.9 percent to US dollar in March 2020 from 66.99 on 03.01.20 to 77.73 rub per US dollar on 04.01.20 Source: <https://www.cbr.ru/>

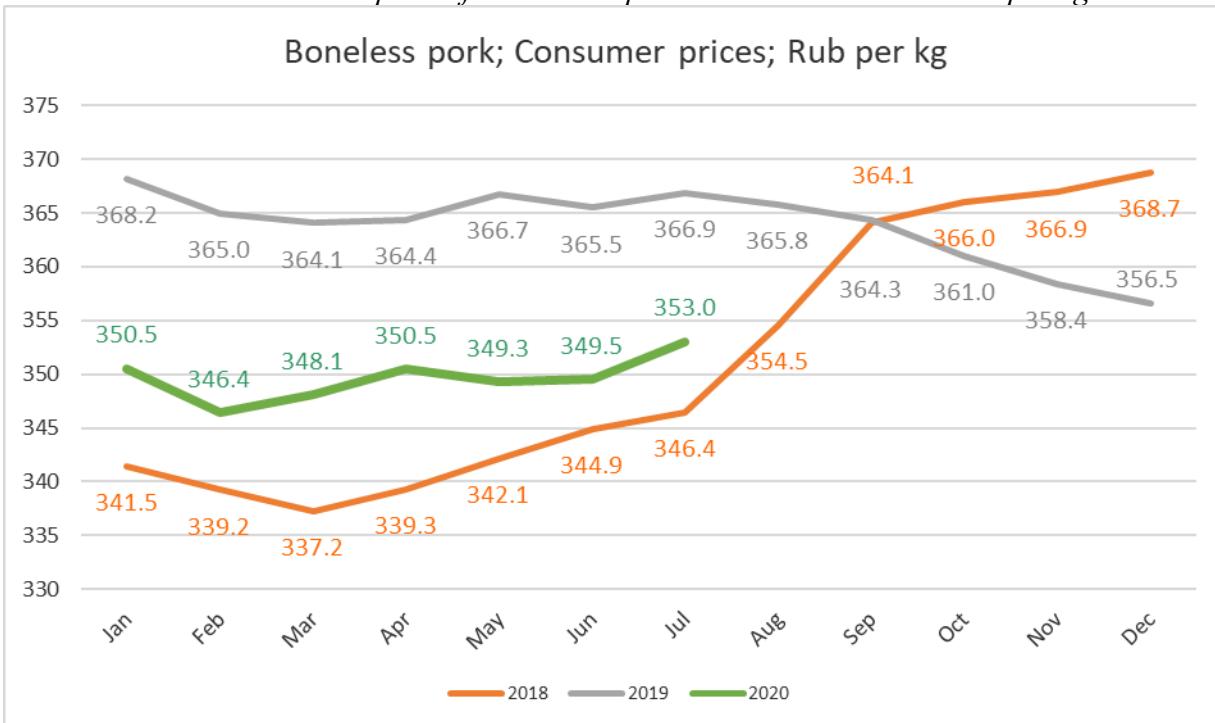
Chart 11. Russia: End of Month Stocks of Frozen Pork in 2018-July 2020.



Source: [www.fedstat.ru](http://www.fedstat.ru)

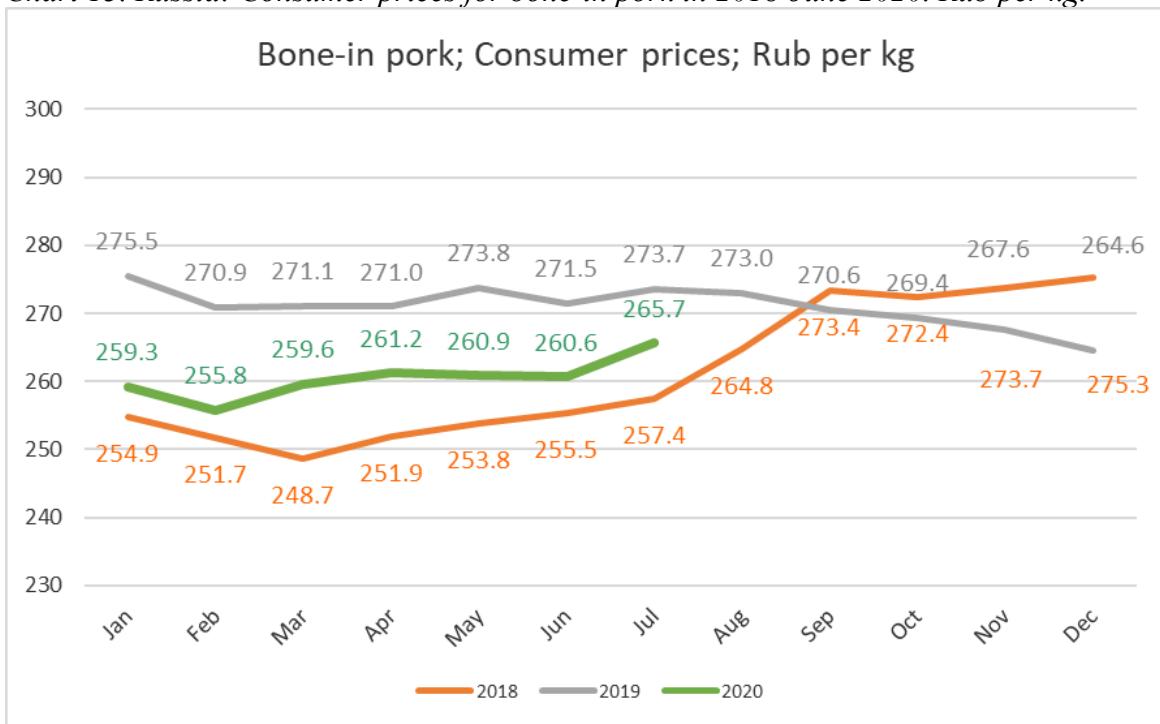
#### Pork Consumption

Chart 12. Russia: Consumer prices for boneless pork in 2018-June 2020. Rub per kg.



Source: [www.fedstat.ru](http://www.fedstat.ru)

Chart 13. Russia: Consumer prices for bone-in pork in 2018-June 2020. Rub per kg.



Source: [www.fedstat.ru](http://www.fedstat.ru)

The impact of Covid-19 on pork consumption has been relatively limited. When demand from the HRI sector dropped at the end of April 2020 due to closures of dine-in restaurants, producers were able to redirect their supply to retail stores. As a result of this redistribution the consumption of local chilled pork increased at the expense of frozen imported meat, mostly used by processors and HRI. Another Covid-19 related effect is the shift of the traditional barbecue season from May to July, which resulted in the two-month delay in the usual seasonal spike in demand for pork. Abundant supply from local producers keeps average consumer prices 4.5 percent lower compared to the previous year. Pork consumption is forecast to increase 1.75 percent in 3.48 MMT (CWE) in 2021 following a 1.7 percent increase in 2020. The forecast reflects an expectation of lower prices as supply from local producers continues to grow beyond domestic demand.

#### Pork trade.

#### Pork imports.

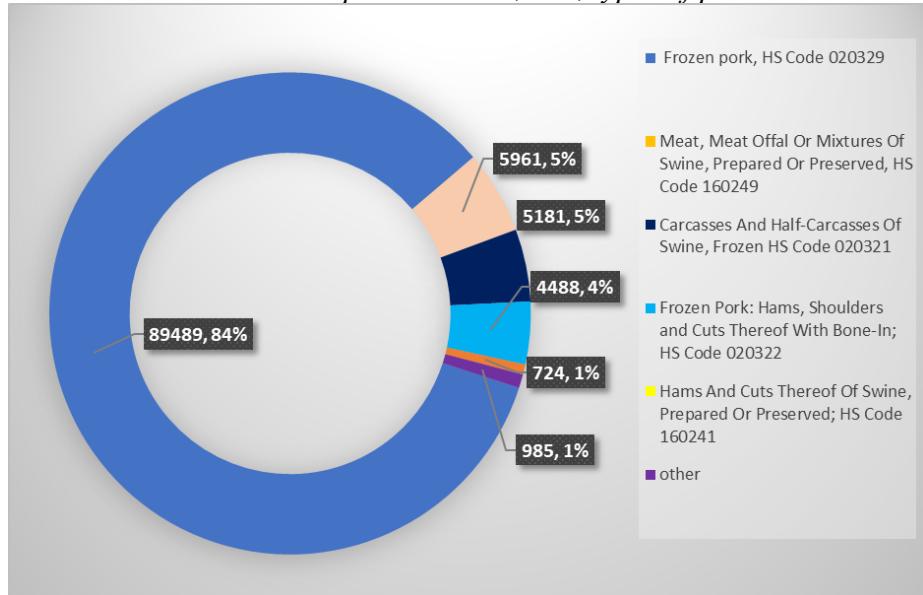
As expected, pork imports from the non-banned exporters<sup>7</sup> have declined because of the change in the tariff schedule that came into effect on January 1 2020. Tariff rate quotas (TRQ) are eliminated and the zero in-quota tariff has been replaced by 25 percent tariff on all pork imports<sup>8</sup>. But the decrease is much more dramatic than previously forecasted due to ruble depreciation and Covid-19 related disruptions in distribution channels. Ninety-three percent of the pork imported in 2019 was comprised of frozen pork

<sup>7</sup> The market is closed for U.S. and some other key suppliers of pork until the end of 2020 due to counter-sanctions that were introduced in 2014. As of the date of the report GOR has not extended the embargo through 2021 but there have been no announcements of any intentions to lift the restrictions.

<sup>8</sup> For details please refer to Gain Report [RS1913 EAEU 2020 TRQs Published and Russia to Eliminate Pork TRQs](#)

including HS Codes 020329; 020321; 020322. These commodities were distributed through BTB channels to independent<sup>9</sup> producers of processed meat foods and HRI, the sectors strongly hit by COVID-19 related disruptions. Local suppliers have rapidly replaced the missing imports, which makes trade recovery doubtful. Pork imports are forecast at 10,000 MT (CWE) in 2020 and 2021.

*Chart 14. Russia: Pork imports in 2019; MT, types of products*



*Source: The Federal Custom Service of Russia*

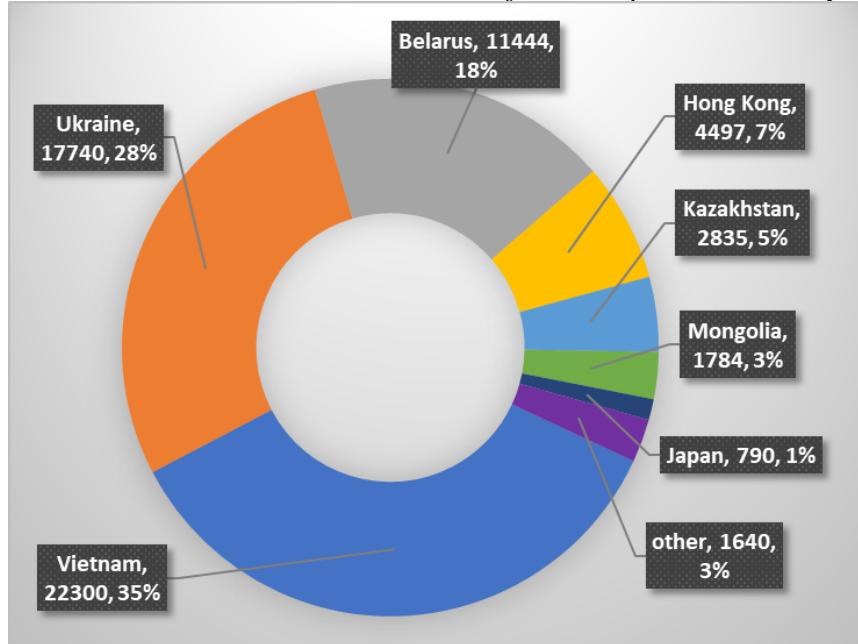
#### *Pork Exports*

FAS/Moscow forecasts 130,000 MT (CWE) of pork exports in 2021, an increase from the record 110,000 MT (CWE) expected in 2020. Russian pork industry has reached the capacity to meet the domestic demand, and leading producers are capable and willing to offer competitive export prices. Business with the strong support from the authorities has intensified the efforts to promote pork to every market that is ready to purchase swine meat from the ASF positive country. Growth in 2021 is forecast based on the expectations of stable demand from traditional importers in Eastern Ukraine, Belarus, and other neighboring CIS and EAEU markets. The shipments to recently opened markets of Vietnam and Hong Kong are expected to be driven by a weaker ruble.

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<sup>9</sup> Meat processing plants, which do not belong to vertically-integrated agricultural companies producing slaughter pigs.

Chart 15. Russia: Main Destinations of Pork Exports in January-June 2020; MT (CWE)



Source: Trade Data Monitor

Russia exported 63,030 MT (CWE) of pork in January-June 2020, up 191.5 percent compared to the same months of 2019. The trade is currently growing mainly because of shipments to Vietnam, where the local industry is struggling with the impacts of ASF. Vietnam officially opened its market for Russian pork in December 2019 when two plants got the right to start exporting. It has become the major destination for pork exports from Russia since January 2020, when actual shipments began. Vietnam accounted for 35 percent of pork exports in the first half of 2020. This trade is expected to increase, as more plants have been approved to ship to Vietnam. As of the date of the report 16 Russian plants have been granted the right to export pork to Vietnam. The Federal Customs Service of Russia reports 22,300 MT (CWE) of pork shipped to Vietnam in January-June 2020. Frozen pork under HS Code 02032921 accounts for 95 percent of these shipments.

The industry, in cooperation with authorities, is working on receiving approval for exports to other key Asian markets, but endemic ASF in Russia hampers these initiatives. According to industry contacts, if there are positive changes to the epizootic situation it could increase the export potential for Russian pork producers by 100,000 - 200,000 MT CWE in one year.

Table 5. Largest Beef and Dairy Cattle Producers in Russia.

#	Company name	Region(s)	Cattle inventories	Specialization
1	<a href="#"><u>Agro Industrial Holding “Miratorg”</u></a>	Bryanskaya Oblast, Kaliningradskaya Oblast, Smolenskaya Oblast, Kaluzhskaya Oblast, Orlovskaya Oblast, Tulskaya Oblast	Total Cattle 700,000 Beef cows: 300,000	Beef cattle farming, Meat Processing Plant Feed Production, Import/Export
2	<a href="#"><u>Holding “Econiva-APK”</u></a>	Voronezh, Kursk, Novosibirsk, Kaluga, Ryazan, Moscow, Tyumen and Orenburg, Leningrad oblasts, the Republics of Tatarstan and Bashkortostan, Altai Krai	August 2020 total cattle 188,830 Dairy cows: 101, 360 Beef cattle: 10,140 head	Milk producer, beef producer, feed producer
3	<a href="#"><u>JSC “Agrokomplex named after N.I. Tkachyov”</u></a>	Krasnodarskii Krai	Total cattle: 108,013; dairy cows: 35,915, beef cattle 9,062	Milk production, Feed lot, Meat processing
4.	<a href="#"><u>JSC “Holding Company Ak Bars”</u></a>	Republic of Tatarstan	Total cattle: 96,600; dairy cows 28,200	Milk and beef production
5	<a href="#"><u>Group of Companies “Zarechnoye”</u></a>	Voronezhskaya oblast, Kaluzhskaya Oblast	Total Cattle: 70,000; beef cows:24,000	Beef production, feedlots, beef processing plant
6	<a href="#"><u>Agroholding «Krasnyj Vostok-Agro»</u></a>	Republic of Tatarstan	Total cattle 65,000, dairy cows 25,000	Milk and Beef production
7	<a href="#"><u>Holding “Agrosila”</u></a>	Republic of Tatarstan	Total cattle:35,100; dairy cows 12,800	Milk production, beef production
8	<a href="#"><u>“Detskoselskiy”</u></a>	Leningradskaya oblast, Voronezhskaya oblast	Total cattle:26,000; dairy cows 13,000	Milk production, beef production
9	<a href="#"><u>“Molvest”</u></a>	Voronezhskaya oblast	Total cattle:25,000	Milk and processed dairy products
10	<a href="#"><u>“Kirov Milk Plant”</u></a>	Kirovskaya oblast	Total cattle 25,000; Dairy cows 12,800	Milk production
11	<a href="#"><u>Agroholding “Kabosh”</u></a>	Pskov Oblast	Total cattle 20,000	Milk and processed dairy products

12	<a href="#"><u>Argoindustrial Group “Milk Product”</u></a> Russian Agrarian Group	Ryazanskata Oblast	Total cattle 16,000; dairy cows 8,000	Milk and processed dairy products; beef
13	<a href="#"><u>“Rusmoloko”</u></a>	Moscow Region	Total cattle 15,000	Milk production
14	Agroholding “Kuban”	Krasnodarskiy Krai	Total cattle 12,300	Milk production

Sources: Information from the companies

Table 6. 20 largest Russian pork-producing companies in 2019

# in 2019 (2018)	Company Name	Pork Produced in 2018; live weight; 1,000 MT	Pork Produced in 2019; live weight; 1,000 MT	Change in production; Live weight 1,000 2019/18 MT / %	Share in total industrial production; percent 2019 (2018) **	Location
1	<a href="#"><u>ABH “Mirtatorg”</u></a>	422.34	426.57	4.23 / +1%	9.7% (10.2 %)	Belgorod Oblast, Kursk Oblast
2	<a href="#"><u>“Cherkizovo” Group</u></a>	250.09	286.2	36.11 / +14%	6.5% (6.1%)	Voronezh Oblast, Lipetsk Oblast, Tambov Oblast, Penza Oblast
3 (5)	<a href="#"><u>“Velikolukskiy Pork Plant” LTD</u></a>	215.76	267	51.24 +24%	6% (5.2 %)	Pskov Oblast
4	<a href="#"><u>"Rusagro" Group</u></a>	218.45	243.36	24.9 +11%	5.5% (5.3%)	Belgorod Oblast, Tambov Oblast
5 (8)	AO “Agrarnaya Gruppa” ( <a href="#"><u>“Sibirskaya Agrarnaya Gruppa” ZAO</u></a> )	150.02	242.06	92.04 +61%	5.5% (3.6%)	Tomsk Oblast, Krasnoyarsk Krai, Tyumen Oblast, Kemerovo Oblast, Sverdlovsk Oblast
6 (3)	<a href="#"><u>“Agro-Belogorje” Group</u></a>	219.4	238.6	19.2 +8.7%	5.4% (5.3 %)	Belgorod Oblast
7 (6)	<a href="#"><u>“AgroProm Komplektatsia”</u></a>	192.57	201.4	8.83 +4%	4.6 % (4.7 %)	Kursk Oblast, Tver Oblast

	<u>Group</u>					
8 (9)	<a href="#"><u>“Agroeko” LTD</u></a>	159.29	162.10	2.81 +1.7%	3.7% (3.9%)	Voronezh Oblast
9(10)	<a href="#"><u>“Agro Industrial Corporation Don”</u></a>	104.5	109.86	5.36 +5%	2.5% (2.5%)	Belgorod Oblast, Voronezh Oblast
10 (15)	<a href="#"><u>RBPI Group</u></a>	61.7	98.21	36.5 +59.1%	2.2% (1.5%)	Kaliningrad Oblast, Nizhniy Novgorod Oblast
11(9)	<a href="#"><u>Agro Industrial Holding “KoPitania”</u></a>	107.57	95.82	-11.75 -10%	2.2% (2.6%)	Tver Oblast, Novosibirsk Oblast, Saratov Oblast, Volgograd Oblast
12 (11)	<a href="#"><u>“Agrofirma Ariant”</u></a>	99.37	94.84	-4.53 -4.5%	2.1 % (2.4%)	Chelyabinsk Oblast
13	<a href="#"><u>“Tkachov Agrokomplex”</u></a>		89.38	+89.38	2% (N/A)	Krasnodarskiy Krai
14 (12)	<a href="#"><u>“Ostankino” Group</u></a>	77	73.2	-3.8 -4.9%	1.7% (1.9%)	Moscow Oblast, Smolensk Oblast
15 (16)	<a href="#"><u>Agro Holding “Talina”</u></a>	59.2	70.74	11.54 +20%	1.6% (1.4%)	Republic of Mordovia, Ulyanovsk Oblast
16 (14)	<a href="#"><u>“Exima” Agro Industrial Holding</u></a>	63.8	67.9	4.1 +6.4%	1.5% (1.5%)	Orel Oblast, Ivanovo Oblast
17 (13)	<a href="#"><u>“Belgrankorm” LTD</u></a>	66.04	67.49	1.45 +2%	1.5% (1.6%)	Belgorod Oblast, Novgorod Oblast
18 (19)	<a href="#"><u>“Bashkirskaya Meat Company” LLC (“Tavros”)</u></a>	53.01	63.8	10.79 +20%	1.4% (1.3%)	Republic of Bashkortostan
19 (17)	<a href="#"><u>“Corall”, LLC</u></a>	54.45	56.10	1.65 +3%	1.3% (1.3%)	Tverskaya Oblast
20 (18)	<a href="#"><u>APH “Promagro”</u></a>	53.32	54.58	1.26 +2%	1.2% (1.3%)	Belgorod Oblast
	<b>Top 20 producers;</b>	<b>2723.05</b>	<b>3009.21</b>	<b>286 10.5%</b>	<b>68% (66.1%)</b>	

	<b>total</b>				
	<i>Total Industrial Production by Agricultural Organizations and Small Peasant Farms. Live weight (excluding backyards)</i>	<b>4114.7</b>	<b>4402.7</b>		

**Attachments:**

No Attachments