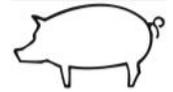




RUSSIA



RUSSIA is the largest export market for EU pig meat, although the UK does not currently have access to the market. On a global scale it is second only to Japan as an importer of pig meat, excluding intra-EU trade. During August 2012, Russia joined the World Trade Organisation which may improve access to its market further. The size of the country means that it also a major producer of pig meat and the Russian government has long-term plans for the country to become self-sufficient. However, these ambitions are being constrained by lack of finance and disease problems, notably outbreaks of African Swine Fever which have spread to many parts of Russia over the last two years.

Pig Numbers

At the start of 2012, the Russian pig herd totalled 17.3 million head with around 2.1 million breeding sows. These numbers were little changed from a year earlier. However, these headline figures hide significant change in the structure of the Russian industry, with further moves towards larger, industrialised producers (“agricultural organisations”) at the expense of small farms and “backyard” producers. This move has been accelerated by outbreaks of African Swine Fever, which have mostly affected small producers. By January 2012, 66 per cent of Russian pigs were owned by agricultural organisations, three percentage points higher than the previous year.

Pig numbers are typically higher in the summer and in August 2012 the total size of the Russian pig herd was 19.6 million head, around 4.5 per cent higher than a year earlier. This expansion was entirely within industrial production and is partly the result of significant investment in the Russian pig industry, in support of the government’s aim to become self sufficient by 2020.

Production

In 2011, Russian pig slaughterings totalled 29.6 million head. Latest estimates suggest that this will rise to 30.3 million head in 2012, an increase of two per cent. Pig meat production will rise by a similar proportion to reach 2.05 million tonnes. Given that increases in the Russian herd have been modest, the increased production is largely due to the improved efficiency provided by larger scale production. Indeed, production from “agricultural organisations” was up 13 per cent in the first seven months of 2012, compared with the same period last year. This followed an 11 per cent rise the previous year. However, growth is likely to be slower in the second half of the year as producers are affected by increased feed prices.

Russian pig meat production from agricultural organisations



Source: USDA

Trade

Russian trade slowed down in the first half of this year, as fresh and frozen pork imports fell by one per cent. Canada became the largest supplier as it increased shipments by more than three quarters, gaining a higher share in the Russian import market at the expense of Brazil. Imports from Brazil were down by around a half, due to a Russian ban of pig meat shipments from the major producing regions imposed in June 2011. Although the restrictions have been partially lifted, trade has yet to fully recover.

January - June		2010	2011	2012
		000 tonnes		
IMPORTS				
Total fresh/frozen pork		308.9	323.6	319.7
from:	EU	147.1	158.1	144.7
of which:	Germany	52.3	46.9	41.8
	Spain	17.1	21.9	35.5
	Denmark	40.6	40.2	31.2
from:	Non-EU	161.9	165.5	175.1
of which:	Canada	34.7	43.2	75.8
	Brazil	111.1	91.3	46.4
	US	15.9	23.6	35.8
Total offal		84.7	108.1	70.5
from:	EU	58.9	79.6	61.5
of which:	Spain	8.0	10.2	16.5
	Germany	24.6	26.4	16.4
	Denmark	5.1	11.1	7.6
from:	Non-EU	25.8	28.5	9.1
of which:	Canada	3.0	6.3	5.7
	US	4.7	5.3	2.2
	Brazil	8.8	8.1	0.5

Source: Customs Committee of Russia, GTIS

Similarly, supplies from Germany were back by 11 per cent, partly due to competition from the Chinese market along with lower production in the first half of this year. Denmark also recorded a fall in shipments of 22 per cent due to lower domestic pig meat production. Along with Canada, the shortfall in supplies was mitigated as the US and Spain also increased their shipments by over a half. Higher US and Spanish pig meat production between January and June compared with last year contributed to this trade pattern.

Offal imports fell even more sharply, down by more than a third on the first half of 2011. Spain was the only major supplier to send more offal to Russia. Brazilian shipments were very small as import restrictions continued to bite.

Russia has historically been a significant importer of live pigs, particularly from the Baltic states. However, shipments were less than half their level a year earlier in the first half of 2012. This was largely due to restrictions on imports of live animals from most of the EU imposed in response to the Schmallenberg virus, even though it doesn't infect pigs.

As of August 23, Russia will become a member of the WTO. As a result, Russian import duties on meat and live animals will be reduced. Specifically, the duty on imports of live pigs, which is currently 40 per cent, will drop to five per cent. Duty on imports of pork within quota will fall to zero from 15 per cent, while for imports exceeding the quota it will be reduced from 75 per cent to 65 per cent.

Prices

Russian pig prices have typically been relatively high by international standards. In recent months, the price has typically been around 95 roubles (£1.90) per kg liveweight. This is around five roubles higher than the price in the second half of 2011. Prior to Russia's accession to the WTO, there were fears among producers that increased pork imports could lead to substantially lower prices, which would inevitably feed through into lower pig prices. It is too early to say whether that fear will be realised in the coming months.

Outlook

As indicated above, Russian pig meat production in 2012 is forecast to be two per cent higher than in 2011 as the expansion of large-scale agricultural organisations more than offsets declines in smaller farms and backyard producers. The decline of smaller producers is being accelerated by the ongoing outbreaks of African Swine Fever, with the government stepping up its actions to eradicate the disease. Nevertheless, with significant investment in large scale production, the growth trend is likely to continue into 2013, with production forecast to increase by a further two per cent to 2.1 million tonnes.

Production growth may be aided by increased imports of live pigs due to reduced tariffs following Russia's accession to the WTO. For the same reason, imports of pork may increase slightly in 2013. However, with the tariff rate for out-of-quota pork remaining high, growth may only be modest. Nevertheless, when combined with increased domestic production, this should ensure that the upward trend in Russian pork consumption continues into 2013.

Russian pig meat production and consumption forecasts

	2011	2012 (f)	% change	2013 (f)	% change
(000 head)					
Slaughterings	29,603	30,286	+2	30,800	+2
(000 tonnes)					
Net production	2,000	2,045	+2	2,100	+3
Consumption	2,971	3,020	+2	3,125	+3

Interested in data? Get more detail about these and other areas from <http://www.bpex.org/prices-facts-figures/>

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