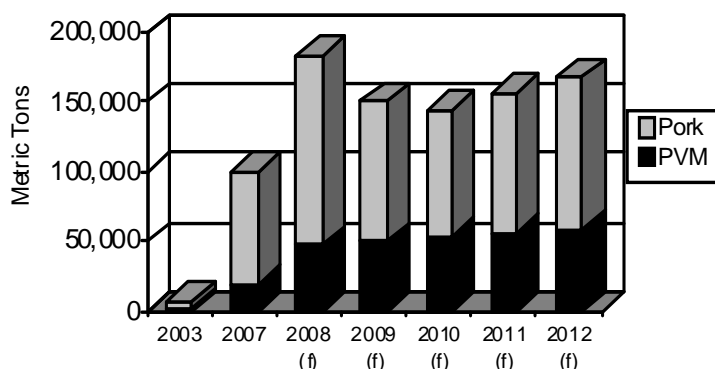


# RUSSIA PORK

**U.S. Pork & Pork Variety Meat Exports**



## MARKET OVERVIEW

U.S. pork exports to Russia doubled during 2006, and set another record in 2007, posting an impressive growth rate of 21% to reach 99,876 mt valued at \$206,885 million. In 2007, U.S. pork/pvm exports to Russia represented 7% of the total U.S. pork/pvm exports. High Brazilian pork prices and the weak U.S. dollar gave the U.S. a competitive edge. However, exports to Russia are expected to slow down for the remainder of the year as inventories are well stocked and the U.S. dollar is strengthening against a depreciating Brazilian Real and Russian ruble. Russia is the second

largest pork importer in the world and the U.S. is gaining market share, with exports doubling the 49,000 mt U.S. quota. Retail sales in Russia increased by 15% in the first half of 2008 year-on-year to 6.2 trillion rubles. Sales in June rose almost 14% more than a year earlier. Consumer prices have grown since the start of 2008 compared to the same period of last year, although U.S. pork sales also continue to increase.

## MARKET OPPORTUNITIES

- The U.S. pork industry has established a reputation for supplying raw material of a consistently high quality to the rapidly evolving Russian processing and retail sectors. As a result, Russian buyers have demonstrated a clear preference for U.S. pork when it is priced at levels comparable to those offered by other suppliers.
- Russia's retail sector is booming as local and international retail chains have developed rapidly over the past several years. Much of this growth is being driven by the increase in consumer purchasing power, creating new opportunities for U.S. pork to increase its presence in the modern retail sector.
- Opportunities exist in the HRI sector with a growing number of upscale establishments serving high-quality food. U.S. pork is already showing expansion in this sector.

**Strategic Objective: Buyer Loyalty** Build and reinforce long-term purchasing loyalty among targeted buyers in Russia by continuing to provide information on the U.S. as a reliable supplier of safe, high quality pork that consistently meets buyers' expectations and where possible, by demonstrating the profitability of sustained purchasing of U.S. pork.

Budget Allocation (FY09)	
Buyer Loyalty	97%
Issue Management	3%

**Strategic Objective: Issue Management** Contribute to and support U.S. government initiatives to eliminate trade-restrictive Russian policies and requirements and keep the U.S. industry informed on critical changes in Russian government requirements and emerging consumer issues.

## Market Background Information

### Market Trends and Growth Potential

	2007	2002
Per Capita Pork Consumption	19.3 kg	16.7 kg
Total Pork Imports	687,817, mt	614,511
Total Pork Variety Meat (PVM) Imports	207,862 mt	110,307

- The current dramatic correction in beef prices offered to Russia from South America is having a knock-on effect in the pork market, as exporters and traders are forced to try to resell goods for which their clients are unable to pay due to being overextended with beef stocks and beef purchases.
- However, the fundamental position for pork demand remains positive, so it is hoped that this situation will not last too long and that the difficulties of the beef sector will not adversely affect the pork market.
- The Russian domestic production support program is set to continue and be expanded. So far, the results have been mixed with most Russian processors complaining of the inconsistent quality of

domestic carcasses and declaring a strong preference for imported pork. These difficulties will take time and investment to resolve, so although the Russian government has declared an expansion of this program, positive results may not appear for quite some time.

### Competitiveness & Product/Industry Image

	2007	2002
U.S. Share of Total Pork/PVM Import Market	11%	2.5%
Other Pork/PVM Suppliers & Market Shares	Brazil 32%	Brazil 49%
	Denmark 14%	Denmark 10%
	Germany 10%	Germany 8%
Domestic Self Sufficiency	71%	57%

- Both U.S. and Brazilian pork benefit from an excellent product reputation in Russia with particular importance given to the product consistency.
- Russian veterinary authorities have de-listed more than 100 EU pork and poultry processors during 2008 (including most of the major EU pork producers), and despite veterinary inspection visits to some EU countries, no progress has been made (at the time of writing) toward having plants re-listed. The U.S. has so far not faced problems of this magnitude.

### Market Penetration

Customers for U.S. Pork Imports	Processing 65%
	HRI 5%
	Retail 30%
Top Imported U.S. Pork Cuts:	picnics, Collar butt, bone-in ham
Top Imported U.S. Pork Variety Meat (PVM) Items:	jowls, diaphragms, feet

- U.S. pork penetration in Russia has been largely confined to the processing and retail sectors. However, U.S. pork value-added cuts have expanded into the food service sector in Moscow and St. Petersburg and frozen U.S. pork is showing signs of regional HRI expansion.

### Operating/Marketing Environment & Trade/Distribution Issues

- The veterinary pre-notification system came into effect for goods arriving in Russia after September 15, 2008, and has resulted in some slowing of imports as the Russian authorities try to come to terms with managing the huge volume of information and paperwork involved.
- Noteworthy issues include a) future tariffs and tariff rate quotas (TRQs) for pork imports from the United States; and b) Russia's zero tolerance policy on the presence of selected pathogens (e.g., Salmonella) on fresh meat.

*Import and market share data is based on import data of Russia (from GTA), and U.S. export data is from the U.S. Department of Commerce, Trade Census Bureau.*