Pig Production In Russia

Simon Grey
Country Details

• Huge landmass – 11 time zones, from Europe to Alaska, a total of 17,075,200 sq km (33.7 times bigger than Spain!)
• Contains Europe's ‘bread basket’
• Huge natural wealth (oil and mineral)
• About 140 million people
• Majority of population on Eastern Side (European Russia)
• Currency Rouble (€1 = 44 Roubles)
Over-C-Farm Management
Europe's ‘Bread Basket’
Really Cold Winters!!
Politics

- Russia is divided similarly to the USA, with ‘Oblasts’ rather than ‘States’.
- President and Central Government elected in free elections.
- Local State Governors appointed by the President.
- Russia is a ‘controlled’ democracy.
Pork Consumption per Person

![Bar chart showing pork consumption per person from 2004 to 2012. The consumption increases from 15 kg/head in 2004 to 30 kg/head in 2012.](image)
Pigmeat Consumption

- Target for 2012 = 30kg per head.
- Spain about 66kg per person?
- This year consumption has reduced a little due to financial crisis.
- Russians are pork eating people - including Russian Muslims!
- Consumption will increase as personal wealth grows.
Pigmeat Production

- Currently production increasing year on year
- Imports being restricted in line with increased farmed production
- Still today 58% domestic ‘backyard’ production
- Russia needs currently in excess of 500,000 more sows to become self sufficient at today's consumption!
- And another 500,000 sows to replace the domestic production which will reduce over time.
- And another 500,000 sows to cope with rising demand by 2012
- In theory another 1.5 million sows!!
Pig Price and COP

- Pig price about 80 roubles / kg liveweight for European Quality Meat.
- COP for good efficient producers +/- 44 Roubles.
- For good producers it is currently VERY PROFITABLE (up to €90 per pig profit).
- Good producers get the same technical results as we expect in Western Europe!
- For poor producers with fat domestic pigs it is not.
- 15 to 18 P/S/Yr, 3.5 FCR in Finisher, 25mm P2

Over-C-Farm Management
Price Trends
Price Control?

• In principle there is a free market.
• Slaughter plants buy live pigs directly from farms.
• Normal supply and demand does affect price, as does quality (lack of fat).
• HOWEVER-
• Total meat supply controlled by restricting imports.
• This keeps the demand higher than the supply – and therefore the price high.
Why?

• For us in Europe it is unusual to see a Government giving support to Pig Farmers!!

• Russia aims to become self sufficient in meat (and even to export in the long term)!

• Government incentives (secured loans, interest rate subsidy, subsidy for modern genetics).

• By making sure these business are profitable the Government can insure its investment!

• Only approved schemes get the subsidies.
Industry Structure

- Russia’s current top producers (2 companies with over 50,000 sows each) were not producers just 5 years ago.
- 7 of the top 20 producers in 2008 did not have a single pig in 2006.
- Historically commercial production was on state farms that had land, pigs and a feed mill.
- Live pigs were sold to slaughter houses.
- Slaughterhouses tend to produce half carcasses for sale either to local butchers (fresh markets) or to processors who further process and brand.
- There was very little true integration.
But Changing!

- Majority of new projects are;
- Either Slaughter companies putting down their own production.
- Or completely new companies building fully integrated systems from nothing.
- Integrated companies producing branded products.
- These are truly integrated with land, feed mill, farms, slaughter and processing, transport etc...
- There is no contract farming in Russia. Although the Government has announced that it would like to develop European style family farms, so there may be some future potential
New Farms

Over-C-Farm Management
Fully Integrated

Over-C-Farm Management
Farm Size and Type

- New farms tending to be -
- Either 2,500 sows farrow to finish.
- 5,000 sows on 3 to 5 sites.
- Fully equipped to European Standard.
- Investment costs around €5,500 to €7,500 per sow (depending upon the region and facilities)
- Construction costs are high in Russia at around €300 per m2
Land and Permits

- It is impossible to buy land in Russia.
- It is possible to buy shares in the land or to lease it from the state or private owners who already have the shares.
- Leasing costs are around 600 – 700 Roubles / Ha (about €15 / Ha)
- State governors are pressurised by Moscow to develop agriculture – as part of this they can ‘give land’ to investors who are prepared to develop!
- To get subsidies the investment must be approved under the development of agriculture scheme
Land and Permits

• The permit process is on paper very complicated and slow.
• However this process can be made quickly when new investment is required.
• Permits will be given preferential treatment where the investment will create jobs and wealth.
• Some states are more effective at working the system than others.
• For example Belgorod has increased production by about 130,000 sows in 5 years and is now Russia’s No1 meat producer.
Possible For Foreigners?

- Yes, there are a small number of both JV companies and foreign owned farms.
- For foreign ownership it is necessary to form a Russian company.
- Campofrio had a meat factory and farm in Russia that has been sold to a Finnish company Atria.
- 25,000 Sow JV German / Russian in Belgorod
- CP (Thailand) building near to Moscow
- 3 Danish owned projects
- 3 Projects currently looking for JV partners, 2 X 25,000 sows and 1 X 8,000 sows
- Part built farms available to buy NOW
But Difficult!

- Trading in another country is never easy, especially when the cultures and laws are very different.
- Either a good Russian partner or Russian advisors are absolutely vital.
- Russian’s do business and trade based upon trust in you as a person.
- This trust takes time to build up.
- If they want to block you they can and will!!
Financial Crisis

• For completed projects there have been no problems.
• For those under construction many have been stopped (many part built).
• With government financial initiatives things beginning to move again.
• There are some half built farms effectively owned by the banks currently available and several projects that would re-start with new investment.
Familiar Names

- All major breeding companies are established in Russia, most with Nucleus and Multiplication.
- Many Dutch and American owned feed mills.
- Major drug companies becoming established.
- Major large and small equipment suppliers all present.
- European piglet feeds widely available.
Operational Difficulties!

- Poor quality construction – have to control the process.
- Specialists – Russia does not have multi-tasking workers, vets treat, inseminators inseminate, feeders feed and cleaners clean.
- Massive amount of administration.
- Vets!! – often poorly trained but with power.
- Zavtra (tomorrow) – everything is going to happen tomorrow.
- Managers do not take decisions (a problem from past times).
Operational Advantages!
Threats and Opportunities

• Russia as a major importer plays an important role in the global pig market.
• Russia will meet its target of becoming self-sufficient (although not as quickly as it plans) and this will impact globally.
• Currently pig production is very profitable and is expected to remain so until self sufficiency, when internal supply and demand will have a greater effect on price.
• There are opportunities for brave foreign investors both as independents and in JV’s (for JV you have to be able to understand and think like a Russian)