

MARKET OVERVIEW

PRODUCTION

In 2020, Russia produced 4.3 million tonnes of pork in slaughter weight, showing a year-on-year increase of 9%. With the expansion of capacities, the domestic market enabled to approach the self-sufficiency in pork and the per capita consumption of pork went up by 5% – to 28 kg per year.

Higher output was attributable to the expansion of the industrial sector. Thus, pork production by agricultural enterprises grew by 11% (+0.4 million tonnes) to 3.8 million tonnes. The majority of this growth was shared by four market players – Miratorg, Rusagro, AgroPromkomplektatsiya and Velikie Luki Pig-Breeding Complex, which in total ramped up their production by 0.2 million tonnes in slaughter weight. Meanwhile, the capacity figures of farm enterprises and private farm households continued the downward trend. In 2020, they produced 5% below the 2019 level – 0.5 million tonnes, making the share of the industrial sector grow by another 2 p.p. to 89%.

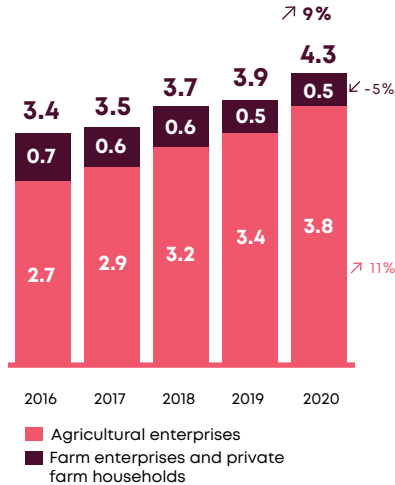
↑ 9%

4.3

mn tonnes

pork production in Russia in 2020

Pork production in Russia in slaughter weight, mn tonnes¹



Source: Federal State Statistics Service

¹ Excluding the pork produced in the Republic of Crimea

- Agriculture Business
- Oil and Fats Business
- **Meat Business**
- Sugar Business
- Dairy Products Business

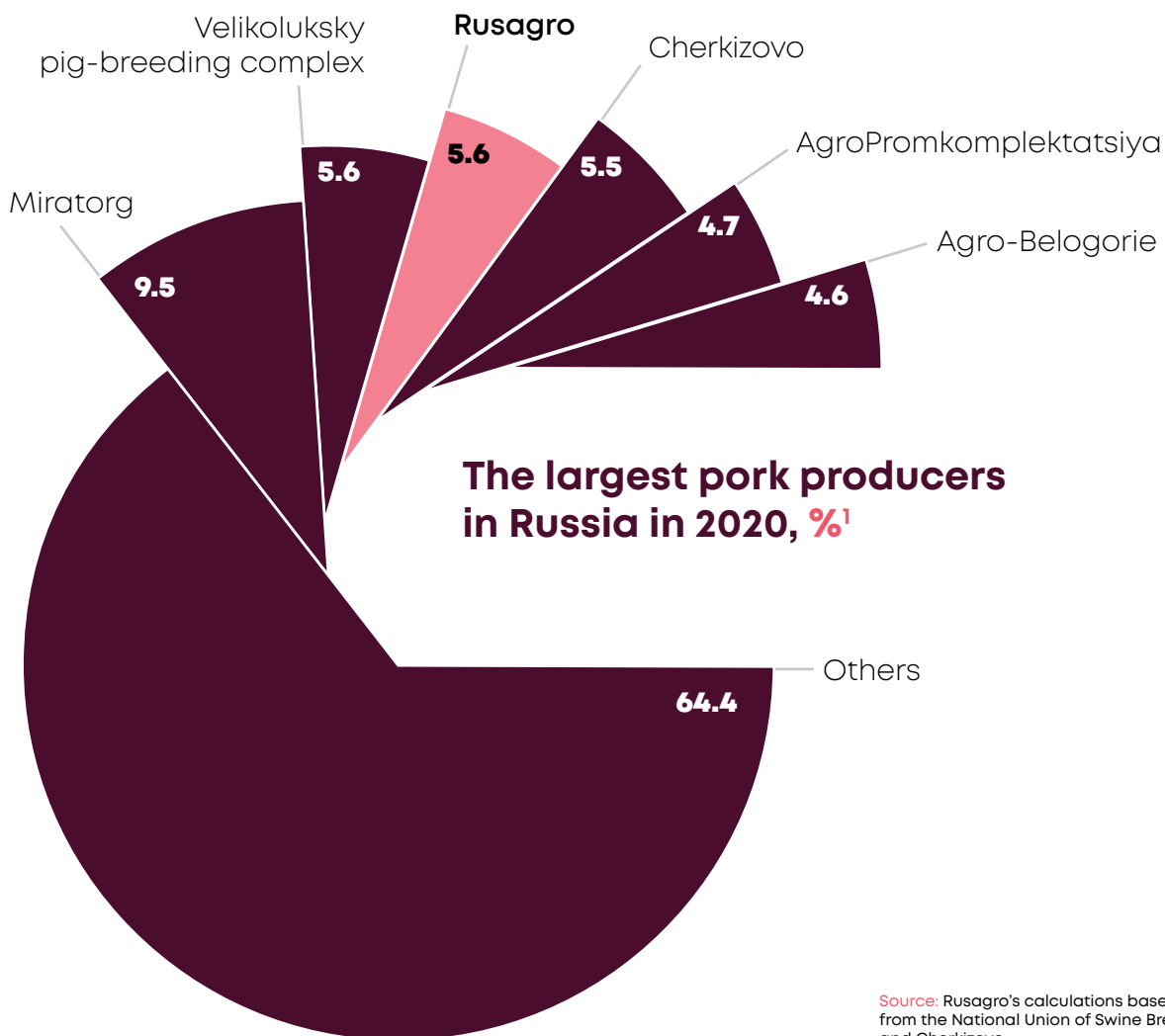
KEY PLAYERS

In 2020, six largest pork producers together produced 1.9 million tonnes of pork in live weight (1.5 million tonnes in slaughter weight), an equivalent of 36% of total domestic production. During the year, the market leaders scaled up their output by 0.3 million tonnes of pork in live weight (0.2 million tonnes in slaughter weight). With a share of 9.5% (+1.0 p.p.), Miratorg retained its status of the largest domestic pork producer – its production volume rose by 95 thousand tonnes (+22%) and amounted to 522 thousand tonnes of slaughter pigs in live weight. Rusagro, with a share of 5.6% (+0.8 p.p.), came in a close third after the Velikoluksky Pig-Breeding Complex, with a slight lag of 0.2 thousand tonnes.

↑ 0.8 p.p.

5.6%

Rusagro's share in pork production in Russia in 2020



Source: Rusagro's calculations based on data from the National Union of Swine Breeders and Cherkizovo

¹ The share of Russian companies in pork production was estimated by reference to the volume of pork production by agricultural enterprises, farm enterprises and private farm households

PRICES

In 2020, due to the higher supply of domestic pork, the average market price for live pigs fell by 3% and stood at RUB 87.9 per kg, exclusive of VAT. The month to month variation of prices during the year was caused by the seasonality of demand for meat products, the supply of live pork, and the pork export developments. The coronavirus epidemic had slight impact on domestic prices – a price hike was registered in March and was related to the outbreak of the epidemic and the panic-buying spree, but in the spring the demand had already dropped to the season-specific level.

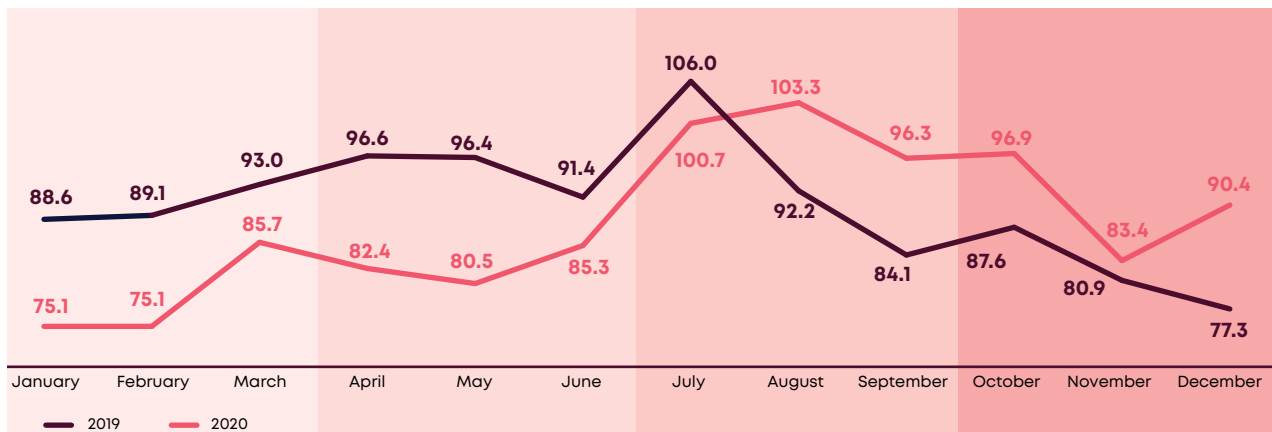
↙ - 3%

87.9

RUB/kg, excl. of VAT

Average price for pigs in live weight in Russia in 2020

Average market prices for pigs in live weight in Russia, RUB/kg, excl. of VAT



Source: Global Monitoring

1.

The average price for the first quarter of 2020 stood at RUB 78.6 per kg, down 13% period-on-period. Compared to the fourth quarter of 2019, the price declined by 4% due to an increased supply of pork and seasonal contraction of its demand on the market. The end of March witnessed the recovery in demand, partly owing to the coronavirus epidemic and arising buying fever.

2.

Likewise, the average price for the second quarter of 2020 was down 13% period-on-period and stood at RUB 82.7 per kg. Compared to the first quarter, prices posted a seasonal growth of 5%. The prices continued the rising trend in the summer months, when the period of isolation and rest of Russians at domestic resorts provoked an increased demand for pork.

3.

The average price for the third quarter of 2020 was RUB 100.1 per kg, up 6% period-on-period. Compared to the second quarter, the price went up by 21% owing to the seasonality, greater exports of pork and poultry, and also to the increased number of African swine fever outbreaks, which affected several Russian top pork producers.

4.

The average price for the fourth quarter of 2020 was RUB 90.2 per kg, up 10% period-on-period. Compared to the third quarter, the price fell by 10% due to the seasonal fluctuation of pork demand.

- Agriculture Business
- Oil and Fats Business
- **Meat Business**
- Sugar Business
- Dairy Products Business

EXPORTS

In 2020, the exports of pork (half carcass, large cut, industrial cuts and semi-finished pork products) and pig offal from Russia recorded significant year-on-year growth. Owing to the opening up of the Vietnamese market for pork – in addition to pig offal – at the end of 2019 and the growing demand for pork in Hong Kong, pork exports increased by 130%, totalling 243 thousand tonnes (+138 thousand tonnes). Specifically, supplies of pork went up by 160% (+78 thousand tonnes) and reached 126 thousand tonnes, supplies of pig offal – by 101% (+59 thousand tonnes) – up to 117 thousand tonnes.

The pork products of Russian origin are mainly purchased by Hong Kong, Vietnam, Ukraine, and Belarus (93% of the total volume). In 2020, all above economies intensified their imports of Russian pork and pig offal. The largest contributors to this growth were Vietnam (+398%, or 57 thousand tonnes) and Hong Kong (+132, or +49 thousand tonnes), which was supported and promoted by the continued decline in domestic pork production in Asia. Exports to Vietnam totalled 24 thousand tonnes (+69%, or +10 thousand tonnes) of offal and 47 thousand tonnes of pork (vs 0 thousand tonnes in 2019). Sales to Hong Kong amounted to 78 thousand tonnes (+117%, or +42 thousand tonnes) of offal and 8 thousand tonnes (up 8 times year-on-year) of pork.

↑130%

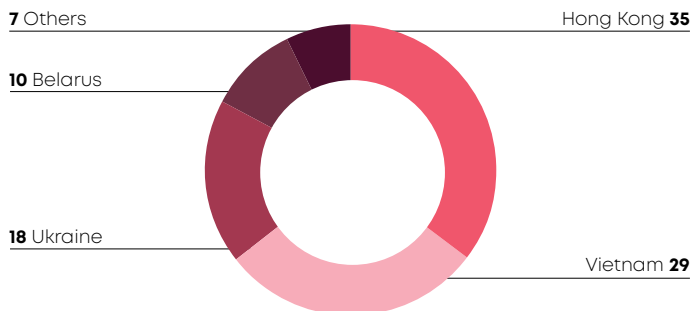
243

ths tonnes

Pork and offal exports from Russia in 2020

Hong Kong and Vietnam were the major markets for Russian pork and pig offal in 2020

Breakdown of pork and pig offal exports in 2020 by destinations, %



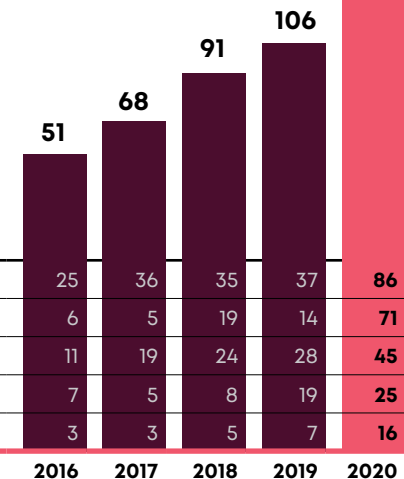
Comment: Pork includes half carcass, large cut, industrial cuts and semi-finished pork products

Source: Federal Customs Service of Russia

Key destinations of pork and pig offal exports, ths tonnes

Indicator	2016	2017	2018	2019	2020
Hong Kong	25	36	35	37	86
Vietnam	6	5	19	14	71
Ukraine	11	19	24	28	45
Belarus	7	5	8	19	25
Others	3	3	5	7	16

↑130%
243



Comment: Pork includes half carcass, large cut, industrial cuts and semi-finished pork products

Source: Federal Customs Service of Russia

IMPORTS

In 2020, pork imports to Russia sank year-on-year by 83% (-69 thousand tonnes) to 14 thousand tonnes. All top suppliers, except for Argentina, scaled down the volume of their supplies due to the replacement of the tariff quota for pork with a flat top rate of 25% and the depreciation of the rouble against world currencies amid the enhancing appeal of the Chinese and Southeast Asian markets. In 2020, Chile, with a total supplies of 6 thousand tonnes (-75%), emerged as the largest importer of pork and pig offal to Russia. Brazil, which used to be the main supplier of imported pork and pig offal for years, reduced export volumes by 94% – to 3 thousand tonnes and was second after Chile.

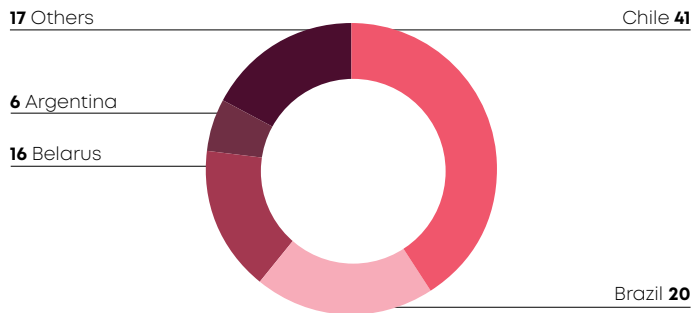
↘ - 83 %

14

ths tonnes

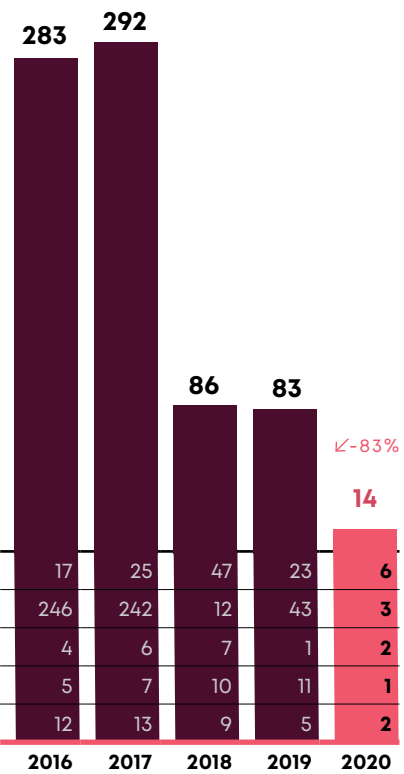
Pork and offal imports to Russia in 2020

Breakdown of pork and pig offal imports in 2020 by destinations, %



Comment: Pork includes half carcass, large cut, industrial cuts and semi-finished pork products

Source: Federal Customs Service of Russia



Key destinations of pork imports, ths tonnes

Indicator	2016	2017	2018	2019	2020
Chile	17	25	47	23	6
Brazil	246	242	12	43	3
Belarus	4	6	7	1	2
Argentina	5	7	10	11	1
Others	12	13	9	5	2

Comment: Pork includes half carcass, large cut, industrial cuts and semi-finished pork products

Source: Federal Customs Service of Russia

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OUTLOOK FOR 2021

In 2021, Russian pork producers will hold a continued focus on increasing their output to promote the utilisation of slaughtering capacities, earlier growing at an outstripping pace, which yet may be hindered by recurrent outbreaks of African swine fever. Declining real incomes of households will cramp the development of domestic demand for finished goods. At the same time, weakening rouble will favour the growth of export supplies, especially to Vietnam, and prop up domestic prices, thus exposing them to the changes in the exchange rate. Combined with an spike in world prices for agricultural products, the devaluation of the national currency will drive up the raw material costs, which will put a downward pressure on the profit margin of pig breeding companies in 2021.