Trade bans disrupt Russian pig sector

The Russian pig market has often been unpredictable. However, even by Russian standards the last year has been unusually eventful. With pork imports banned from the EU since this time last year and from Canada & the US, among others, since the summer, supplies have been particularly tight. More recently, the devaluation of the rouble and the collapse in the global oil price have hit the Russian economy.

Russian trade data have recently become available for the first time since April. The new figures show that, while Russia imported 592,000 tonnes of pork in 2013, during 2014 this dropped by 220,000 tonnes, or nearly 40%, to 372,000 tonnes. This decrease has been stepped, due to the successive trade bans based on product safety and international politics.

Firstly, imports from the EU were banned in February due to concerns over ASF; shipments decreased from 332,000 tonnes in the first 11 months of 2013 (over 60% of all imports) to just 19,000 tonnes (6% of the total) last year. Canada and Brazil subsequently increased their deliveries but they could in no way fill the deficit.

In August, sanctions were enforced on Canada and the US, among others, on political grounds. This allowed Brazil to expand shipments, going some way to compensating for the loss of US and Canadian pork but leaving the deficit from the EU untouched. Russia expanded trade with some of its smaller partners as well, including Chile and Serbia. Deals with China, India and South Korea are thought to be in progress but had not come into effect by the end of the year.

However, developments in the Russian economy in recent months may limit further investment in pig production, despite the strong returns currently on offer. The sharp decline in the value of the rouble means many Russian investors will have moved their money out of the country. In addition, the falling oil price has reduced one of Russia’s main sources of income. This could slow or even stop production growth in the years ahead.

These developments are important because the Russian market will eventually reopen for exports. When it does, it is likely to require less pork (and other pig meat products) than it did historically. However, any slowdown in investment may extend the time before Russia becomes self-sufficient in pork production, meaning export opportunities could be available for some years to come.

From an EU perspective, this will be welcome, given the impact the Russian ban has had on pig prices. This is partly because Russia was a particularly important market for by-products, such as fats, for which there are few other buyers globally. Without these sales, the value of pig carcases is lower, affecting everyone in the supply chain. Anything which gives hope that the market for these products could return, even on a smaller scale than before, will be welcome.