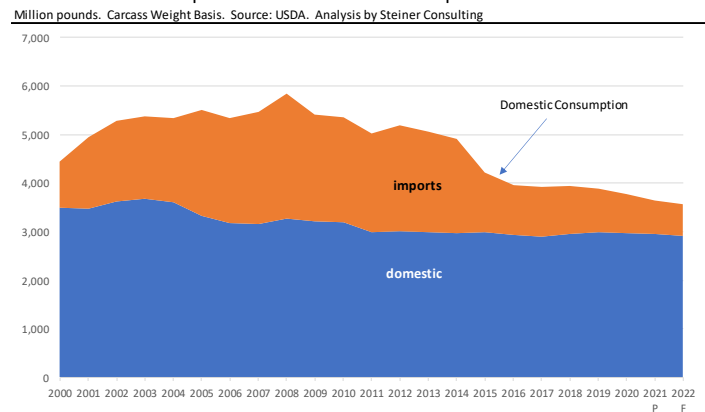


“Everyone has a plan until they get punched in the mouth” - Mike Tyson

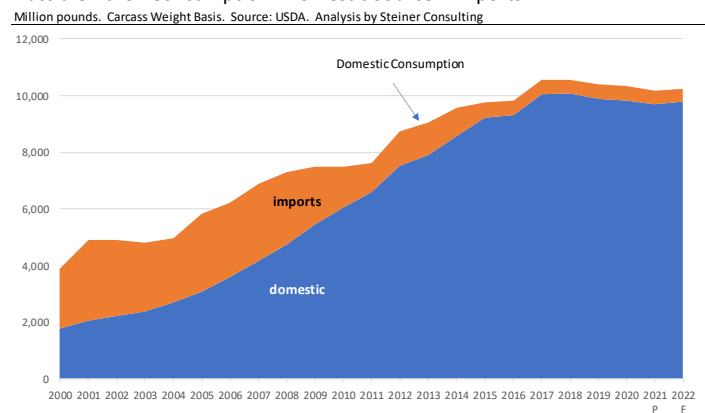
Russia has finally dropped all pretense and decided to launch an all out war against Ukraine. They may have a plan and goals but no one knows how things will unfold, much will depend on the willingness of the world to fight back. It is a reminder that much as we would like to work from home in our pajamas, the world is a tough and dangerous place. We do not pretend to know how the outbreak of hostilities in the doorstep of Europe and our allies will impact the livestock market but it may be worth at least examining some of the issues and get some facts straight.

Will the expected sanctions on Russia impact global meat trade/demand? A while back Russia was a major buyer of proteins in the world market. We still remember when prices for chicken leg quarters in the US, or the price of beef in Brazil would be greatly affected by events in Russia. That is no longer the case. In the last decade, Russia has worked very hard to become self sufficient in meat protein. Thanks to USDA-FAS for maintaining a comprehensive library of production/trade data for Russia. The attached charts shows Russian beef, pork and chicken consumption since 2000 and how much of that consumption relies on domestic production and imports. As recently as 2010, Russia relied on pork imports for about a third of its pork consumption. However, in 2021 USDA notes that Russian domestic pork consumption was 26% higher than in 2010 and the country was a net exporter of pork. Despite ASF, Russia increased its domestic pork output by 86% during this period and completely eliminated its dependence on imports. In the early 2000s, more than half of the chicken that Russian citizens consumed came from imports. By 2010 imported share had dropped to 27% and last year imports accounted for just 5% of consumption and Russia exported almost as much chicken as imported. Since 2010, Russian domestic chicken consumption has increased 36% and domestic chicken production has increased 67%. Beef has been a more difficult protein to secure domestically given requirements of land, know-how but also domestic preferences. Russian beef consumption has declined 32% since 2010 and domestic production is actually 5% lower than it was 11 years. Russia still buys beef in the world market but that volume is down 67% from where it was in 2010 and even smaller than it was in 2006 or 2007 (before the financial crisis). Most of the beef that Russia bought in 2021 came from two sources: Paraguay and Belarus. Its imports from Belarus are unlikely to be affected and the impact from a reduction in South American imports are likely to be minimal on global trade. **Bottom line: Impact from restrictions on Russian protein purchases in the world market are likely to have no impact on global trade.** However, Russia and Ukraine are major contributors to global grain and oil trade and they are also major suppliers of fertilizers. High feed and energy costs are negative for US livestock producers and they will negatively impact their ability to bring more product to market. Ultimately this is bad news for US meat protein consumers. What is more uncertain about protein demand is the effect that a further spike in inflation will have on domestic and export demand. In this context, high priced proteins, like beef, face more downside risk than pork or chicken.

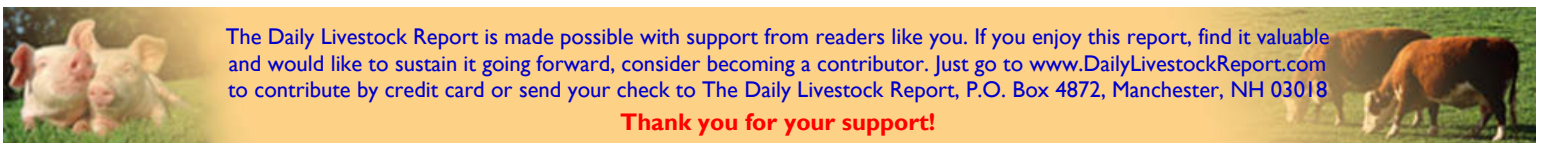
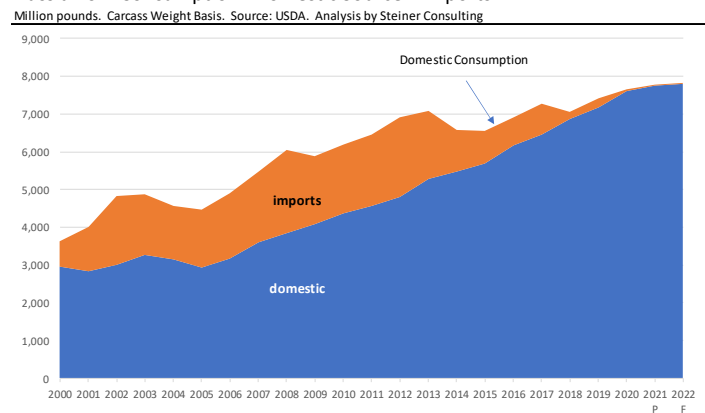
Russia Beef Consumption: Domestic Source + Imports



Russia Chicken Consumption: Domestic Source + Imports



Russia Pork Consumption: Domestic Source + Imports



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