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Poor Management (Not Feed Prices) Led to Poultry Destruction

Report Categories:

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Agriculture in the News

Approved By:

Morgan Haas

Prepared By:

Staff

Report Highlights:

The bankrupt poultry farm "Krasnaya Polyana" depopulated its chicken stocks last week in a public campaign to bring attention to increasing feed prices and gain state aid. The story gained widespread coverage in newsprint, state television, and videos posted to the internet. Operated by "Agroholding", the conglomerate is the 17th largest producer of poultry in Russia, accounting for 35,000 MT of poultry meat production in 2010. Regardless, this story seems to be more of the exception than the rule as the situation is not so bleak for all Russian producers.

General Information:

While poultry production continues to expand at double-digit growth in Russia, some companies have not been able to successfully cope with increased feed costs and resorted to political and public statements to voice their frustration that the State has not done more to shield them from increasing production costs and foreign competition. One such poultry farm is company is "Krasnaya Polyana," located in the Kursk region.

The poultry farm "Krasnaya Polyana," located in the Kursk, depopulated its chicken stocks last week in a public campaign to bring attention to increasing feed prices and gain state aid. The story gained widespread coverage in newsprint, state television, and videos posted to the internet. In one video, a farm worker exclaims, "We bury our chickens and will start to import Bush Legs," referencing the often used nickname given to U.S. chicken leg quarters.

In an investigation of the "Krasnaya Polyana" facility <<http://www.prockurskobl.ru/>>, the Kursk region's prosecutor's office "established that the omission of the company's management has led to deterioration of the financial condition of the company. The administration has used this circumstance as an excuse for the destruction of poultry. As of December 16, 2010, [the farm] had disposed of 402,954 broiler chickens." Furthermore, the office established that the destruction of poultry during the period of December 8-17 was an act of cruelty and a criminal case had been opened December 20. In immediate action, a judge of the Kursk regional court disqualified the Head of "Krasnaya Polyana" for one year following the nonpayment of farm wages to employees in the total of RUR 16 million (\$530,000). Disqualification is an administrative punishment that deprives an individual's right to assume leadership positions in the executive body of a legal entity; be on the board of directors, and carry out business management of the entity.

"Krasnaya Polyana" farm <<http://www.kraspol.kursknet.ru/>> was launched in 1986 and was renovated after it joined the large agricultural enterprise "Agroholding" in 1997. As reported on the farm's website, the facility is equipped with modern equipment and has potential production capacity of six million broilers per year. "Agroholding" is the 17th largest producer of poultry in Russia, accounting for 35,000 MT of poultry meat production in 2010.

Regardless, this story seems to be more of the exception than the rule as the situation is not so bleak for all Russian producers. Earlier this week, Cherkizovo Group, Russia's 2nd largest producer of poultry (173,000 MT) reported its plans to invest an additional RUR 12 billion (\$400 million) in its poultry operations during the period of 2012-14. It also reported that while profit margins dipped from 27 to 22 percent this year due to high feed costs, which now account for 60-70 percent of production costs, net profits of its combined poultry and pork operations over the first three quarters of 2010 increased 17 percent above 2009.

Internet videos on the destruction of poultry at "Krasnaya Polyana" follows:

< <http://www.youtube.com/watch?v=z4pTv4l3BVA&feature=related> >;

<<http://www.youtube.com/watch?v=3pR5W6oRcNY>>;

<<http://foodmarkets.ru/video/topic/147>>.

The Moscow Times article on the destruction of poultry at "Krasnaya Polyana" follows:
<<http://www.themoscowtimes.com/news/article/thousands-of-chicks-drowned/427155.html>>

Thousands of Chicks Drowned / 20 December 2010 / Reuters

A bankrupt poultry farm drowned its fuzzy day-old chicks by the hundreds of thousands in garbage cans over the weekend and posted videos of the slaughter online in a bid to attract state aid.

The videos posted on YouTube showed sobbing factory workers chucking trays full of peeping, yellow chicks into rusty barrels and drowning them alive in freezing water.

Older birds were shown frantically flapping as they were dumped from garbage trucks into snowy fields and left to freeze to death.

The head of the Krasnaya Polyana poultry farm in the Kursk region said it has been forced to slaughter more than 1 million chickens after it ran out of money for feed.

In the video appeal to Prime Minister Vladimir Putin and President Dmitry Medvedev, farm director Vladimir Butkeyev pleaded for them to step in and save workers' jobs, warning that he would have to fire his 1,700 workers amid debts of 40 million rubles (\$1.3 million).

"On Dec. 10, we had to start putting to death over 1 million chickens and shutting down the factory, with over 1,000 people to lose their jobs on the eve of New Year's," Butkeyev said. "We don't have any other options left."

Closure of the farm, which accounts for some 55 percent of the region's poultry production and up to one-third of the local budget, would deal a major blow to the rural region's economy.

Footage from inside the bankrupt farm in the town of Zheleznogorsk showed workers in tears as they carried out their grim labor, sweeping incubators clear of hatchlings.

In the nearby cages, chickens pecked at the carcasses of birds that had starved to death.

"They told us 'throw out the birds and goodbye,'" sobbed one distraught middle-aged worker. "But where are we going to go now. The younger girls maybe have a chance at finding other jobs but not my husband and I. Who'll take us?"