

Cherkizovo Head Has 'Intuitive' Understanding of Trade Protection

By [The Moscow Times](#)

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Cherkizovo brought in \$1.5 billion from sales of its meat products last year. **Sergei Nikolayev**

Meat producer Cherkizovo will hold off on new investments in pork in anticipation of a slump in prices following Russia's entry into the World Trade Organization, while existing projects will lift production a third this year.

Chief executive Sergei Mikhailov said in an interview that the company will wait to see what impact Russia's long-negotiated admission to the global trade club will have on the sector before committing any new funds.

"The WTO is the main issue affecting our plans, capital expenditure and strategy. In pork and meat processing, ... the prices may come under serious pressure due to the lowering of import tariffs," Mikhailov said.

"It may not be lucrative to invest in new projects — if it currently takes such projects at least

seven years to break even, a fall in prices means it will be more than 10 years," he said.

Russia is due to accede to the WTO later this year, finally winning admission in December after 18 years of negotiations.

Moscow has estimated that Russia's membership of the WTO could benefit its industries by some \$2 billion a year, and said the terms of its accession would be highly favorable for Russian farmers.

Mikhailov did not rule out that the Russian government would take measures to protect domestic producers, but said uncertainty over WTO-entry implications remained.

"Whether we will build more pig farms [after 2012] and how much we will invest will largely depend on government policy as a whole and in respect to the WTO. We, by intuition, understand that some [protective] measures will be taken."

Mikhailov said the company's existing investments will be intact — the group expects a 31 percent rise in pork production this year to 120,000 tons.

"We have already launched many projects in pork ... and will see significant growth in this division this and next year," he said, adding that a lack of new investments in pork production may affect Cherkizovo's revenues in three to five years.

The company also expects a 19 percent rise in poultry production to 310,000 tons this year, helped by the acquisition of poultry farmer Mosselprom in 2011 and its own new capacity.

"Our strategy is organic growth, M&A is just an option," said Mikhailov.

He added, however, that Cherkizovo could be interested in acquiring a Moscow meat processing company focused on premium products or a strong regional player.

Output in its meat-processing unit will decline 3 percent this year to 141,000 tons, but revenues will be higher than in 2011 due to a bigger share of more expensive products, the company said.

Cherkizovo, controlled by businessman Igor Babayev and his family, generated \$1.5 billion in revenues last year.

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