

Russia's Cherkizovo Makes Eightfold Increase in Profit From Western Meat Import Ban

By [The Moscow Times](#)

November 19, 2014



Russian meat firm Cherkizovo's net profit jumped eight-fold in the third quarter from a year ago.

A surge in profits at Russian meat company Cherkizovo confirmed it as one of the few winners from a ban on Western food imports, but the pork and poultry producer signaled on Wednesday that a weaker ruble could curb a good run.

Russia slapped a one-year ban on many Western food imports in August in retaliation to sanctions over Moscow's role in the Ukraine crisis, boosting prices and market share for local producers like Cherkizovo and fish firm Russian Sea.

Cherkizovo's net profit rose eight-fold in the third quarter, year-on-year, to \$113 million, largely on strong pork prices and low grain costs, while sales grew 21 percent to \$501 million, it said.

But inflation, now running at about 9 percent, and a deepening economic downturn could hurt demand.

"Growing inflation and a predicted decrease in households' disposable income will most likely lead to a decrease in meat consumption," the company said.

Cherkizovo said the ruble's weakness was causing "notable increases" in dollar costs such as feed and grain, and might put pressure on its fourth-quarter results.

Its shares rose 0.68 percent by 1105 GMT while the broader MICEX index was up 0.16 percent.

Ratings agency Moody's said the food embargo guaranteed strong demand for local products and supported prices.

"However, the limited time scale of the food embargo ... means that Cherkizovo will be unable to increase its output quickly enough to benefit from the resulting favorable market conditions," it said in a research note.

"Moreover, given the long-term payback period of new projects [over five years in the pork segment,] the company is unlikely to make any significant investment decisions based on such short-term factors as the food embargo."

Cherkizovo said it still planned to increase production in key segments next year and was confident it could operate successfully in a stagnating market.

Cherkizovo is 65-percent owned by Chairman Igor Babaev and his family, including Chief Executive Sergei Mikhailov.

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