

Russian Meat Producer Cherkizovo Plans to Up Exports

By [The Moscow Times](#)

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Sergei Mikhailov

Russian meat producer Cherkizovo plans to increase poultry exports to reap the benefits of a weaker ruble as domestic prices come under pressure from faltering consumption, its chief executive said.

Although the ruble has firmed over the past three months, Sergei Mikhailov said that Cherkizovo should have taken advantage of the weaker ruble, which plunged last year on falling oil prices and Western sanctions over Ukraine.

He said the company would aim to export 10 percent, up from between 1 and 2 percent currently, and target consumers in the Middle East, Africa and China.

"We are starting to export poultry, but in small volumes. It will largely depend on the ruble devaluation," said Mikhailov, adding that the ruble, which is trading at 50.90 against the

dollar, would have to reach 65-70 to make exports more crucial.

"If demand in Russia contracts, we will be forced to export, and if the ruble weakens, it will also be a more efficient exercise. We have been seeing for six months now that theoretically we should have routed everything to exports," Mikhailov said.

Mikhailov said the company's base-case scenario implied meat consumption in Russia would decline to 67-68 kilograms per capita in 2015 from 71-72 kilograms last year as Russia slips into recession. Poultry accounts for around 50 percent of all meat consumption in Russia.

As demand falters, poultry prices have fallen by 15-20 percent in rubles since September-October, he said, although the ruble weakness has fueled the cost of grain and medicines.

Mikhailov said the decline of consumption would make 2015 a more challenging year for Cherkizovo, which would shift its focus from boosting production to cutting costs and increasing the share of more profitable branded products in its sales mix.

Cherkizovo expects 2015 revenues at around 80 billion rubles (\$1.6 billion) and a margin on earnings before interest, taxation, depreciation and amortization at 15-17 percent, lower than in 2014 but more than in 2013.

Profits rocketed last year after Russia banned EU pork imports in February over health issues and imposed a wider ban on many Western food imports in August, and he said the company would keep its long-term investors happy by returning dividends of at least 20 percent of net profit while building for growth.

Cherkizovo, a top-three poultry and pork producer in Russia, paid its first dividends last year, totaling 1.5 billion rubles (\$29 million), from its previous year's earnings, and recently has approved a further 2.4 billion rubles (\$47 million) relating to 2014 results.

"We will be paying dividends on a regular basis, most likely twice a year, this is now under discussion," he said.

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