Required Report - public distribution

Date: 10/15/2015
GAIN Report Number: RS1584

Russian Federation

Dairy and Products Annual

2015 Dairy and Products Annual

Approved By:
Jonathan P. Gressel

Prepared By:
FAS Staff

Report Highlights:
FAS/Moscow forecasts annual domestic milk production at 29.980 MMT in CY 2016. Industry performance will remain dependent on the actual implementation of payments of subsidies under state support programs. Commercial dairies are expected to increase supplies of milk for factory use, thereby raising cheese and curd production to 860,000 MT, in contrast to 2015 when much of the production gain apparently came from utilization of non-dairy fats. Production estimates for butter (265,000 MT), NFDM (75,000 MT) and WMP (36,000 MT) are expected to remain comparable to 2015 levels in absolute numbers. Assuming the current import embargo remains in place until August 2016, Belarus will continue to be the primary supplier of imported milk and dairy products to Russia next year.

General Information

NOTE: USDA unofficial data excludes Crimean production and exports. As of June 2014, the Russian Federal State Statistics Service (Rosstat) began incorporating Crimean production and trade data into its official estimates. Where possible, data reported by FAS/Moscow is exclusive of information attributable to Crimea.

Executive Summary

Cows in milk are expected to decline by approximately 2 percent in 2016 to 7.585 million head. The long-term negative trend in herd inventories is anticipated to continue for another year, mostly due to insufficient investments in new cattle in 2015 as a result of high interest rates and low raw milk prices.

Continued modernization of more productive commercial dairies will partially offset the declining milk production at household farms. Therefore, FAS/Moscow forecasts 2016 fluid milk production at 29.980 MMT, which is only a 0.2 percent decline year-on-year from 30.025 MMT in 2015.

Given the current economic challenges in the country, state subsidies remain among the key factors influencing the performance of the dairy industry. Russian officials have stated that the budget for supporting all agricultural producers in 2016 will remain at 237 billion rubles (3.95 billion USD), the same as in 2015, hence the current programs of dairy sector support most likely will continue in 2016. The administration of the state support program has improved since Agricultural Minister Tkachyov was appointed in May 2015. However, the funds allocated in the budget were redistributed between different subprograms during 2015, and the final amounts under each program are not clear. Inconsistencies in state support program implementation and limited access to affordable long-term credit remain the main constraints to modernization and faster growth of commercial milk production.

The Food Security Doctrine adopted by the government of Russia (GOR) in 2010 defined the self-sufficiency goals for the dairy product group at 90 percent, but in 2013 imported products accounted for 40 percent of cheese consumption. Since the GOR put in place the counter-sanctions embargo in August 2014 and with renewed focus on import substitution policies, cheese imports dropped to under 20 percent of consumption in 2015. However, recent volatility in the cheese market indicates that interruptions in supply may have a negative impact on consumption. The total consumption of cheese and curd in Russia declined by approximately 9 percent between 2013 and 2015. The assortment and quality of available products dramatically deteriorated, which triggered steep price growth in the cheese market in 2014 to levels that Russian consumers could not afford. The resulting decline in demand forced producers to switch from expensive dairy cheese to lower priced cheese products with non-dairy fat substitutes, in many cases without proper labels, which may have a long-term negative impact on dairy industry development.

FAS/Moscow forecasts 2016 Russian cheese and curd production to increase by slightly more than one percent to 860,000 MT compared to the revised 2015 production forecast, as cheese producers will continue to take advantage of the reduced competition in the market due to the import embargo imposed on the European Union, Australia and the United States. Production increased from 760,000 MT in 2014 to an estimated 850,000 MT in 2015, as manufacturers took advantage of the absence of key

suppliers due to the import embargo and made increased use of non-dairy fats to fill the gap in availability of domestic dairy fats.

For 2016 FAS/Moscow forecasts unchanged levels of butter production from 2015 at 265,000 MT. Raw milk of good quality is in demand for cheese, a product promising better profit margins compared to butter.
Whole milk powder (WMP) production is likely to be 5 percent (2,000MT) reduced in 2016 to 36,000 MT, mainly due to the negative trend in demand for WMP and possible increase in shipments from Belarus. Non-fat dry milk (NFDM) production for Russia in 2016 is forecast to be 75,000 MT. This amounts to a 7 percent (5,000 MT) increase, which reflects forecasted stable demand for dairy proteins from food producers. Both trade and production volumes of WMP and NFDM may be significantly impacted by Belarus pricing policies.

Assuming the current restrictions remain unchanged until August 2016, Belarus will continue to be the primary supplier of imported milk and dairy products to Russia next year.

The Average Nominal Exchange Rate reported by Central Bank of Russia in September 2015 is 1 USD = 66.2499 Rubles. The current exchange rate (October 15, 2015) is 1 USD = 63.12 Rubles.

Table 1. Russia: Fluid Milk Supply and Distribution, 1,000 MT

Dairy, Milk, Fluid	2014[1]		2015		2016	
Market Begin Year	Jan 2014		Jan 2015		Jan 2016	
Russia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Cows In Milk	8,050	8,050	7,750	7,750	0	7,585
Cows Milk Production	30,553	30,499	29,500	30,025	0	29,980
Other Milk Production	0	0	0	0	0	0
Total Production	30,553	30,499	29,500	30,025	0	29,980
Other Imports	370	383	300	290	0	260
Total Imports	370	383	300	290	0	260
Total Supply	30,923	30,882	29,800	30,315	0	30,240
Other Exports	20	20	25	25	0	20
Total Exports	20	20	25	25	0	20
Fluid Use Dom. Consum.	9,900	9,859	9,500	9,310	0	9,080
Factory Use Consum.	18,735	18,735	18,225	18,930	0	19,130
Feed Use Dom. Consum.	2,268	2,268	2,050	2,050	0	2,010
Total Dom. Consumption	30,903	30,862	29,775	30,290	0	30,220
Total Distribution	30,923	30,882	29,800	30,315	0	30,240
(1000 HEAD) ,(1000 MT)						

NOTE: Not Official USDA data;
Official USDA data is available at http://apps.fas.usda.gov/psdonline/

Cows in Milk inventories

For 2015, the FAS/Moscow estimate for cows in milk is unchanged: 7.750 million head or a 3.7 percent decline year-on-year, which reflects the financial difficulties that milk producers experienced in 2013-14. Cows in milk are expected to decline by approximately 2 percent in 2016 to 7.585 million head. The long-term negative trend in herd inventories is anticipated to continue for another year, mostly due to insufficient investments in new cattle in 2015 as a result of high interest rates and low raw milk prices. However, the milking herd is expected to decrease in 2016 at a slower pace than in 2015.

Rosstat reports that, as of July 2015, non-commercial household farms hold 47 percent of Russia's milking cows. Two types of commercial dairies manage the remaining 53 percent: large agricultural establishments currently account for 40 percent and small private farms 13 percent. The distribution of dairy cattle by type of farm is slowly changing; the share of small private farms is gradually growing as some household farms register as small businesses in order to become eligible for state support programs.

While the milking herd at small private farms is slowly growing, herds are expected to decline both at large agricultural establishments and household farms. Reflecting negative demographic trends in Russian rural areas,[2] the backyard dairy farmers are expected to continue slaughtering less productive dairy cattle in response to high operational costs and low milk prices. At the same time, large

[1] Production and Imports in 2014 revised based on final data released by Rosstat, Federal Customs Service and Belstat
[2] According to (http://www.mcx.ru/documents/file_document/show/28544..htm) Report "On Sustainable Development of Rural Territories in Russia" published by the State Presidential Council, rural population decreased from 39.4 million in 2000 to 37.2 million in 2013. According to "moderate scenario" of the population dynamics forecast released by Rosstat in 2013, rural population will decline to 36.6 million in 2020.

commercial dairies are expected to continue investments in farm modernization, improving productivity and gaining better yields without increasing their milking herds.

Given the current economic challenges in the country, state subsidies remain among the key factors to influence the performance of the dairy industry. The GOR allocates large budget line items to dairy support, but execution of programs has so far proven inconsistent. Milk producers reported long delays (up to 6 months) in subsidy payments in 2013 and in the first half of 2014. Some dairies had to stop business operations and slaughter their cattle as they experienced major cash flow interruptions or increasing debts resulting from non-payment of subsidies. Due to problems with administration of the state dairy support program, the GOR did not consider any new projects for financing in 2013, which had a negative impact on the dairy herds in 2014 and 2015. Starting in 2015, funds for dairy projects have been allocated under a new specific sub-program, "Development of Dairy Cattle Industry and Milk Production," which has reportedly improved payment amounts and timeliness.

In 2015, the GOR Budget allocated 11.8 billion rubles[3] to "partially compensate bank interests associated with long-term loans for investment in construction or modernization of production facilities". To help the producers cope with the volatility in the financial market in 2015, the GOR decided to subsidize the portion of the interest rate, which is equivalent to the Central Bank's key rate[4].

The government also has continued supporting dairy producers by providing subsidies per liter of milk sold. For this purpose, the GOR allocated 8.133 billion rubles in 2015 with payments being administrated by regional authorities. According to industry contacts, administration of the "per liter of milk" support is anticipated to continue improving under the management of the new Agriculture Minister in 2016, which may also contribute to producer confidence in maintaining or building their dairy herds.

In 2015, the GOR introduced a new form of support to stimulate investments in dairy projects – the reimbursement of direct capital investments. Subsidies under this program shall be paid directly to companies on completion of construction or modernization of the production facilities. According to the most recent information GOR will spend 100 million rubles [5] for reimbursement of direct capital investments in dairy farms in 2015. In June, the GOR cited plans to increase funding to 7 billion rubles in 2016, but this may be impacted by other demands on the budget.

Fluid Milk Production

[3] On August 18, 2015 GOR revised the amount of subsidies for reimbursement of interest rates associated with investments in dairy projects to 5.151 billion rubles, and of interest rates associated with short term loans to 300 million rubles which is not yet reflected in the Budget. The final amounts of 2015 dairy subsidies remain unclear due to on-going redistribution of funds between subprograms. http://www.mcx.ru/documents/file_document/v7_show/33440..htm http://www.mcx.ru/documents/file_document/v7_show/33441..htm

[4] Central Bank of Russia changed the rate seven times between December 2014 and August 2015 as follows: 12.12.2014 – 9.5% ; 12.16.2014 – 17.0%; 02.02.2015 - 15.0%; 03.16.2015 – 14.0%; 05.05.2015 – 12.5%; 06.16.2015 – 11.5%; 08.03.2015 - 11.0%

[5] The actual program budget is not clear. GOR initially intended to spend 4 billion rubles for the new program in 2015; however, according to official media representative of the Ministry of Agriculture, the funds were re-directed for short-term loans subsidies due to growth of the subsidized rate from 5.5 to 14.68 percent.

Considering the factors influencing dairy herd management, FAS/Moscow improved its 2015 milk production forecast to 30.025 MMT (from previous 29.500 MMT), which is still a 1.55 percent decline year-on-year. Continued modernization of commercial dairies will most likely partially offset the declining milk production at household farms, and so FAS/Moscow forecasts 2016 fluid milk production at 29.980 MMT, which is a minor 0.2 percent decline year-on-year.

Operational improvements in previous years, stabilized feed prices in 2015 (RS 1547 Grain and Feed Update), and better administration of the subsidy payments helped modern commercial dairies to cope with increased production costs and low milk prices due to inflation and weak consumer demand in Russian market, stressed by the on-going economic crisis.

Russian officials have stated that the budget for supporting agricultural producers in 2016 will remain at 237 billion rubles (3.95 billion USD), the same as in 2015 (RS1539 Agricultural Budget 2015), hence the current programs of dairy sector support will most likely continue in 2016 at the same level in order to meet import substitution goals for dairy. The Ministry of Agriculture published a list of 166 new dairy projects with a planned 24.3 billion rubles (approximately 367 million USD)[6] in total investment. The successful execution of the projects, all of which will be receiving subsidies from the federal and regional budgets, could further offset the continued decline of production at household farms in the coming years.

According to Rosstat, during the first half of the current year, agricultural establishments[7] increased milk production by 2.4 percent (250,000 MT), small private farms also increased production by 5 percent (45,000 MT), household farms decreased output by 3.6 percent (250,000 MT). The share of commercial dairies in total milk production is gradually growing, and the trend is anticipated to continue in 2016.

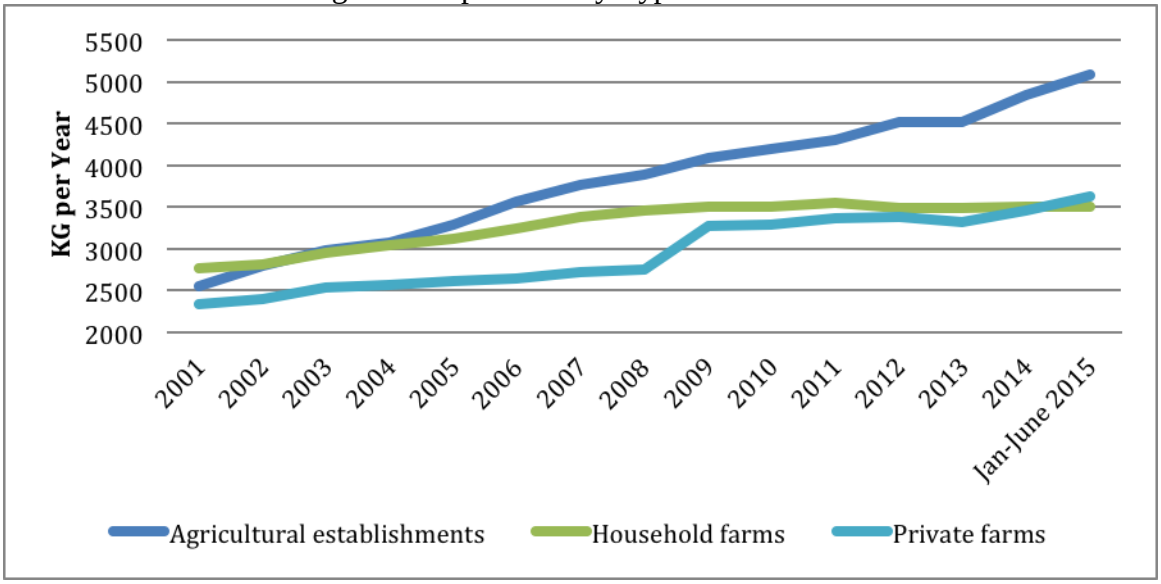
Rosstat reports that agricultural establishments improved average yields per cow by approximately 6.4 percent in January-June 2015, gaining more milk from a smaller milking herd. Performance of commercial dairies is different in different regions[8]. Average annual milk yield per cow at commercial dairies varies from 615 Kg in Ingushetia to 7,818 Kg per cow in Leningrad region. Commercial dairies demonstrated best performance in terms of annual yields per cow in the northwest regions, where total herds are smaller and greater specialization of dairy herds has been easier. However, the leading regions in total volume of milk production at commercial dairies are in the southwest, where farms keep larger herds of traditional, dual-use (dairy and beef) cattle. The current state support programs are designed to encourage further growth in productivity at commercial dairies in the leading producing regions in 2016.

[6] Exchange rate of 1 USD = 66.2499 Rubles is the Average Nominal Rate reported by Central Bank of Russia in September 2015. The current exchange rate (October 15, 2015) is 1 USD = 63.124 Rubles.

[7] Agricultural Establishments - legal entities which produce agricultural products. Agricultural Establishments include Business partnerships, Limited liability companies, Additional Liability Companies, Private joint-stock companies, Public joint-stock companies , Production Cooperatives, Unitary state enterprises and subsidiaries of non-agricultural business entities; do not include individual entrepreneurs, individual farmers, family household farms.

[8] see Tables 8 and 9 for production details

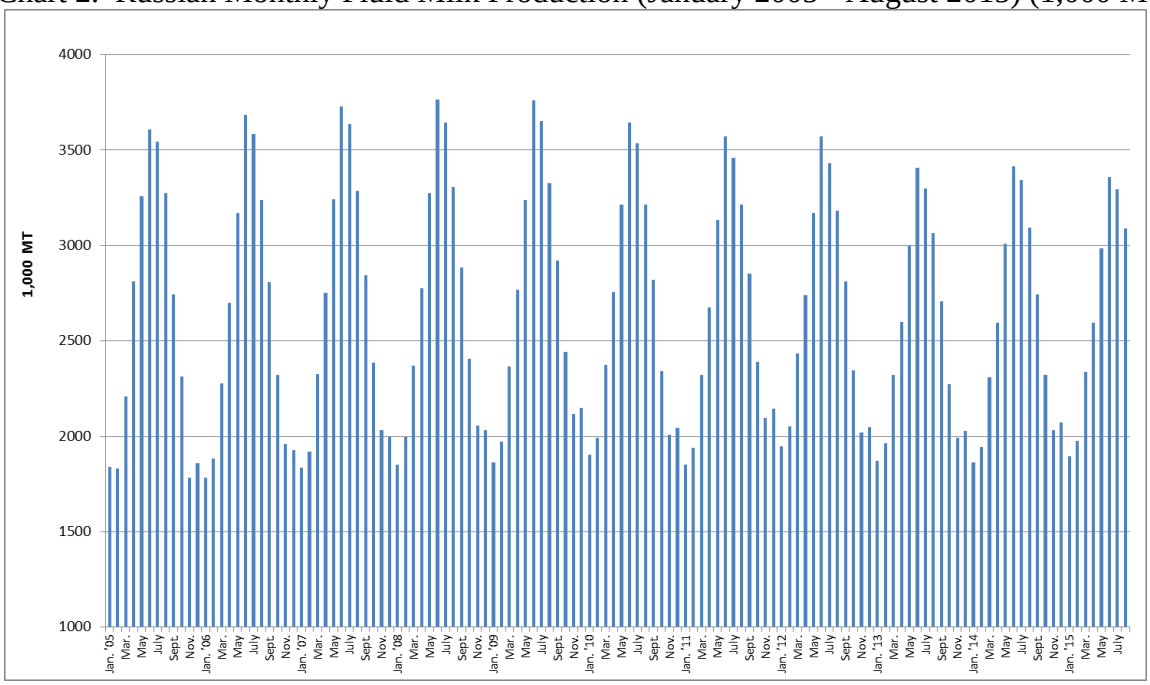
CHART 1. Russia: Average Yields per Cow by Types of Farms



Source: Rosstat

According to industry analysts, limited access to affordable long-term credit constrains modernization and growth of commercial milk production. The level of consolidation in milk production sector is low. According to Ministry of Agriculture, the top ten companies produced only 536,000 MT of milk in 2014, which is approximately 3 percent of all the raw milk processed at dairy plants in Russia. Smaller dairies experience difficulties in obtaining credit for operational costs and further development. Business is addressing the issue by joint projects between milk producers and milk processors. Leading processing companies launched projects in 2015, such as advance payments for milk to be delivered in two years, to assist local milk producers, which will contribute to improved production in the next few years.

Chart 2. Russian Monthly Fluid Milk Production (January 2005 - August 2015) (1,000 MT)



Source: Rosstat

Fluid Milk Consumption

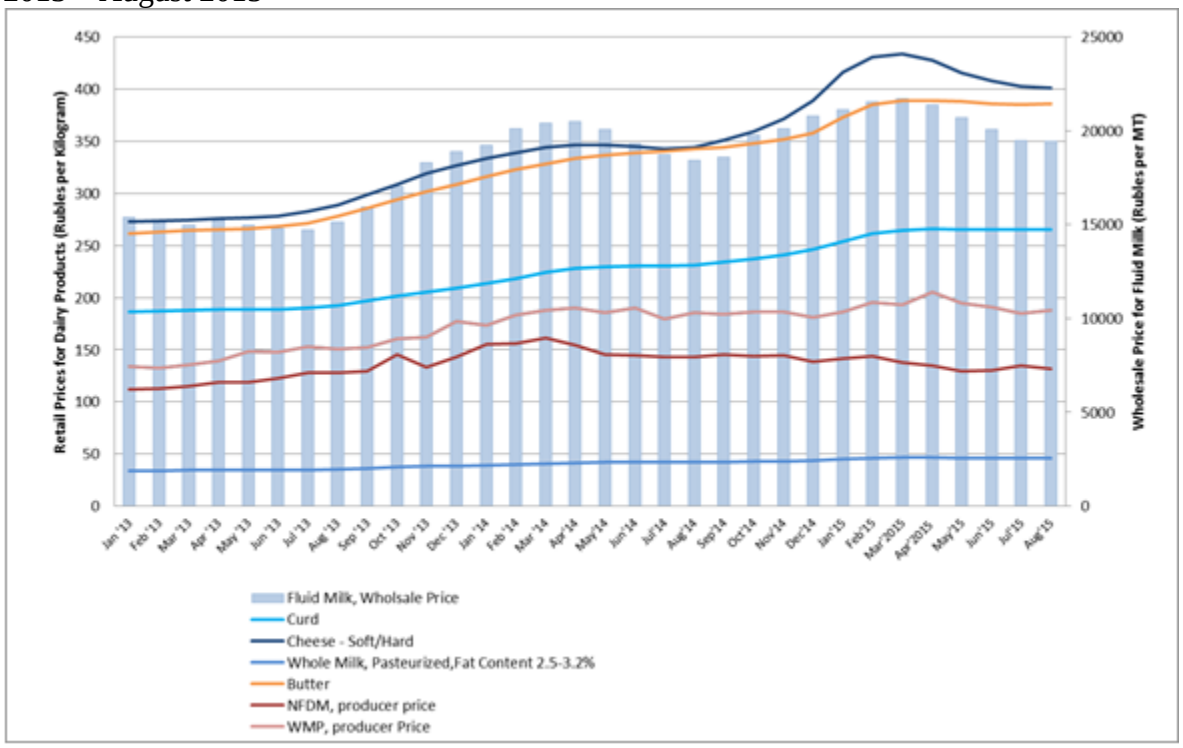
FAS/Moscow forecasts total domestic consumption of fluid milk in 2016 at 30.22 MMT, which is minor 0.23 percent decline compared to 30.29 MMT consumption in 2015. Post forecasts an increase in factory use by 200,000 MT in 2016 as commercial dairies are anticipated to increase output. At the same time, fluid milk consumption is expected to decline by 2.5 percent (230,000 MT) due to negative production trends at household non-commercial dairies. Factory consumption is also expected to increase in 2015 by 195,000 MT, while fluid milk consumption at household farms is expected to fall by approximately 550,000 MT.

At the end of 2014, Russia entered an economic recession. The nominal exchange rate of Russian Ruble to US Dollar changed from 36.11 Rubles per one US Dollar in August 2014 to 65.15 in August 2015 following the decline of global oil prices. The Ministry of Economic Development in its' monthly release "On the Current Economic Situation in the Russian Federation in January-August 2015" reports 3.8 percent decline in gross domestic product (GDP); 15.8 percent annual inflation; 6.0 percent decline in investments; 8.2 percent decline of retail turnover; real disposable income fall by 3.1 percent and real wages dropped by 9.0 percent in January - August 2015 compared to same months of 2014.

According to the report, "Consumption Trends in Current Economy" by GFK Market Research Company, in January-July 2015 value of retail sales increased in all product categories, but only two groups ("canned food and household items" and pet food) showed growth that exceeds the level of inflation. The ruble value of milk and dairy retail sales increased by 13.5 percent, which is by value an approximately 2.0 percent decrease in sales considering inflation levels.

Commodity prices for raw milk showed 4-5 percent growth year-on-year in 2015; however, when inflation is taken into account the wholesale milk prices were approximately 10 percent lower during 8 months of 2015 than in the same months of 2014. Low commodity milk prices helped to maintain the consumer demand for dairy products in retail. Multiple research polls conducted by official and private organizations indicate that Russian consumers switched to less expensive foods in 2015. For example, the GFK report shows growth in volume in the following dairy categories: fluid milk by 3 percent, kefir by 1 percent, sour cream by 6.2 percent, curd (tvorog) by 3.5 percent, and processed cheese products by14.9 percent. At the same time sales (in volume) decreased in more expensive groups: hard cheese declined by 6.8 percent, and drinkable yogurts by 3.6 percent.

Chart 3. Commodity Prices for Fluid Milk in Russia and Consumer Prices for Basic Dairy Products in 2013 – August 2015



Source: Rosstat

Fluid Milk Trade

In 2016 fluid milk imports are expected at 260,000 MT or 10 percent decline from 290,000 MT in 2015. The growth in production of processed dairy products in 2016 is anticipated at a slower pace than in 2014 and 2015, and Russian commercial dairies will most probably increase supply for factory use. Belarus will remain the almost exclusive exporter of raw milk due to the embargo and weak ruble.

In June 2015, the GOR extended a ban on a variety of agricultural products (including HS codes 0401 through 0406) from the United States, Canada, the European Union, Australia and Norway until August

6th 2016[9]. In addition, the GOR issued a decree extending the ban for Albania, Montenegro, Iceland, Liechtenstein, and Ukraine[10] in August 2015.

Belarus accounted for 174,490 MT, valued at 109.965 million US Dollars, or 97.5 percent of Russian imports of fluid milk from January to July 2015, which is an approximately 1 percent decline in volume and 30.23 percent decline in value compared to the same months of 2014[11]. The total volume of fluid milk imports to Russia was 22.5 percent lower than in the same months of 2014. The total value of milk imports declined 53.72 percent. The average price per one MT of fluid milk dropped from 1,105.66 USD in July 2014 to 631.26 USD in July 2015. This decline in prices is a result of factors including lower demand for imported milk from Russian dairy processors, the depreciation of the ruble, and low world commodity prices for milk. Russia remains the major market for milk and dairy from Belarus as 98.65 percent of dairy exports from Belarus go to the Russian market.

Belarus reportedly intensified efforts to open new export markets for dairy[12]. At the same time, world dairy prices rose in September 2015, which could increase the value of Belarusian exports in 2016. The price increase resulting from new, wealthier markets may have a negative impact on the total volume of fluid milk and dairy shipments from Belarus to Russia.

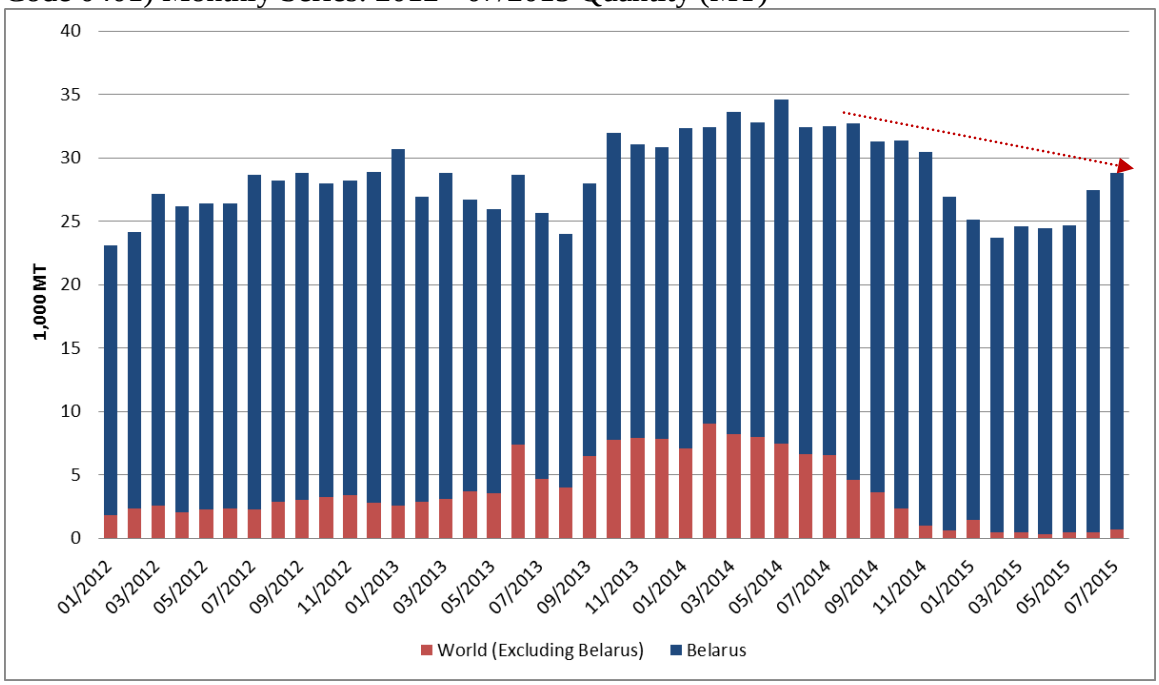
[9] RS1540 Russian Food Ban Extended Until August 2016

[10] As per GOR Resolution No. 778 dated August 7, 2015 Sanctions on Ukraine may be imposed under special conditions. http://government.ru/docs/19265/

[11] Source: Federal Customs Service of Russia for world trade (excluding Belarus); Belstat for trade with Belarus;. Please refer to Trade Table # 10 "Russian Imports of Milk and Cream, Not Concentrated Nor Containing Added Sweetening (0401) Annual Series: 2010 - 2014, & Year To Date: 07/2014 & 07/2015 Quantity (MT); Major Suppliers"

[12] Russian and Belarussian press have quoted the Belarus Minister of Agriculture, Leonod Zayatz, announcing that Chinese authorities approved 12 dairy plants from Belarus for exports of dairy products to China.

Chart 4. Russian Imports of Milk and Cream, Not Concentrated nor Containing Added Sweetening (HS Code 0401) Monthly Series: 2012 - 07/2015 Quantity (MT)



Source: Federal Customs Service of Russia; Belstat

The FAS/Moscow forecast of raw milk exports in 2015 remains unchanged at 25,000 MT. However, 2016 fluid milk exports are anticipated to drop to 20,000 MT. The main destination for Russian fluid milk shipments is Kazakhstan, which accounted for 60 percent of Russian fluid milk exports in Jan-July 2015. However, the Kazakh Tenge sharply depreciated by approximately 50 percent in August and September 2015, making imports from Russia expensive for Kazakhstani importers.

Cheese and Curd (HS Code 0406)

Table 2. Russia: Cheese and Curd Supply and Distribution, 1,000 MT

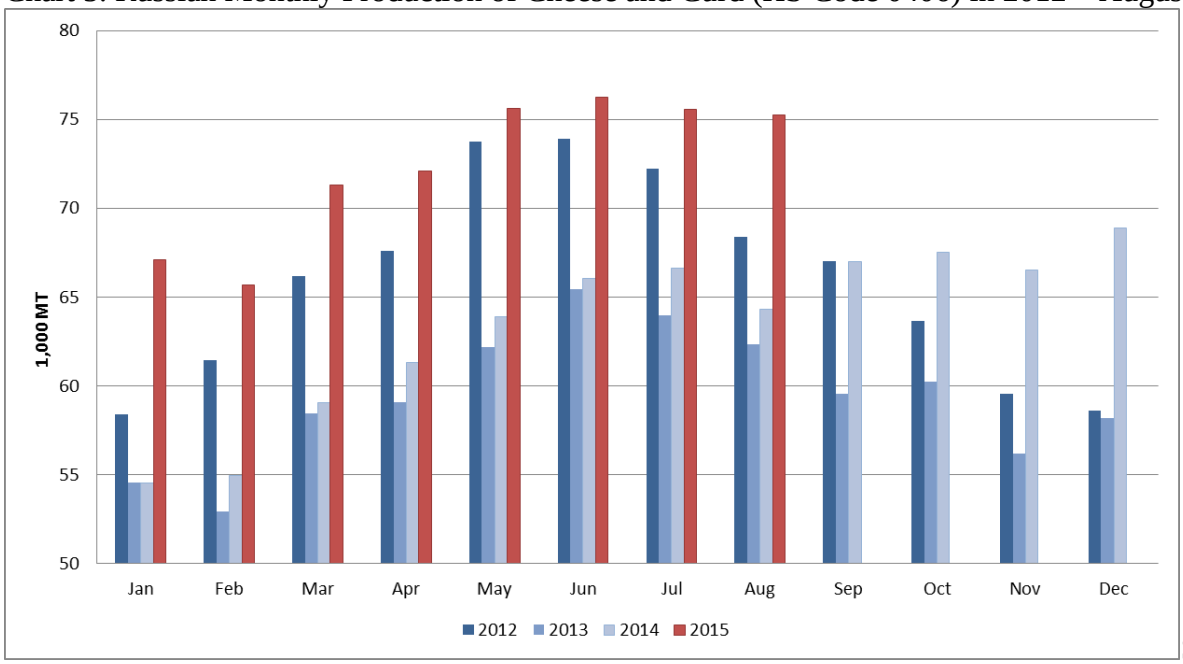
Dairy, Cheese	2014		2015		2016	
Market Begin Year	Jan 2014		Jan 2015		Jan 2016	
Russia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	8	8	30	30	0	10
Production	760	760	700	850	0	860
Other Imports	348	348	275	205	0	220
Total Imports	348	348	275	205	0	220
Total Supply	1,116	1,116	1,005	1,085	0	1,090
Other Exports	29	29	30	25	0	25
Total Exports	29	29	30	25	0	25
Human Dom. Consumption	1,057	1,057	965	1,050	0	1,055
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	1,057	1,057	965	1,050	0	1,055
Total Use	1,086	1,086	995	1,075	0	1,080
Ending Stocks	30	30	10	10	0	10
Total Distribution	1,116	1,116	1,005	1,085	0	1,090
(1000 MT)						

NOTE: Not Official USDA data;
Official USDA data is available at http://apps.fas.usda.gov/psdonline/

Cheese and Curd (HS Code 0406) Production

FAS/Moscow raised the 2015 cheese production estimate to 850,000 MT, which is 11 percent growth year-on-year. Supplies of milk for factory use were up only 1 percent, so the major contributor to increased production was the addition of vegetable oils in cheese and butter. FAS/Moscow forecasts 2016 Russian cheese production to increase by slightly more than one percent to 860,000 MT compared to revised 2015 production forecast, given the anticipated rate of growth in raw milk production by agricultural establishments. Cheese producers will continue to take advantage of the reduced competition in the market due to trade restrictions imposed on several western suppliers.

Chart 5. Russian Monthly Production of Cheese and Curd (HS Code 0406) in 2012 – August 2015



Source: FAS/Moscow estimate based on Rosstat

According to official Rosstat data production of cheese and cheese products grew by 25 percent and curd production increased by 9.6 percent in January-August 2015. In 2013 Russia imported approximately 465,000 MT of cheese and curd, of which more than 56 percent (261,500 MT) were quality products from the EU. Imports accounted for approximately 40 percent of cheese consumption in Russia in 2013. In August 2014 GOR banned several traditional western suppliers, causing cheese imports to drop 25 percent in volume in 2014 compared to 2013. A second shock for the cheese market came from steep Ruble depreciation and accelerated inflation in 2014-15, which made imported products much more expensive. As a result of the Embargo and recession, total imports of cheese and curd dropped in volume by 51 percent January-July 2015, while the value of these imports fell by 65 percent compared to the same months of 2014. Domestic cheese producers responded to the reduced supply and have been increasing production since August 2014. The sharp increase in demand for quality milk from cheese makers inflated the commodity price for raw milk in the end of 2014. Some cheese producers in response to increased raw milk prices switched from production of dairy cheese to production of lower priced cheese products with non-dairy fat substitutes. The average price for domestically produced cheeses grew between August 2014 and February 2015, then dropped as Russian consumers switched to lower quality, less expensive foods due to reduced disposable income. Russian authorities and producers of quality dairy cheese are concerned about widespread improper labeling of cheese products with non-dairy components. According to recent expert estimates, the share of cheese products with non-dairy fat substitutes labeled "dairy cheese" may be between 10 and 30 percent[13]. As a result of these events in 2014-2015, consumers partially replaced quality dairy cheeses they were buying

[13] A sample of articles (not comprehensive): http://www.kommersant.ru/doc/2824401; http://www.souzmoloko.ru/news/news_3272.html; http://www.themoscowtimes.com/article/536730.html

in 2013 with cheese products containing non-dairy fat substitutes, which in some cases are labeled "dairy cheese".

The dynamics of palm oil and Nonfat Dry Milk (NFDM) imports may reflect the reported increase in use of non-dairy fat substitutes in dairy products. According to Federal Customs Service of Russia, the imports of palm oil (HS Code 151190) increased by 25 percent (approximately 86,000 MT) in January - July 2015 compared to the same period in 2014, and imports of NFDM (HS Code 040210) grew by 22.84 percent (10,457 MT).

The GOR and dairy industry are concerned about the issue of increased use of non-dairy ingredients in dairy products. Professional associations and Ministry of Agriculture officials and legislators in the State Duma addressed the issue. They proposed several initiatives such as limiting palm oil imports, making changes to the EAEU technical regulations in terms of labeling requirements for milk-containing products, introducing bigger fines for violation of dairy products labeling regulations, etc... As a result, the GOR has launched the process of amending the Customs Union Technical Regulations on Safety of Milk and Dairy Products.[14]

However, industry experts believe that use of non-dairy fat substitutes may decrease only after recovery of consumer demand for quality cheese and stabilization of cheese prices. Food processors are also skeptical about any limitation of palm oil imports because it is also used in confectionary and bakery products. According to various estimates, dairy processors may utilize approximately 25-30 percent of the imported palm oil.

Cheese and Curd Consumption

FAS/Moscow raised the 2015 cheese consumption forecast to reflect a 1 percent decline rather than an 8.7 percent decline. The changes are mostly due to increased domestic production and lower than expected consumer prices for cheese and curd. However, most consumers note that the quality of the products has significantly worsened even if the volume has remained close to 2014 levels.

FAS/Moscow anticipates a minor 0.5 percent increase in domestic cheese and curd consumption in 2016 to 1.055 MMT (approximately 7.411 KG per capita). If no new macroeconomic shocks occur in 2016, consumer demand for dairy products is expected to start recovering after a significant drop in the previous two years. FAS/Moscow estimates that per capita consumption of cheese and curd dropped by approximately 0.725 Kg in 2014-2015 from the levels of 2013, when the cheese market was relatively stable in terms of balance between supplies and demand. The recovery is expected mostly due to stabilized supply from domestic production.

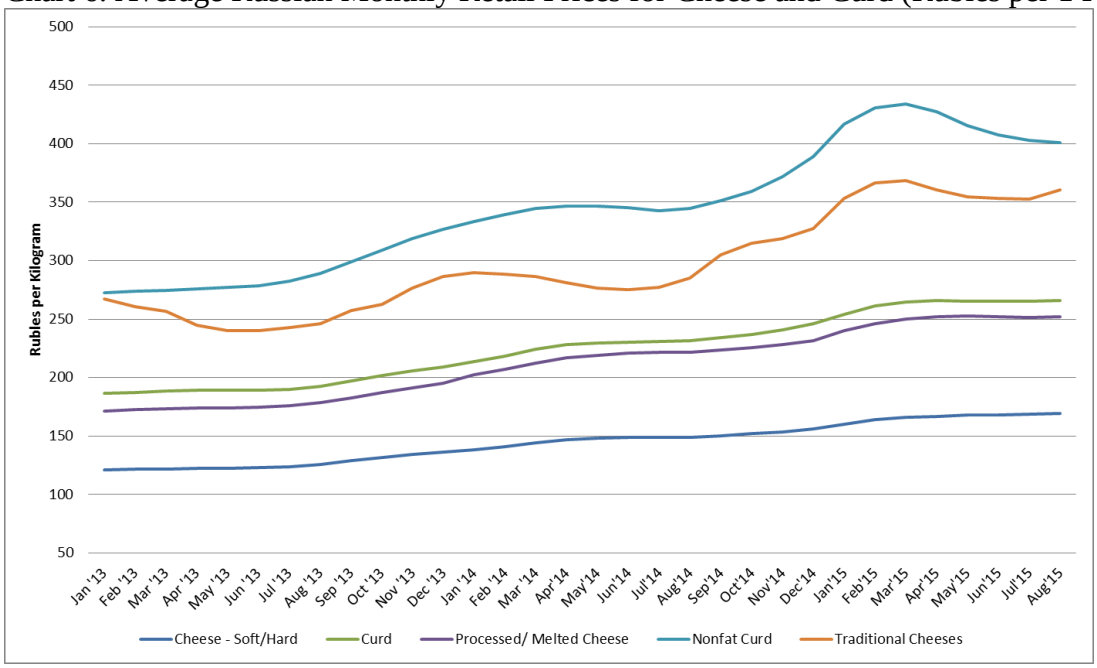
Some Russian consumers responded to the on-going crisis by switching to lower-priced substitutes for dairy cheese. Within the HS 0406 product group, stable consumption of the lower priced, traditional curd product "tvorog" partially helped to offset the drop in consumption of more expensive cheeses. When retail prices for cheese started to decline in March 2015, tvorog prices continued to grow at a slow pace. According to Rosstat, retail cheese prices peaked in February at 430.65 Rub/Kg and then declined

[14] RS1573 Draft Amendments to CU Technical Regulation on Milk Safety

by approximately 8 percent to 400.95 Rub/Kg in August, while prices for tvorog increased by approximately 5 percent between January and August 2015 from 240.05 Rub/Kg to 252.04 Rub/Kg.

Consumer prices for cheese have declined since February 2015 for various reasons including overproduction of low quality cheese, competition between dairy cheeses and cheaper non-dairy "cheese products", and increased supplies of better-priced quality products from Belarus. The reduction in disposable income of Russian consumers also had a noticeable impact on demand for all food products, adding downward pressure on cheese prices.

Chart 6. Average Russian Monthly Retail Prices for Cheese and Curd (Rubles per 1 KG)



Source: Rosstat

Cheese and Curd Trade

FAS/Moscow lowered the 2015 cheese import forecast to 205,000 MT, which is a 41 percent drop in imports (by approximately 145,000 MT) from 349,000 MT imported in 2014[15]. Cheese and curd imports declined due ruble depreciation, weak consumer demand, and the import embargo.

After such a precipitous drop, FAS/Moscow is anticipating a moderate 7% percent (15,000 MT) increase in cheese and curd imports in 2016 to 220,000 MT. Expected improvements in demand for dairy products and stabilization of cheese prices may offer some opportunities for cheese exporters in the second half of 2016. Assuming the current restrictions remain unchanged until at least August 2016, Belarus will continue to be the primary supplier of cheese and curd to Russia next year.

As mentioned above, the GOR extended a ban on a variety of agricultural products (including HS codes 0406). In August 2015, lactose-free dairy products (excluding specialized lactose-free dairy products for

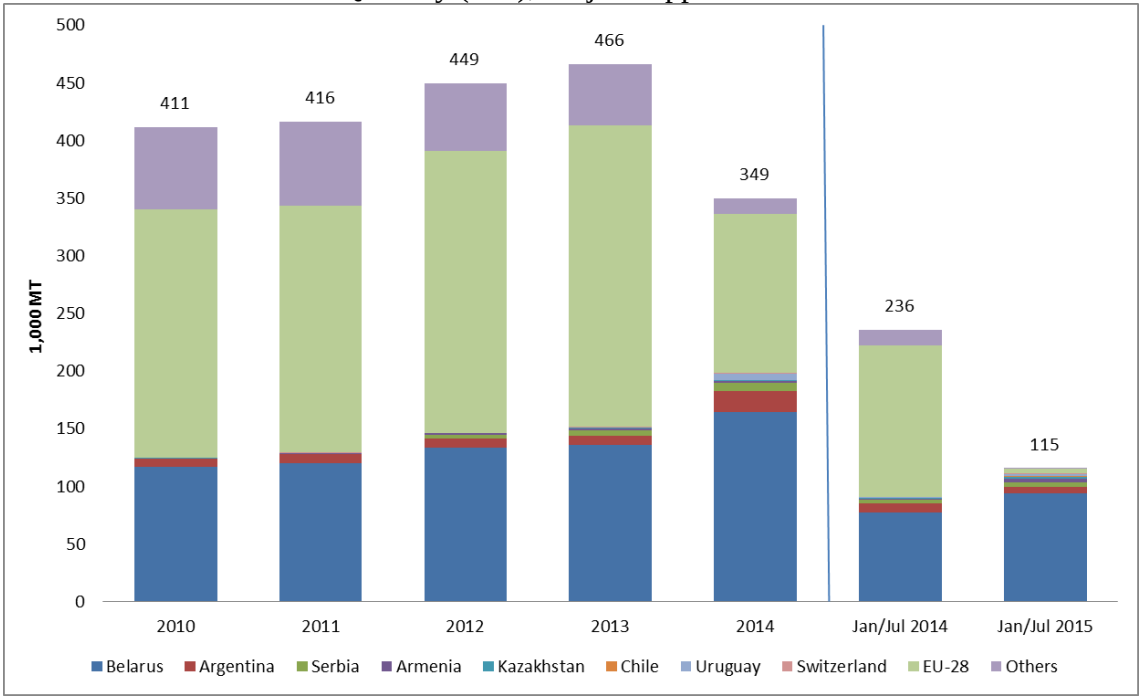
[15] In 2014 Russian imports of products under HS code 0406 dropped by approximately 115,000 MT.

therapeutic dietary nutrition and preventive dietary nutrition) and products imported under the EAEU HS Code 190190990 were added to the banned list to stop shipments of cheese under permitted codes.

Shipments of cheese (HS code 0406) from some banned suppliers reportedly continued after August 2014 under the lactose-free category. The specialized lactose-free dairy products for therapeutic dietary nutrition and preventive dietary nutrition require specific certificates of conformity and must be listed in the State Register. In August 2015 Rossaccreditation audited 24 organizations authorized for issuing the certificates. The auditors found that 192 certificates were issued with violations of the current legislation and temporary suspended activities of 22 organizations[16].
Also, as written in the report issued by the Analytical Center of the Government of Russian Federation in August 2015, exports of cheese from banned countries continued after August 2014 under customs code 190190990 "Products prepared according to the technologies for cheese production and containing 1.5% mass fraction or more dairy fat". Imports of these goods from several banned supplies grew more than 6 times in 4th quarter 2014 compared to the same period in 2013, as a result the HS Code 190190990 was added to the banned products list.

Total imports of cheese and curd in volume dropped by 51 percent, while the value of these imports has fallen by 65 percent for January-July 2015 compared to the same months of 2014. Belarus has increased the shipments of products under HS code 0406 by 21 percent in volume, however according to Belstat the total value of the exports dropped by approximately 8 percent.

Chart 7. Russian Imports of Cheese and Curd (HS Code 0406) Annual Series: 2010 - 2014, & Year To Date: 07/2014 & 07/2015 Quantity (MT); Major Suppliers



Source: Federal Customs Service of Russia; Belstat

[16] http://standart.org/news/FsaGov/5677

FAS /Moscow revised its cheese and curd export forecast for 2015 due to the worsened economic outlook in Kazakhstan (please refer to Fluid Milk Trade for details). Forecast 2016 cheese exports remain at 2015 levels.

Butter and Anhydrous Milkfat (HS Codes 040510, 040590)

Table 3. Russia: Butter and Anhydrous Milkfat Supply and Distribution, 1,000 MT

Dairy, Butter	2014		2015		2016	
Market Begin Year	Jan 2014		Jan 2015		Jan 2016	
Russia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	10	10	30	30	0	12
Production	252	252	235	265	0	265
Other Imports	137	137	100	85	0	100
Total Imports	137	137	100	85	0	100
Total Supply	399	399	365	380	0	377
Other Exports	4	4	5	3	0	5
Total Exports	4	4	5	3	0	5
Domestic Consumption	365	365	350	365	0	362
Total Use	369	369	355	368	0	367
Ending Stocks	30	30	10	12	0	10
Total Distribution	399	399	365	380	0	377
(1000 MT)						

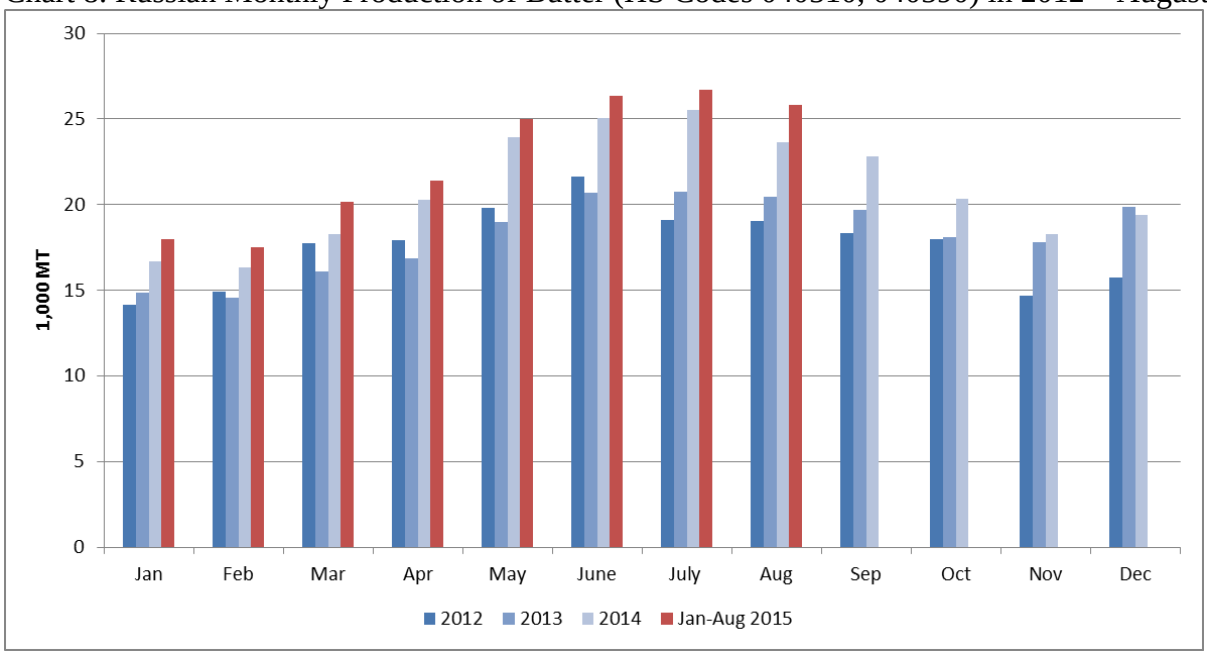
NOTE: Not Official USDA data;Official USDA data is available at http://apps.fas.usda.gov/psdonline/

Butter and Anhydrous Milkfat Production

Domestic butter producers were able to maintain production growth in 2015 and partially replace missing imports, although at a slower pace compared to the previous year, when annual production volume increased by 15 percent. According to official statistics, 2015 butter production was 6.2 percent higher in January-August than in the same period in 2014. Domestic producers benefit from the reduced competition in the market due to current trade restrictions for some western suppliers. Meanwhile, similar to cheese, the use of non-dairy fat substitutes in butter has reportedly increased since August 2014. Therefore, FAS/Moscow has increased the forecast for 2015 to 265,000 MT, which is approximately 5 percent growth year-on-year.

For 2016 FAS/Moscow forecasts unchanged levels of butter production from 2015: 265,000 MT. Raw milk of good quality is in demand for cheese, a product promising better profit margins compared to butter. Additional volumes of milk produced by commercial dairies will most likely be used for cheese production, thus the limited supply of raw milk constrains further growth of butter production.

Chart 8. Russian Monthly Production of Butter (HS Codes 040510, 040590) in 2012 – August 2015



Source: FAS/Moscow estimate based on Rosstat

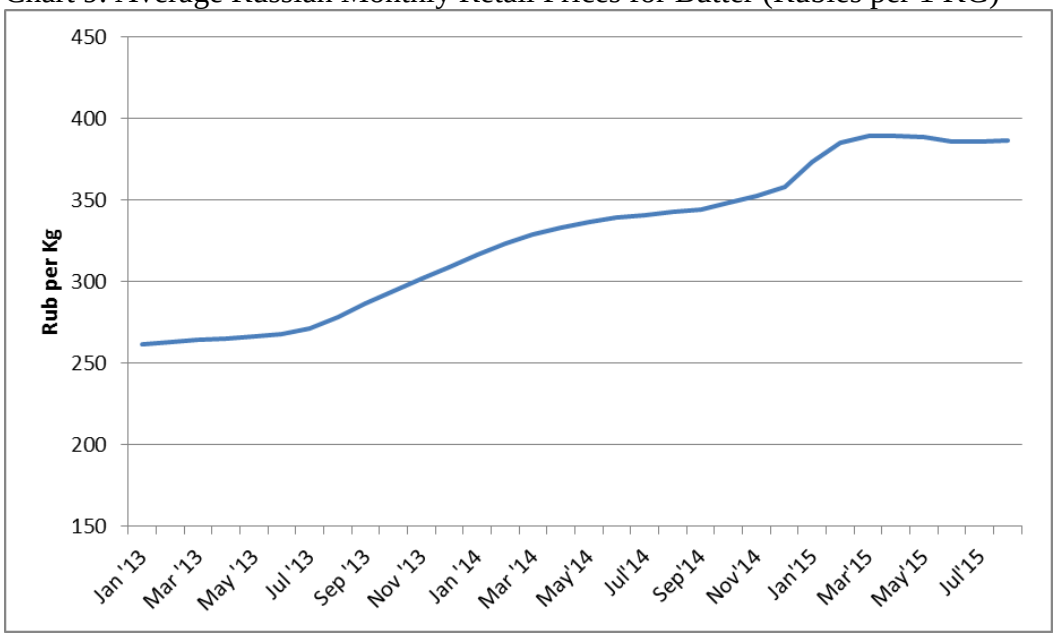
Butter and Anhydrous Milkfat Consumption

The 2016 FAS/Moscow total domestic butter consumption forecast is 362,000 MT, which is almost flat compared to revised 2015 forecast of 365,000 MT. Per capita consumption of butter in 2013 was approximately 2.589 Kg, it declined to 2,561 Kg in 2014, and is anticipated to remain at the same levels 2.562 Kg in 2015.

Trade interruptions in 2014 – 2015 and current economic difficulties had a minor impact on volume of butter consumption in Russia, as local producers and exporters from Belarus were able to increase production and supply enough butter to the market. Retail prices for butter increased by 10 percent between November 2014 and March 2015 from 352.18 Rub per Kg to 388.76 following sharp ruble depreciation. However, unlike cheese prices, the retail prices for butter remained stable between March and September (386.07 Ruble per Kg) 2015 reflecting balanced supply and demand of the product in the current market.

The consumption of butter in volume remained relatively flat; however, similar to cheese, the quality of the product has reportedly worsened due to the use of non-dairy fat substitutes in dairy butter.

Chart 9. Average Russian Monthly Retail Prices for Butter (Rubles per 1 KG)



Source: Rosstat

Butter and Anhydrous Milkfat Trade

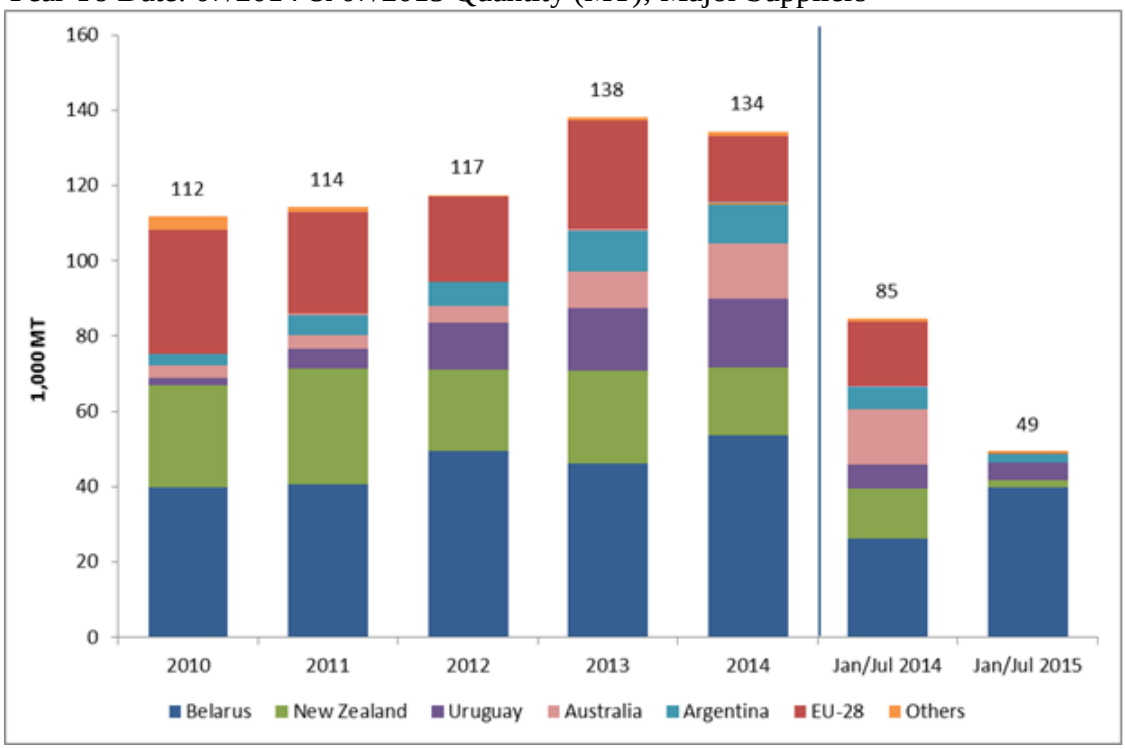
FAS/Moscow forecasts a 17.6% percent (15,000 MT) increase in butter imports to 100,000 MT in 2016 after a significant drop in 2015. FAS Moscow decreased the 2015 butter import forecast to 85,000 MT, which is a 38 percent drop year-on-year.

Growth in butter stocks along with sharp ruble depreciation in the end of 2014 resulted in reduced demand for imported butter in Russia in the first half of 2015. In January – July 2015 Russia imported

49,294 MT of butter (HS Codes 040510, 040590), which is 41.8 percent decrease compared to the same period in 2014. 95 percent of Russian butter imports is HS Code 040510 "Butter", and only 5 percent is HS Code 040590 "Fats and Oils Derived from Milk N.E.S.O.I."

Dairy butter is included in the food import ban currently in place until August 2016, as a result, the number of countries exporting better to Russia dropped. In January-July 2015 only 8 countries shipped butter to Russia: Belarus (39,695 MT; increased exports in volume by 51.91 percent), Uruguay (4,725 MT; decreased by 25.9 percent), Argentina (2,318 MT, 61.18 percent decrease), New Zealand (2,063 MT. 84.75 percent decrease), Brazil, Kazakhstan and Moldova shipped less than 500 MT combined.

Chart 10. Russian Imports of Dairy Butter (HS Codes 040510, 040590) Annual Series: 2010 - 2014, & Year To Date: 07/2014 & 07/2015 Quantity (MT); Major Suppliers



Source: Federal Customs Service of Russia; Belstat

Belarus accounts for 81 percent of Russian butter imports in 2015, and is expected to remain the biggest supplier in 2016. Some growth of butter exports from New Zealand may be seen in 2016. Rosselkhoznadzor removed temporary restrictions on shipments of some dairy products, including butter, from 29 Fronterra dairy plants in August 2015[17].

Commodity prices for raw milk in Russia are high compared to world prices; as a result butter and anhydrous milkfat produced in the country have limited export potential. Thus, according to Global

[17] New Zealand 's share in Russian dairy butter imports varied between 28 – 48 percent in 2005-2012. In August 2013 Rosselkoznadzor imposed temporary restrictions 29 Fronterra plants due to SPS reasons. As a result, butter exports from New Zealand to Russia dropped by 30 percent in 2014.

Dairy Trade the price for 1 MT of butter in August 2015 was 2,293 USD. According to Rosstat, average August producer price for 1 MT of butter in Russia was 241,618 .05 Rub (3,708 USD). Exports of butter from Russia are forecast to remain low at in 2015 and 2016. The major destination of butter from Russia is Kazakhstan.

Dry Milk Powders: WMP (HS Codes 040221, 040229) and NFDM (HS Code 040210)

Table 4. Russia: Whole Milk Powder Supply and Distribution, 1,000 MT

Dairy, Dry Whole Milk Powder	2014		2015		2016	
Market Begin Year	Jan 2014		Jan 2015		Jan 2016	
Russia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	0	0	0	0	0	0
Production	46	46	48	38	0	36
Other Imports	37	37	35	33	0	35
Total Imports	37	37	35	33	0	35
Total Supply	83	83	83	71	0	71
Other Exports	1	1	1	1	0	1
Total Exports	1	1	1	1	0	1
Human Dom. Consumption	82	82	82	70	0	70
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	82	82	82	70	0	70
Total Use	83	83	83	71	0	71
Ending Stocks	0	0	0	0	0	0
Total Distribution	83	83	83	71	0	71
(1000 MT)						

NOTE: Not Official USDA data;
Official USDA data is available at http://apps.fas.usda.gov/psdonline/

Table 5. Russia: Non-Fat Dry Milk (NFDM) Supply and Distribution, 1,000 MT

Dairy, Milk, Nonfat Dry	2014		2015		2016	
Market Begin Year	Jan 2014		Jan 2015		Jan 2016	
Russia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	0	0	0	0	0	0
Production	84	84	75	70	0	75
Other Imports	101	103	90	120	0	117
Total Imports	101	103	90	120	0	117
Total Supply	185	187	165	190	0	192
Other Exports	3	3	3	2	0	2
Total Exports	3	3	3	2	0	2
Human Dom. Consumption	182	184	162	188	0	190
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	182	184	162	188	0	190
Total Use	185	187	165	190	0	192
Ending Stocks	0	0	0	0	0	0
Total Distribution	185	187	165	190	0	192
(1000 MT)						

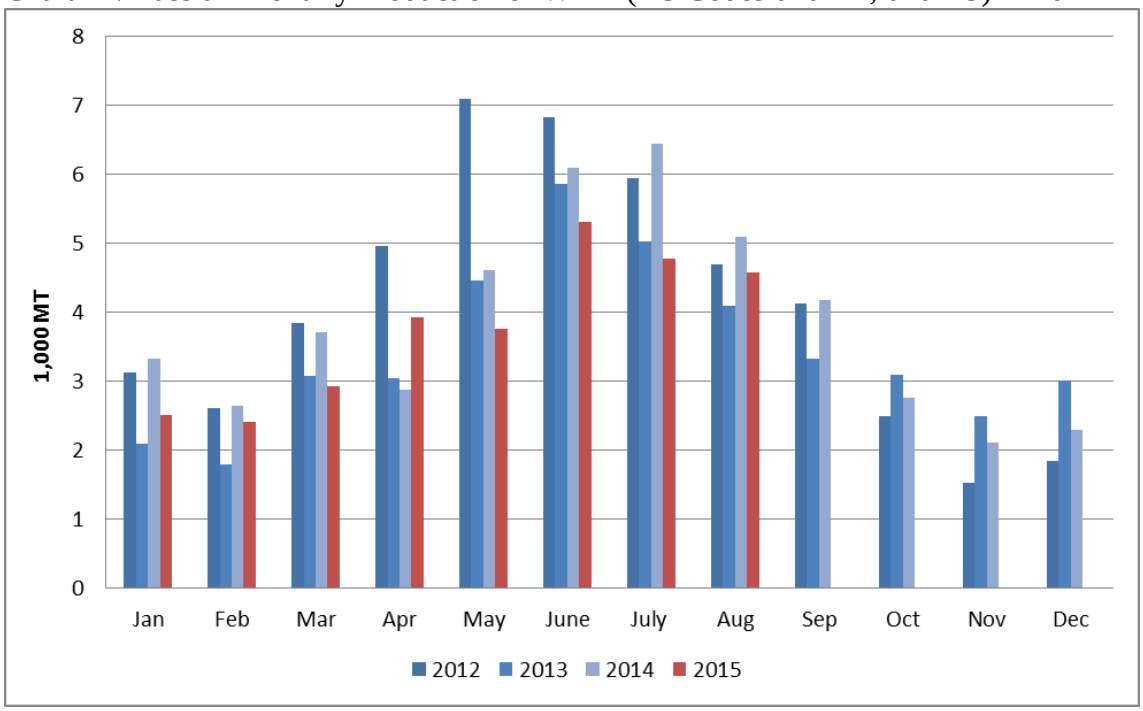
NOTE: Not Official USDA data;
Official USDA data is available at http://apps.fas.usda.gov/psdonline/

Production of WMP and NFDM

According to Rosstat, production of WMP declined by 13 percent in January-August 2015 compared to the same period in 2014. This decline mostly reflects the decline in demand for WMP from processed food producers. Therefore, FAS/Moscow revised its previous 2015 WMP production forecast to 38,000 MT.

WMP production is likely to be 5 percent (2,000MT) reduced in 2016 to 36,000 MT as the negative trend in demand for WMP continues. Shipments from Belarus may take a greater share of consumption because Russian WMP producers compete with Belarusian supplies, who benefit from stronger state support and lower commodity milk prices. Food producers in Russia reportedly prefer imported WMP to domestic due to the lower quality of local WMP.

Chart 11. Russian Monthly Production of WMP (HS Codes 040221, 040229) in 2012 – August 2015



Source: FAS/Moscow estimate based on Rosstat

Rosstat also reports a decline in NFDM production by 16 percent in January-August 2015 (by approximately 12,000 MT). At the same time, according Federal Customs Service, imports of NFDM increased by 22 percent (by approximately 10,000 MT) in January-July 2015. Total supply of NFDM in January-July 2015 remained at 2014 levels, indicating stable demand for milk proteins in the market.

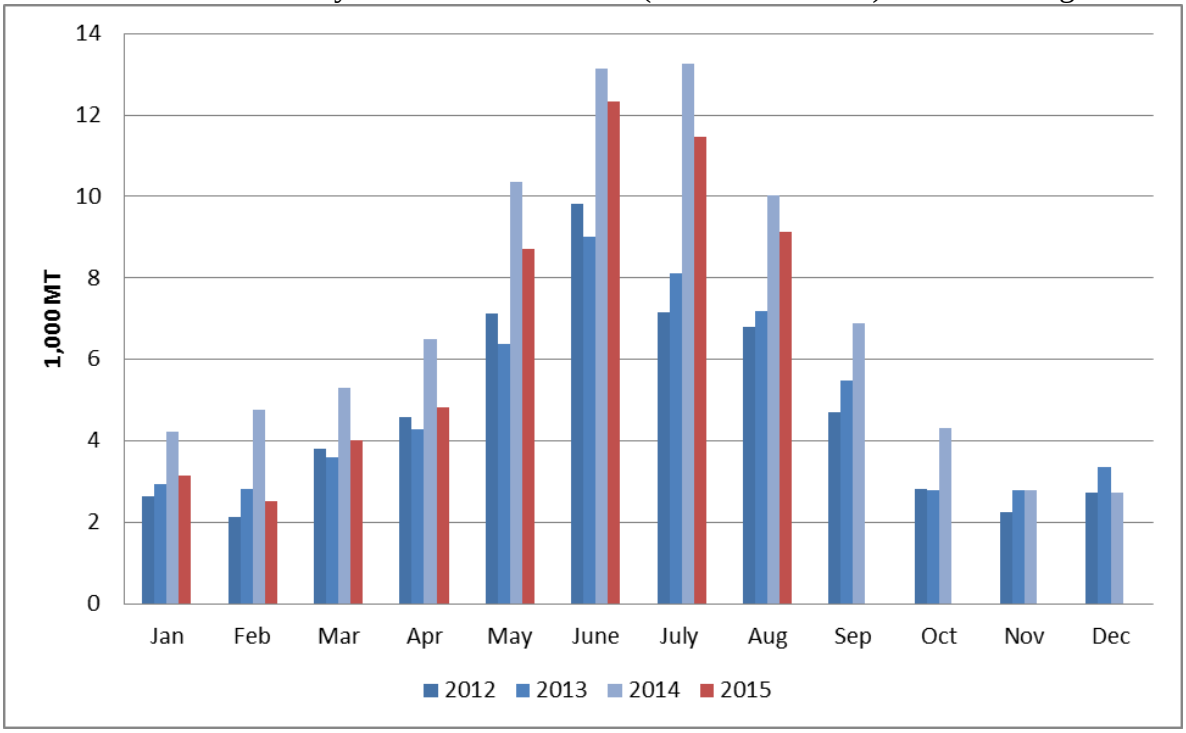
NFDM production in 2015 is forecast at 70,000 MT, this is a 16 percent (14,000 MT) decrease in output compared to 2014[18]. This is a revision of the previous forecast due to higher than expected shipments from Belarus. NFDM production for Russia in 2016 is forecast to be 75,000 MT. This amounts to a 7

[18] In 2014 NFDM production in Russia grew by 44.8 percent year-on-year from 58,000 MT to 84,000 MT

percent (5,000 MT) increase, which reflects forecasted increased demand and higher prices for dairy proteins from food producers.

Some unused capacity at drying facilities exists and domestic production of WMP and NFDM can be increased, if the market is favorable in terms of prices for raw milk and prices for milk powders. Industry has the flexibility to reduce powders production when other dairy products become more profitable.

Chart 12. Russian Monthly Production of NFDM (HS Code 040210) in 2012 – August 2015



Source: FAS/Moscow estimate based on Rosstat

WMP and NFDM, Consumption

Production of milk powders in Russia grows in the 2nd and 3rd quarters of the calendar year, which reflects the seasonality of fluid milk production in the country. Dairy processors can't use all raw milk during "high milk season" partially because consumer demand for dairy falls from May to September. Processors usually increase the use of powders during 4th and 1st quarters of the year, when commodity prices for raw milk are high. NFDM is widely used in dairy products sector for low fat traditional products (tvorog, kefir) and cheese products with non-dairy fat substitutes. WMP is used by confectionary, bakery and processed meat food producers.

FAS/Moscow revised its 2015 WMP consumption forecast to 70,000 MT or 14.6 percent decline year on year due to reduced demand for ingredients from processed food producers, who cut their WMP purchases in response to a decline in consumer demand for their products (confectionaries, processed meat products, baked goods). For example, GFK Market Research Company reports 13.5 percent

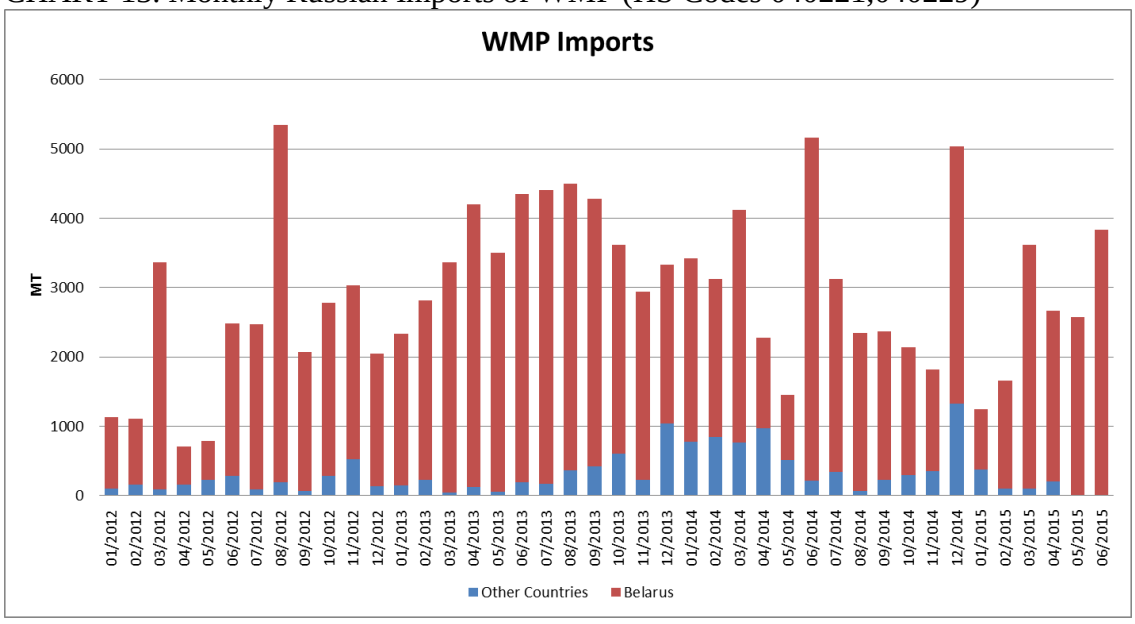
decline in volume of bakery retail sales in January-July 2015. 2016 WMP consumption is anticipated to remain flat at 71,000, MT.

Meanwhile consumption of NFDM is expected to grow in 2015 to 188,000 MT by 2 percent compared to 2014 levels. The increased use NFDM is associated with efforts of food manufacturers to reduce production costs and to meet the growing demand for milk proteins at the lowest cost. NFDM is an ingredient for packaged meals, processed meat products (e.g. sausages), traditional low-fat dairy products (kefir, ryazhenka, tvorog), cheese products and butter spreads with milk fat substitutes. Recovery in consumer demand after the crisis years of 1998 and 2008 started from positive dynamics in consumption of these affordable traditional products. Demand for these products is expected to grow in 2016; as a result FAS/Moscow forecasts 2016 NFDM consumption to grow to 190,000 MT.

WMP and NFDM, Trade

Based on domestic production and trends in consumption, FAS/Moscow anticipates 33,000 MT of WMP imports in 2015 and 35,000 MT of WMP in 2016. From January to July 2015 imports of WMP in volume declined by 12.4 percent compared to the same period of 2014.

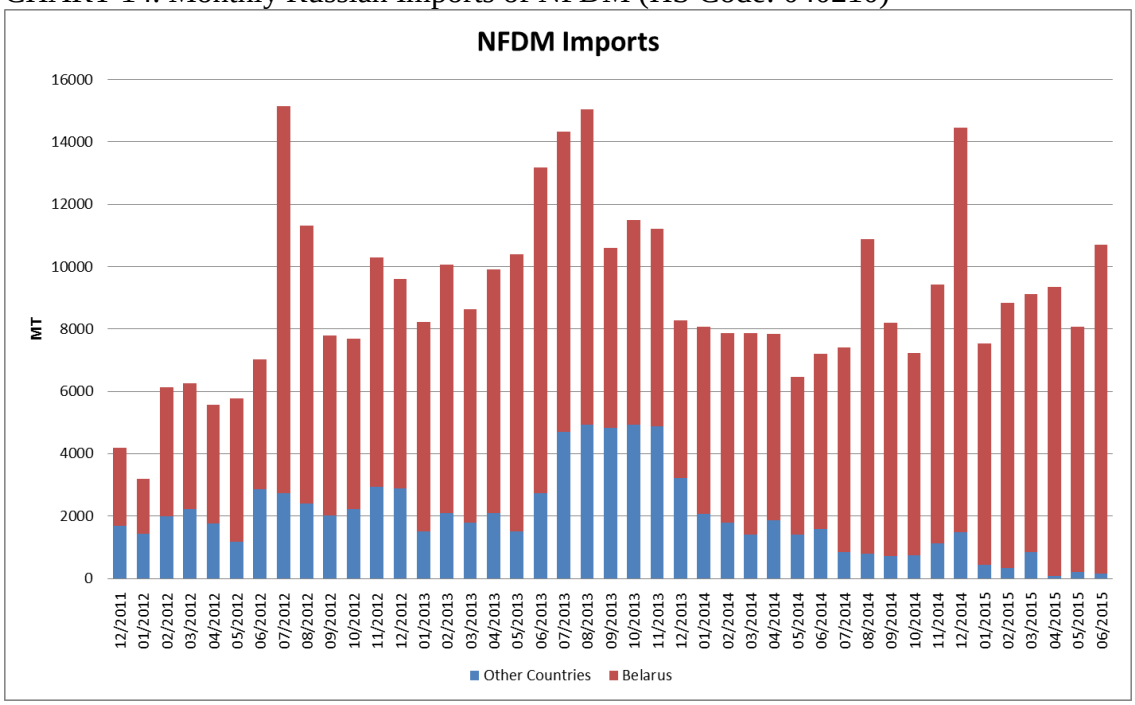
CHART 13. Monthly Russian Imports of WMP (HS Codes 040221,040229)



Source: Russian Federal Customs Service, Belstat

From January to July 2015 imports of NFDM in volume increased by 19.8 percent compared to the same period of 2014; therefore the 2015 NFDM imports forecast is revised to 120,000, which is 16.5 percent growth year-on-year. A minor decrease in NFDM imports to 117,000 MT may be seen in 2016 due to projected increase in domestic production and no dramatic changes in demand for the product.

CHART 14. Monthly Russian Imports of NFDM (HS Code: 040210)



Source: Russian Federal Customs Service, Belstat

The Food Embargo Report published by the Analytical Center of the Government of Russian Federation in August 2015 notes that trade restrictions imposed on several western suppliers resulted in "reduced diversification of supply channels for milk powders to Russia". Thus, according to the Federal Customs Service of Russia, in 2014 the country imported NFDM from 24 different countries and WMP from 14, compare to only 6 countries shipping dry milk powders to Russia in January-June 2015: Belarus, Argentina, Switzerland, Uruguay, Kazakhstan and Armenia.

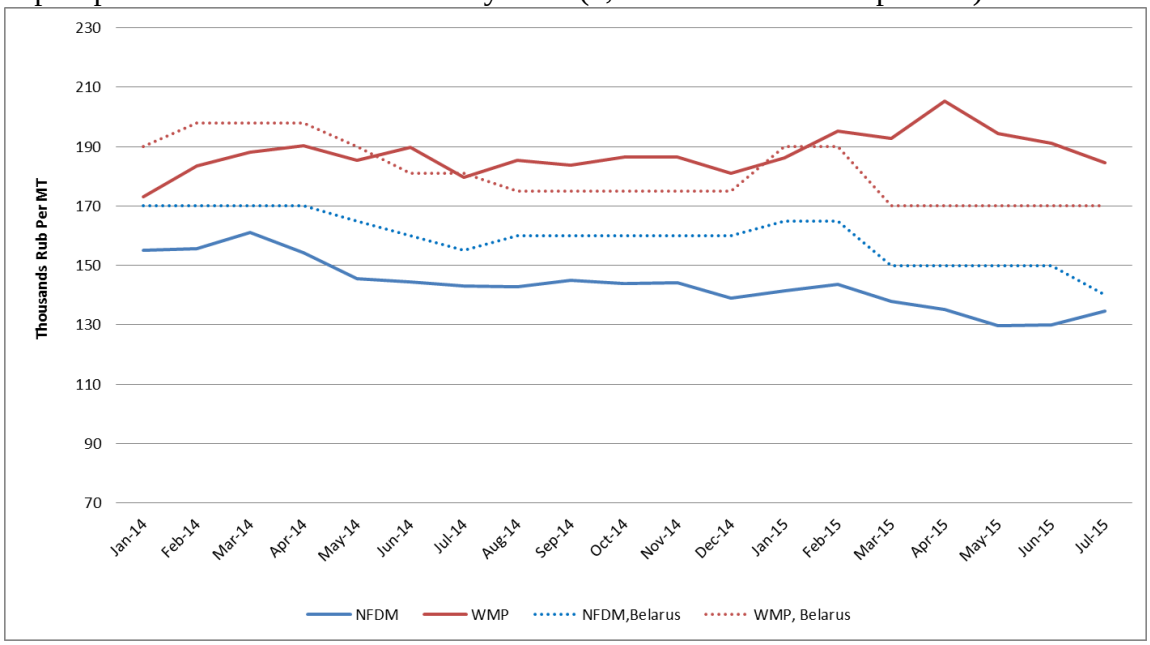
Belarus, which accounted for 76 percent of NFDM and 80 percent of WMP imports to Russia in Jan-July 2014 increased its share to 95.42 percent for WMP and 95.95 percent for NFDM in the first half of 2015. However, while Belstat reports 45.79 percent increase in volume of NFDM shipments to Russia in Jan-July 2015, the exports have fallen by 22.27 percent in value from 199.771 million USD to 155.284 million (from average 4,779 USD to 2,548 USD per MT of NFDM).

Since January 2015 the minimum recommended export price in Belarus[19] has declined by 15 percent for NFDM, and by 10.5 percent for WMP. NFDM imports from Belarus account for more than 60 percent of the Russian consumption of the commodity and low export prices in Belarus have a strong downward

[19] Export prices for dairy products in Belarus are controlled by the government, and the minimum recommended export prices are published by the Ministry of Agriculture and Food of the Republic of Belarus http://www.mshp.minsk.by/ceny/export/fa8e775561e6abd1.html

pressure on milk powders prices and production dynamics in the domestic market. Assuming that Belarus will remain the almost exclusive supplier of dry milk powders to the Russian market in 2016, trade volumes may be significantly impacted by Belarus pricing policies, especially if Belarus succeed in opening alternative markets for its dairy exports.

CHART 15. Dynamics of wholesale prices for dry milk powders in Russia and Minimum recommended export prices in Belarus in 2014 – July 2015 (1,000 Russian Rubles per MT)



Sources: Rosstat, Ministry of Agriculture and Food of the Republic of Belarus

Other Reports of Potential Interest:
RS 1577 Wheat Export Duty Amended
RS 1547 Grain and Feed Update
RS1561 2015 Livestock and Products Annual Report
RS1530 Dairy and Products Semi-annual

Production Information

Table 6. Russian Annual Per-Cow Milk Production, Kilograms

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
All Farms	**3037**	**3176**	**3356**	**3501**	**3595**	**3737**	**3776**	**3851**	**3898**	**3893**	**4021**
Agricultural establishments	3065	3280	3564	3758	3892	4089	4189	4306	4521	4519	4841
Household farms	3043	3130	3249	3378	3456	3513	3510	3553	3489	3496	3501
Private farms	2565	2607	2642	2714	2746	3268	3291	3360	3372	3323	3450

Source: Rosstat

Table 7. Russian Quarterly Milk Production, All Types of Producers, 1999- Q2 2015, 1,000 MT

Year	Annual	Quarters			
		I	II	III	IV
1999	**32,274**	5,846	10,784	10,347	5,297
2000	**32,259**	5,861	10,646	10,323	5,429
2001	**32,874**	5,879	10,766	10,419	5,810
2002	**33,462**	6,240	10,813	10,352	6,057
2003	**33,316**	6,358	10,519	10,400	6,039
2004	**31,861**	6,149	10,081	9,844	5,787
2005	**31,070**	5,880	9,677	9,559	5,954
2006	**31,339**	5,946	9,552	9,633	6,208
2007	**31,988**	6,080	9,723	9,766	6,419
2008	**32,363**	6,218	9,814	9,835	6,496
2009	**32,570**	6,201	9,764	9,898	6,707
2010	**31,847**	6,270	9,610	9,573	6,394
2011	**31,646**	6,109	9,380	9,524	6,633
2012	**31,756**	6,434	9,480	9,427	6,415
2013	**30,529**	6,155	9,007	9,074	6,293
2014	**30,791**	6,114	9,018	9,184	6,428
2015		6,210	8,941		

Source: Rosstat

Table 8. January-June 2015 Russian Fluid Milk Production, by Region, 1,000MT

	All Types of Farms		
	January –June 2014	January –June 2015	2014/2015 Percent Difference
RUSSIAN FEDERATION	**15048.0**	**15042.4**	**-0.04%**
CENTRAL DISTRICT	2764.129	2754.487	-0.35%
Belgorod region	276.3	269.6	-2.40%
Bryansk region	170.2	155.4	-8.72%
Vladimir region	175.2	178.0	1.59%
Voronezh region	401.1	414.8	3.41%
Ivanovo region	78.9	79.3	0.49%
Kaluga region	110.1	123.5	12.13%
Kostroma region	52.9	54.0	2.17%
Kursk region	173.0	156.7	-9.39%
Lipetsk region	122.4	123.8	1.17%
Moscow region	323.7	320.5	-0.98%
Orel region	104.6	96.1	-8.11%
Ryazan region	187.9	193.3	2.88%
Smolensk region	119.2	108.6	-8.90%
Tambov region	123.0	122.1	-0.68%
Tver region	106.6	108.8	2.14%
Tula region	88.2	92.4	4.78%
Yaroslavl region	135.7	142.2	4.77%
City of Moscow	15.32	15.273	-0.31%
NORTHWEST DISTRICT	846.1	880.5	4.08%
The Republic of Karelia	32.4	33.3	2.94%
The Republic of Komi	26.2	26.6	1.62%
Arkhangelsk region	58.1	60.0	3.30%
Nenets Autonomous District	1.5	1.6	5.11%
Vologda region	219.1	236.3	7.86%
Kaliningrad region	74.7	84.4	13.00%
Leningrad Region	284.2	291.9	2.72%
Murmansk region	11.7	10.5	-10.41%
Novgorod region	39.8	38.3	-3.72%
Pskov region	99.9	99.2	-0.77%
SOUTHERN DISTRICT	1547.8	1543.8	-0.26%
The Republic of Adygea	67.4	67.5	0.11%
The Republic of Kalmykia	38.8	35.7	-8.17%
Krasnodar region	660.8	667.6	1.03%
Astrakhan region	90.7	91.0	0.37%
Volgograd region	183.7	171.5	-6.64%
Rostov region	506.3	510.5	0.82%
NORTH-CAUCUS FEDERAL DISTRICT	1296.2	1310.1	1.07%
The Republic of Dagestan	386.2	397.4	2.91%
The Republic of Ingushetia	32.6	35.5	8.63%
Kabardino-Balkaria	199.3	205.8	3.25%

Karachay-Cherkessia	116.0	114.5	-1.21%
Republic of North Ossetia-Alania	93.3	93.1	-0.20%
Chechen Republic	131.5	132.3	0.67%
Stavropol region	337.3	331.4	-1.74%
VOLGA FEDERAL DISTRICT	4792.1	4777.3	-0.31%
The Republic of Bashkortostan	912.4	895.4	-1.86%
The Republic of Mari El	98.5	95.0	-3.58%
The Republic of Mordovia	215.2	209.3	-2.74%
The Republic of Tatarstan	856.9	869.5	1.46%
Udmurt Republic	366.1	368.5	0.66%
Chuvash Republic	224.2	226.0	0.80%
Perm	232.9	241.8	3.83%
Kirov region	270.7	289.5	6.97%
Nizhny Novgorod region	324.9	326.7	0.53%
Orenburg region	403.7	396.0	-1.88%
Penza region	164.8	171.7	4.23%
Samara region	221.4	224.5	1.41%
Saratov region	375.0	351.7	-6.19%
Ulyanovsk region	125.5	111.6	-11.11%
URAL FEDERAL DISTRICT	1028.5	992.4	-3.51%
Kurgan region	169.3	141.1	-16.67%
Sverdlovsk region	325.9	330.1	1.30%
Tyumen Region	286.6	286.8	0.08%
Khanty-Mansi Autonomous District Yugra	13.2	14.0	5.79%
Yamal-Nenets Autonomous District	1.1	1.1	-2.86%
Chelyabinsk region	246.7	234.3	-5.02%
SIBERIAN FEDERAL DISTRICT	2540.6	2553.0	0.49%
Altai Republic	38.4	38.2	-0.47%
The Republic of Buryatia	84.1	78.2	-6.99%
The Republic of Tuva	18.3	18.4	0.67%
The Republic of Khakassia	82.1	81.6	-0.65%
Altay	663.9	668.0	0.61%
Trans-Baikal Territory	138.8	137.4	-1.07%
Krasnoyarsk Territory	343.3	352.9	2.80%
Irkutsk Region	222.7	225.2	1.11%
Kemerovo region	185.9	189.5	1.95%
Novosibirsk region	351.3	347.8	-0.98%
Omsk Region	342.1	345.4	0.97%
Tomsk region	69.7	70.4	1.01%
FAR EAST FEDERAL DISTRICT	232.6	228.5	-1.76%
The Republic of Sakha (Yakutia)	59.4	57.7	-2.84%
Kamchatka	7.1	7.2	2.37%
Primorsky Krai	59.7	62.7	5.12%
Khabarovsk Krai	22.6	20.5	-9.14%
Amur Region	62.6	59.9	-4.39%
Magadan region	2.7	2.9	7.32%
Sakhalin Region	12.5	12.5	-0.51%

Jewish Autonomous Region	6.0	5.1	-15.81%
Chukotka Autonomous District	0.01	0.01	

Source: Rosstat

Table 9. Top Ten Milk Producing Companies in Russia

	Company	Region	Cows herd	Yield per cow, MT	Total milk production, 1,000 MT
1	"Holding Company AkBars"	Tatarstan	25,398	5.57	139.3
2	"Agrokomplex"	Krasnodarsky Krai	18,459	6.459	119.2
3	"Eco Niva Agro"	Voronezh region	14,700	7.734	105.1
4	"Kuban"	Krasnodarsky Krai	5,844	6.827	39.9
5	"Moloko Belogoria"	Belgorod Region	3,150	9.125	28.1
6	"Sibirskaya Niva"	Novosibirsk region	3,629	8.128	27.8
7	"Barybino"	Moscow Region	3,900	7.069	27.6
8	"Irmen"	Novosibirsk Region	2,600	10.638	26.7
9	"Belgorod Milk farms"	Belgorod Region	3,571	8117	25.3
10	"Oskolskoye moloko"	Belgorod Region	2,665	8.414	24.7
Total			83,916		563.7

Source: RF Ministry of Agriculture

Trade Tables

Table 10. Russian Imports of Milk and Cream, Not Concentrated Nor Containing Added Sweetening (0401) Annual Series: 2010 - 2014, & Year To Date: 07/2014 & 07/2015 Quantity (MT); Major Suppliers

Partner Country	Calendar Year							
	2010	2011	2012	2013	2014	Jan/Jul 2014	Jan/Jul 2015	YTD% Change
World	**189,933**	**205,643**	**324,092**	**339,065**	**383,519**	**230,774**	**178,932**	**-22.5%**
Belarus	162,363	178,503	293,107	277,210	318,560	177,934	174,490	**-1.9%**
Kazakstan	0	0	0	20,680	36,297	25,124	3,605	**-85.7%**
EU-28	27,482	27,128	30,904	40,645	28,535	27,655	711	**-97.4%**
Others	88	12	81	530	127	61	126	**106.6%**

Table 11. Russian Imports of Cheese and Curd (HS Code 0406) Annual Series: 2010 - 2014, & Year To Date: 07/2014 & 07/2015 Quantity (MT); Major Suppliers

Partner Country	Calendar Year							
	2010	2011	2012	2013	2014	Jan/Jul 2014	Jan/Jul 2015	YTD% Change
World	**411,411**	**416,158**	**449,382**	**465,861**	**349,411**	**235,608**	**115,403**	**-51.0%**
Belarus*	117,130	120,425	133,394	136,187	164,025	77,608	94,330	**21.5%**
Argentina	6,544	7,414	7,968	7,372	18,562	7,409	5,044	**-31.9%**
Serbia	0	442	3,630	5,055	7,453	3,749	3,933	**4.9%**
Armenia	385	379	868	1,576	1,535	718	3,084	**329.5%**
Kazakhstan	575	0	0	419	578	178	1,615	**807.3%**
Chile	0	0	0	25	92	0	1,323	**n/a**
Uruguay	75	0	0	345	5,144	999	1,069	**7.0%**
Switzerland	398	699	409	462	1,371	233	746	**220.2%**
EU-28	215,238	214,125	244,578	261,504	137,117	131,507	4,016	**-96.9%**
Others	71,066	72,674	58,535	52,916	13,534	13,207	243	**-98.2%**

Source: Federal Customs Service of Russia; Belstat

Table 12. Russian Imports of Butter (040510, 040590)

Table XX. Russian Imports of Butter (HS Codes 040510; 040590) Annual Series: 2010 - 2014, & Year To Date: 07/2014 & 07/2015 Quantity (MT); Major Suppliers

Partner Country	Calendar Year							
	2010	2011	2012	2013	2014	Jan/Jul 2014	Jan/Jul 2015	YTD% Change
World	**111,818**	**114,198**	**117,472**	**138,173**	**134,386**	**84,710**	**49,294**	**-41.8%**
Belarus	39,730	40,755	49,478	46,068	53,642	26,130	39,695	**51.9%**
New Zealand	27,111	30,550	21,715	24,824	18,115	13,524	2,063	**-84.7%**
Uruguay	2,033	5,271	12,350	16,505	18,198	6,377	4,725	**-25.9%**
Argentina	3,044	5,082	6,361	10,656	10,402	5,970	2,318	**-61.2%**
Brazil	0	0	0	0	445	0	365	**n/a**
Kazakhstan	0	0	0	152	209	51	63	**23.5%**
Chile	125	776	225	400	250	225	25	**-88.9%**
Australia	3,237	3,756	4,348	9,821	14,588	14,549	0	**-100.0%**
EU-28	32,846	26,887	22,546	28,932	17,440	16,978	0	**-100.0%**
Others	3,692	1,121	449	815	1,097	906	40	**-95.6%**

Source: Federal Customs Service of Russia; Belstat

Table 13. Russian Imports of NFDM (040210) Annual Series: 2010 - 2014 and YTD July 2014 and 2015, MT

Partner Country	Calendar Year							
	2010	2011	2012	2013	2014	Jan/Jul 2014	Jan/Jul 2015	YTD% Change
World	**116,326**	**71,417**	**95,835**	**131,390**	**102,952**	**52,758**	**63,211**	**19.8%**
Belarus	53,507	44,238	69,140	92,125	87,106	41,796	60,935	**45.8%**
Argentina	2,696	504	1,260	8,313	2,692	1,411	1,104	**-21.8%**
Ukraine	1,498	5,674	10,745	5,619	1,710	1,710	0	**-100.0%**
Uruguay	0	0	2,000	4,050	2,325	1,150	350	**-69.6%**
Switzerland	2,630	670	375	705	1,707	180	813	**351.7%**
EU-28	50,745	19,024	11,797	20,136	6,813	6,109	0	**-100.0%**

Others	5,250	1,307	518	442	599	402	9	**-97.8%**

Source: Source: Federal Customs Service of Russia; Belstat

Table 14. Russian Imports of WMP (HS Codes 040221; 040229) Annual Series: 2010 - 2014 and YTD July 2014 and 2015, MT

Partner Country	Calendar Year							
	2010	2011	2012	2013	2014	Jan/Jul 2014	Jan/Jul 2015	YTD% Change
World	**39,902**	**20,190**	**27,315**	**43,599**	**36,386**	**22,672**	**19,868**	**-12.4%**
Belarus	25,166	14,871	25,005	39,987	29,702	18,251	19,008	**4.1%**
Argentina	2,614	725	503	390	3,488	1,666	550	**-67.0%**
Uruguay	1,950	0	0	650	598	573	150	**-73.8%**
Kazakhstan	0	0	0	0	94	0	114	**n/a**
Ukraine	3,285	456	417	5	138	138	0	**-100.0%**
EU-28	6,460	2,811	807	2,107	1,744	1,702	0	**-100.0%**
Others	427	1,327	583	460	622	342	46	**-86.5%**

Source: Source: Federal Customs Service of Russia; Belstat