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2016 Dairy and Products Semi-Annual

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Report Highlights:
Despite a 1.5 percent decline in milk production to 30.1 MMT, low commodity milk prices are anticipated as weak demand balances with reduced milk supplies. Local producers are no longer benefitting from reduced competition resulting from the import embargo because consumer purchasing power continues to fall. Cheese production is forecasted flat, at 0.860 MMT, and butter production will decline 3.8 percent to 0.25 MMT. Belarus, as the supplier of nearly all projected dairy product imports, exerts strong pressure on the dairy market. Additionally, government dairy support and a new plan for intervention purchases will be key market determinants in 2016.

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.

Changes to Reporting Methodologies

Given the availability of more-specific Rosstat data, for this report, henceforth, and going back to 2011, FAS/Moscow will review the "Beginning stocks" and "Year-end stocks" for Cheese (HS Code 0406); Butter (HS Codes HS Codes 040510, 040590), WMP (HS Codes 040221, 040229) and NFDM (HS Code 040210).

When calculating trade estimates between Russia and Belarus in this report (for both imports and exports), FAS/Moscow used the data of the National Statistical Committee of the Republic of Belarus (Belstat); for estimating trade between Russia and Kazakstan FAS/Moscow used data from the Eurasian Economic Union (Eurasian Economic Commission - Statistics).

Executive Summary

Production

FAS/Moscow decreased its previous 2016 estimate of cows in milk inventories to a 2.6 percent decline year-on-year because of high interest rates for loans and inconsistent payments of subsidies to buy new cattle. At the same time, the 2016 milk production forecast shows only a 1.52 percent decline year-on-year. Commercial dairies will continue to gain better yields from smaller numbers of cows as herds with improved genetics start to perform at their full capacity. Modernized commercial dairies will partially offset the declining milk production at household farms.

FAS/Moscow anticipates flat cheese and curd production in 2016. In 2015 domestic producers increased production by 13.3 percent because of reduced competition due to the import embargo. However, further production growth is constrained by weak consumer demand, strong competition from Belarus, increased quantities of year-end stocks, limited sources for additional supplies of raw milk for cheese production, and continued use of palm oil as a dairy fat substitute.

The forecast for 2016 butter production has also decreased. Production expenses have grown while retail prices stagnate below the inflation level. The current market struggles to cope with the problems of excessive 2014 butter supplies and increased use of dairy fat substitutes.
Whole Milk Powder (WMP) commodity prices have being rising since the beginning of the year and domestic producers are motivated to increase output due to a promising market outlook. Given the anticipated decline of butter production in 2016 and the reported decline of Nonfat Dry Milk (NFDM) output in the first quarter of 2016, FAS/Moscow increased its 2016 WMP forecast while decreasing NFDM production forecast. The milk powders production forecasts depend on the implementation of the state intervention purchases plans and Belarus pricing policies.

Trade

Fluid milk, and dairy products are on the list of banned foods and trade will be affected by the current restrictions at least until August 2016. Despite that fact, FAS/Moscow forecasts 5 percent annual growth in 2016 cheese and curd imports. Butter imports will also increase in 2016, while NFDM and WMP import forecasts have changed to indicate flat trade between 2015 and 2016. The increase in imports is anticipated due to constrained growth of domestic cheese production, projected decline of butter production, and favorable export prices offered by non-restricted suppliers.

Belarus continues to influence the Russian dairy market as the primary supplier raw milk and dairy imports in 2016. The Government of Belarus controls most of the dairy production and trade and regularly reviews dairy prices based on market conditions for its "minimum recommended export prices". Belarus price strategies will likely maintain or increase the volume of dairy exports to Russia.

Consumption

FAS/Moscow forecasts a 1.4 percent decline in total domestic consumption of fluid milk in 2016, mostly due to decreasing on-farm consumption of fluid milk. At the same time, FAS/Moscow forecasts a moderate increase of factory use consumption as commercial dairies are anticipated to increase output of milk suitable for industrial processing.

In 2016 the Government of Russia (GOR) continues dairy support programs in accordance with the State Program of Development of Agriculture in 2013-2020. Additionally, GOR has recently officially announced plans to support milk farmers by purchasing up to 10,000 MT of dry milk powders and 4,000 MT of dairy butter in nine pilot regions. The declared goal of the dairy intervention is to reduce commodity price volatility for raw milk resulting from major seasonal fluctuations in milk production. If implemented successfully, the program would create additional demand for approximately 170,000 MT of raw milk.

FAS/Moscow anticipates a slight recovery of domestic cheese and curd consumption in 2016 due to stable supplies of traditional low-priced curd products (e.g. "tvorog") and reasonably priced domestic and Belarusian cheeses. 2016 butter consumption will likely stabilize at 2015 levels – 6.8 percent less than those in 2014.

Based on current price trends, the final year-end market data and the revised stocks, FAS/Moscow projects WMP consumption in 2016 will grow 2.6 percent while demand for NFDM is anticipated to stabilize.

The Average Nominal Exchange Rate in the first Quarter of 2016 is 1 USD = 74.59 Rubles; the current exchange rate (May 13, 2016) is 1 USD = 64.96 Rubles. Key Rate (from 08.03.2016) – 11%; Inflation in April 2016, 7.3%; Source Central Bank of Russia (CBR).

Table1. Russia: Fluid Milk Supply and Distribution, 1,000 MT

Dairy, Milk, Fluid	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
Cows In Milk	8,050	8,050	7,750	7,750	7,585	7,550
Cows Milk Production	30,499	30,499	30,025	30,550	29,980	30,085
Other Milk Production	0	0	0	0	0	0
Total Production	30,499	30,499	30,025	30,550	29,980	30,085
Other Imports	383	383	290	328	260	320
Total Imports	383	383	290	328	260	320
Total Supply	30,882	30,882	30,315	30,878	30,240	30,405
Other Exports	20	20	25	42	20	20
Total Exports	20	20	25	42	20	20
Fluid Use Dom. Consum.	9,859	9,859	9,310	9,500	9,080	9,185
Factory Use Consum.	18,735	18,735	18,930	19,140	19,130	19,200
Feed Use Dom. Consum.	2,268	2,268	2,050	2,196	2,010	2,000
Total Dom. Consumption	30,862	30,862	30,290	30,836	30,220	30,385
Total Distribution	30,882	30,882	30,315	30,878	30,240	30,405
(1000 HEAD) ,(1000 MT)						

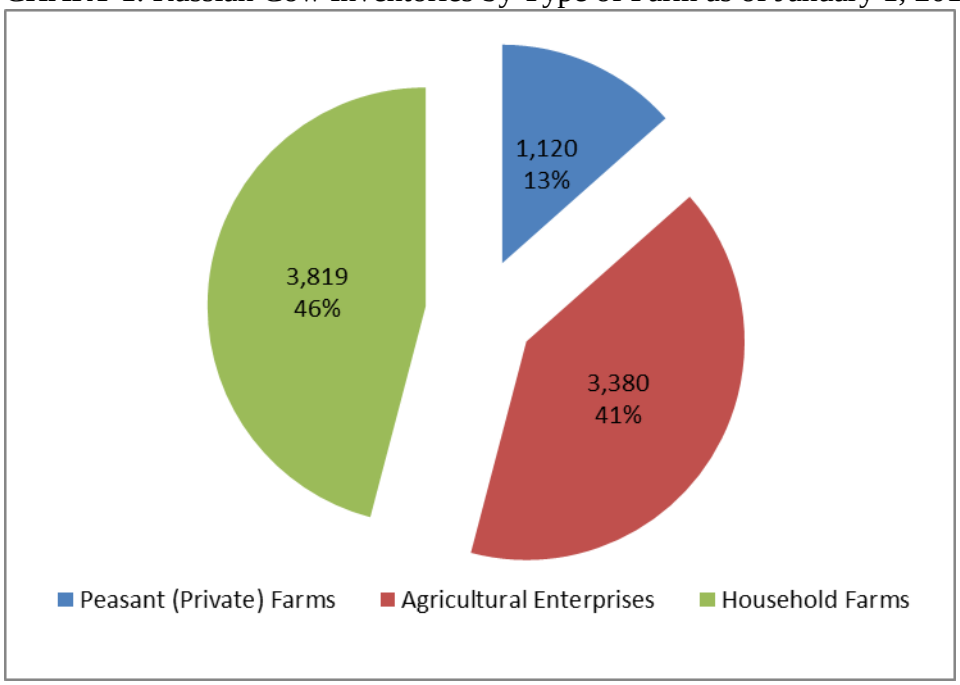
NOTE: Not Official USDA data;
Official USDA data is available at http://apps.fas.usda.gov/psdonline/

Cows in Milk inventories

FAS/Moscow estimates 2016 cows-in-milk inventories at 7.55 million head, which is 2.6 percent less than 2015 numbers and a downgrade of the previous forecast. The country's cow inventories have being shrinking for two decades, as the dairy sector has struggled with low profitability and lack of investments since 1990's. The financial state of dairy farms has further deteriorated as a result of the ongoing economic crisis, and as a long-term trend of declining cows-in-milk inventories continues. High interest rates and inconsistent payments of subsidies due to problems with federal and regional budgets implementation impact the performance of the dairy sector and constrain new cattle purchases.

Rosstat reports the total cow[1] herd at 8.319 million head as of January 1, 2016, which is a 1.8 percent decline year-on-year. As cow inventories declined at household farms (132,000 heads less) and agricultural enterprises (54,000 heads less), the share of commercial farms[2] increased 0.7 percent during 2015 to 54.1 percent of nation's cow herd. The small commercial peasant (private) farms and individual entrepreneurs increased their cow herds by 34,000 heads during 2015, mainly because local authorities encouraged household farms to have their operations registered as legal entities subject to taxes.

CHART 1. Russian Cow Inventories by Type of Farm as of January 1, 2016 (1,000; %)



Source: Rosstat

After the drop in world oil prices and changes in domestic monetary policies, the ruble sharply depreciated and has been volatile since the end of 2014, resulting in annual consumer price inflation of 12.9 percent in 2015. As a response to accelerated inflation, the Central Bank of Russia (CBR) has changed the key interest rate eight times between November 2014 and August 2015. The key rate peaked at 17 percent in December 2014, and has been kept at 11 percent since August 2015. Despite some positive signs[3], CBR kept the key rate at 11 percent in March 2016. Russian fiscal and monetary authorities consolidated their efforts in pursuing the mid-term goal of 4 percent annual inflation in 2017. Also, the Government of Russia (GOR) has struggled to keep the 2016 budget deficit within the target of 3 percent of GDP. The GOR is currently reviewing the fiscal plan, which was based on projected

[1] Rosstat "cows" number includes all beef and dairy cows. For details on beef cattle inventories please refer to Gain Report RS1610 Russian Livestock and Products Semi-Annual

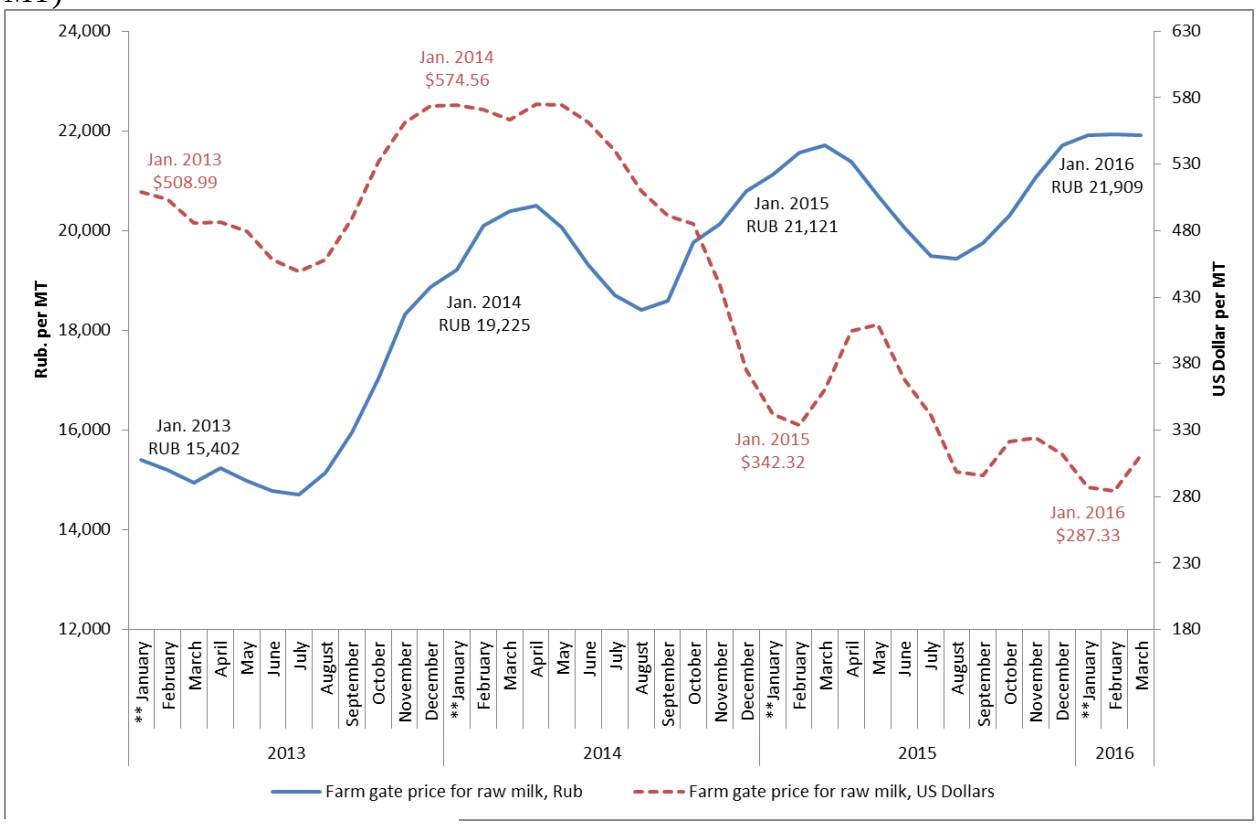
[2] Commercial farms include agricultural enterprises, peasant (private) farms and individual entrepreneurs; exclude household (back-yard) farms. For more information about types of agricultural producers in Russia please see Gain Report RS1593 Classification of Agricultural Producers in Russia

[3] In March 2016 inflation slowed to 7.3 percent in annualized terms and the ruble appreciated by 8.8 percent against US dollar (Sources: Rosstat, CBR)

revenues from oil exports at a price of 50 US dollars per barrel. According to the Finance Ministry the nation's main export blend averaged 31.99 US dollars in the first three months of 2016.

In April 2016, Minister of Finance Anton Siluanov pointed out the lack of balance in the budget as a major determinant of the key rate, and highlighted the failure to lower the budget deficit as a constraint for cuts in the key rate. Most analysts, including private sector, international (the World Bank) and Russian official (CBR) forecast further GDP contraction between 1.3 and 1.7 percent in 2016, mostly due to continuing vulnerability in the financial sector.

CHART 2. Farm Gate Prices for Cows' Milk in Russia in 2013-March 2016 (Rub and US Dollar per MT)



Sources : Rosstat; RF Central Bank

State subsidies remain among the key factors supporting profitable operations of dairy farms in 2016. This year GOR continued to support programs for dairy farmers and committed to partially compensate bank interest payments associated with long-term loans for construction or modernization of dairy farms (Rub 5.32 billion), to partially subsidize interest rates for short-term loans (Rub 1.375 billion); to pay "per liter of sold milk" subsidies (Rub 11.4 billion); to reimburse up to 35% of capital expenditures in pre-approved dairy projects (Rub 6.0 billion); to pay subsidies for pure-bred breeding dairy cattle, and insurance programs. In the 2016 budget the GOR had initially allocated approximately RUB 30 billion for dairy sector support. However, multiple sources indicate that authorities have difficulty making subsidy payments to final recipients due to problems with regional budget revenues. Media sources

write about massive delays of payments citing major agricultural producers, who claim that they have not received subsidies since October 2015[4].

The Public Audit Chamber of the Russian Federation (The Audit Chamber) in its Report on implementation of the GOR anti-crisis plan in 2015 indicated the problem of significant time lags between the dates when the funds for subsidies had been transferred from the federal budget accounts to regional budgets and the dates when farmers actually received the money. The Audit Chamber reported that regions varied, but in some cases delays were 6 to 7 months.

According to the Russian Ministry of Agriculture, the share of non-performing loans in total borrowings of agricultural companies grew from 7.8 to 11.4 percent between January and November 2015, and reached Rub 220 billion as of November 1, 2015. The volume of non-performing loans in the dairy sector may increase by the end of 2016 because, in addition to subsidy payment delays, interest rates for new loans in the milk production sector remain at restrictive levels, over 20-25 percent. Moreover, internal financial resources of dairy producers have weakened because operational expenses increased while reduced consumer demand[5] and competition from Belarusian imports kept milk prices low. Considering current financial challenges, few new investments in cattle purchases are expected in 2016.

In 2015, Russia imported approximately 32,000 head of breeding dairy cattle. Major suppliers were the Netherlands (9,564 head); Germany (8,476 head), United States (3,427 head), Denmark (3,017 head), Hungary (2,556 head), France (1,794 head). In January-February 2016 the country imported only approximately 2,600 head of dairy breeding cattle from European suppliers and none from the U.S.

The Ministry of Agriculture recognized the existing constraints for milking herd growth and drafted Amendments to the State Program of Development of Agriculture[6] revising the strategic goal of additional cows-in-milk from 560,000 to 473,000 heads in 2020. The Ministry also suggested excluding milk produced at household farms from consideration in the state program, which may reduce the 2020 milk production goal from total 38.2 MMT to 19.8 MMT – the amount produced by commercial farms.

Fluid Milk Production

FAS/Moscow increased its 2016 milk production forecast to 30.085 MMT, which is still a 1.52 percent decline year-on-year. Milk production at household farms in 2016 will likely decline by approximately 465,000 MT. Commercial dairies (large and medium agricultural enterprises, peasant (private) farms, and individual entrepreneurs), on the contrary, are anticipated to increase fluid milk output, which will partially replace the reduced supplies from household farms. The total supply of raw milk to processing plants is expected to grow by approximately 60,000 MT to 19,200 MMT. Commercial dairies will continue to gain better yields from smaller numbers of cows as herds with improved genetics start to perform at their full capacity.

[4] https://www.vedomosti.ru/business/articles/2016/03/21/634316-rossiiskom-agrosektore; http://www.kommersant.ru/doc/2950497

[5] Rosstat: Real disposable income in 2015 declined by 4 percent; Retail turnover dropped by 10 percent. Farm gate prices for whole milk (as reported by specagro.ru on April 04, 2016) grew by 0.3 percent year-on year.

[6] published at http://regulation.gov.ru/projects#npa=45790 on February 2, 2016

Leading commercial dairies invested in improved herd genetics in the past[7], also purchasing equipment and implementing intensive farming methods. Some of these projects are reaching their planned capacity as farm managers have gained experience working with highly productive dairy cattle and improved feeding and reproductive techniques. Rosstat reports that in January and February 2016 large agricultural enterprises managed to increase milk production by 4.3 percent compared to the same months of 2015. However, in 2016, commercial dairies often lack the financial resources to keep production growth at the same pace as in 2015.[8] Milk producers currently have limited funds for further modernization or efficiency improvements. Companies have needed to cut operational expenses, which can impact the quality of feeds and veterinary services. Thus, economizing practices may have a negative effect on animal welfare and result in lower yields. Also, according to industry contacts, implementation of the import substitution policy in the field of dairy cattle genetics may jeopardize further improvement of the nation's milking herd.

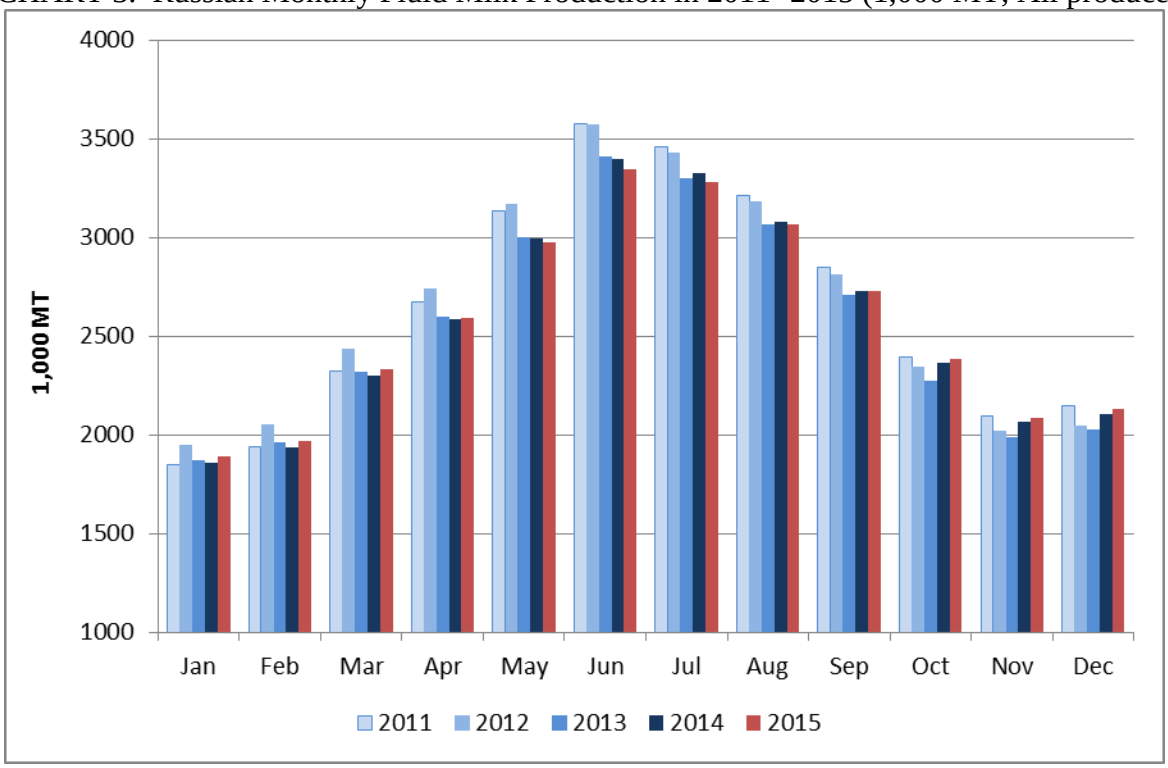
Commercial dairies have been gradually increasing their share in production, and in 2015 they accounted for approximately 53 percent of the total milk output. However, the number of modernized farms and the level of consolidation[9] in the sector remain low, which results in major seasonal fluctuations of production volumes. Milk output is expected grow during the 2nd and 3rd quarters of 2016, reflecting the traditional seasonal increase of production at smaller dairy farms and households.

[7] According to the U.S. Department of Commerce, USA was the major supplier of highly productive pedigree dairy cattle to Russia in 2012-2015 and shipped 58,000 heads of purebred breeding dairy bulls and heifers HS Codes 0102210020 and 0102210010 .

[8] Data Source: Rosstat. Despite of the reduction of cow inventories by 1.5 percent year-on-year, Large agricultural enterprises managed to improve yields per cow by 5.3 percent (more than previously forecasted) from an average 5.385 MT in 2014 to 5.674 MT in 2015. As of the date of this report, 2015 final data is not available for average yields per cow in at backyard farms or private peasant farms. For reference, in 2014 the average yield per cow at backyard farms was 3.501 MT; private peasant farms 3.450 MT.

[9] In 2015 "Souzmoloko" published a list of fifty major dairy farms accounting for approximately 8.8 percent of marketed milk. http://www.souzmoloko.ru/news/news_2982.html

CHART 3. Russian Monthly Fluid Milk Production in 2011 -2015 (1,000 MT; All producers)



Source: Rosstat

According to Rosstat, total fluid milk production in 2015 was 30.550 MMT, which is a 525,000 MT improvement over the previous forecast and a minor 0.01 percent growth year-on-year. The total production at non-commercial farms continued shrinking: household farms reduced their output by 413,000 MT in 2015. On the other hand, commercial farms increased output and as a result, the total supplies of raw milk for industrial processing grew by 405,000 MT.

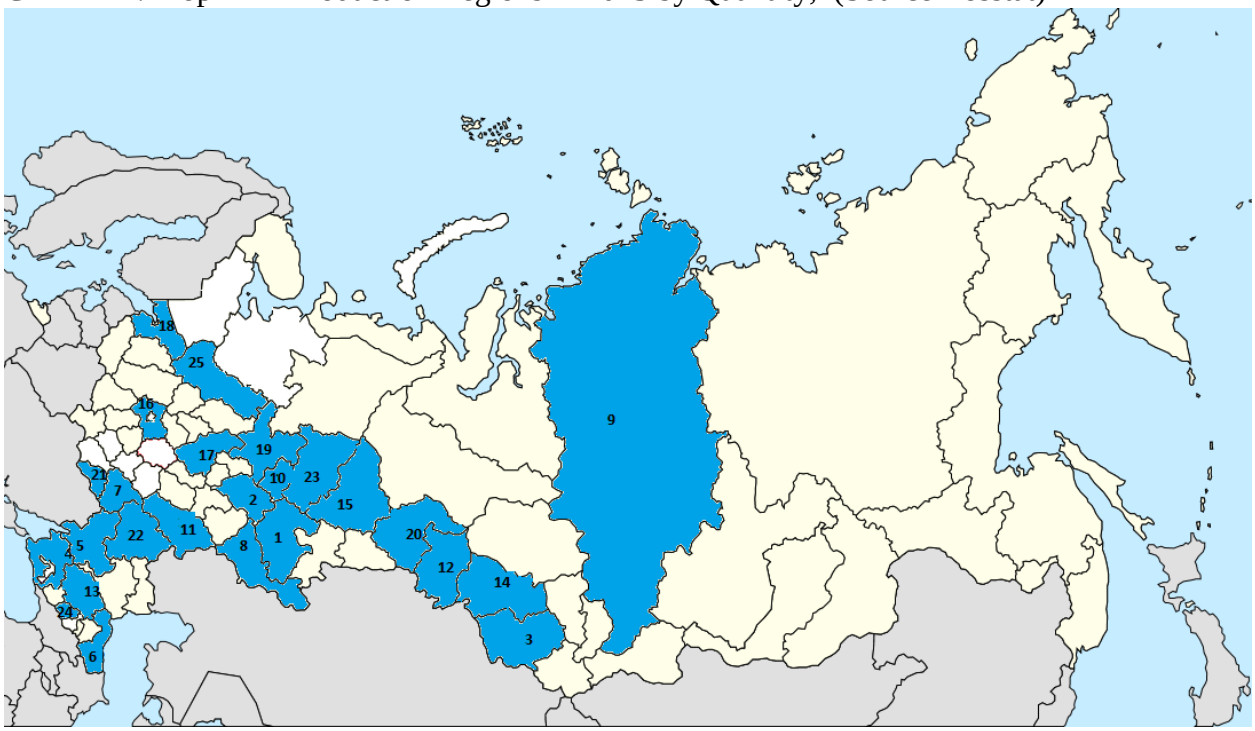
In terms of total fluid milk production volume in 2015, the leading regions were the Republic of Bashkortostan[10] (1.812 MMT); the Republic of Tatarstan (1.750 MMT); Altaisky Krai (1.414 MMT); Krasnodarsky Krai (1.328 MMT); Rostov Oblast (1.080 MMT); Dagestan (0.820 MMT); Voronezh Oblast (0.805 MMT); Orenburg Oblast (0.797 MMT); Krasnoyarsky Krai (0.730 MMT); Udmurtia Republic (0.729 MMT); and Saratov Oblast (0.728 MMT).

Performance indicators reported by Rosstat (production of milk appropriate for industrial processing and cow productivity data [11]) show that industrial milk production clusters are developing in several regions of the Northwestern and Central Federal Districts, which are located near the largest milk processing plants of Moscow and St. Petersburg. Agricultural Enterprises account for 84 percent of raw milk output in the Northwest and for 71 percent in the Central Federal District. Average annual per cow yields exceed 5 MT in these districts, which can be compared with other areas where agricultural

[10] In the Republic of Bashkortostan Agricultural enterprises account for 28 percent of total milk production; average per cow productivity is 3.96 MT.
[11] For details, please refer to Production Tables 7 and 8.

enterprises produce from 12 percent (North Caucasian FD) to approximately 50 percent (Ural and Volga) with average annual per cow yields varying from 2.5 to 4.7 MT.

CHART 4: Top Milk Production Regions in 2015 by Quantity; (Source Rosstat)



in Rating. Name of the Region (Total Milk Production by all producers (Share of Agricultural Enterprises in total production))
1.The Republic of Bashkortostan (1.812 MMT (29.83%)) **2**. The Republic of Tatarstan (1.75 MMT (58.94%)) **3**. Altayskii Krai (1.414 MMT (37.4%)) **4.** Krasnodar region (1.328 MMT (64.07%)) **5.** Rostov region (1,080 MMT (10%)) **6.** Dagestan (0.820 MMT (15.4%)) **7.** Voronezh region (0.805 MMT (59%)) **8.** Orenburg region (0.797MMT (24.84%)) **9.** Krasnoyarsk Territory (0.730 MMT (50.9%)) **10.** Udmurt Republic (0.729 MMT (80.8%)); **11.** Saratov region (0.728 MMT (16%)) **12**. Omsk region (0.703 MMT (48.39%)) 13. Stavropol region (0.686 MMT (19.98 %)); **14**. Novosibirsk region (0.659 MMT (74.85%)); **15.** Sverdlovsk region (0.656 MMT (76.02%)); **16.** Moscow region (0.630 MMT (90%)); **17.** Nizhniy Novgorod region (0.619 MMT ((72.11%)); **18**. Leningrad region (0.588 MMT (92.86%)); **19.** Kirov region (0.578 MMT (90.99%)); **20.** Tyumen region 0.551 MMT (49.99%)) **21**. Belgorod region (0.532 MMT (70.65%)) **22.** Volgograd region (0.510 MMT (8.15%)) **23**. Permskii Krai (0.482 MMT (76.64%)) **24.** Kabardino-Balkaria (0. 469 MMT (11.95%) **25.** Vologda region (0.469 MMT (92.45%))

Fluid Milk Consumption

FAS/Moscow forecasts total domestic consumption of fluid milk in 2016 at 30.385 MMT, which is a decline of approximately 1.4 percent compared to 2015, mostly due to projected decrease of on-farm consumption of fluid milk, which is projected to fall by approximately 315,000 MT to 9.185 MMT. At the same time, FAS forecasts a moderate increase of factory use consumption in 2016 as commercial dairies are anticipated to slightly increase output of milk suitable for industrial processing. Industrial dairy plants are expected to process approximately 19.2 MMT (18.88 MMT will be supplied by domestic producers and 0.32 MMT imported, mostly from Belarus).

GOR recently officially announced plans to support milk farmers by purchasing up to 10,000 MT of dry milk powder and 4,000 MT of dairy butter in nine regions. The declared goal of the dairy intervention is

to reduce commodity price volatility for raw milk resulting from major seasonal fluctuations in milk production. If implemented successfully, the program would create additional demand for approximately 170,000 MT of raw milk during the "high milk season" between May and August. The Ministry of Agriculture is currently drafting the legislative framework for the dairy interventions and planning to publish the required regulations before June 1, 2016. In March 2016 the ministry issued an order defining the minimum allowable prices as 195,000 Rub per MT of NFDM, 238,000 Rub per MT of WMP and 308,000 Rub per MT of dairy butter. The draft also defined a commodity price of 20,210 Rub per MT of raw milk, which shall be used for the purposes of interventions contracts.

Russia imports milk proteins and fats due to insufficient domestic supplies of these commodities. Some representatives of the dairy business community and regional authorities are not supportive of plans to spend additional state funds to reduce the raw milk supply in the market, which already suffers from a deficit of quality milk. If milk prices increase as a result of interventions, price-sensitive consumer demand may further shift to less expensive dairy substitutes. Considering conflicting views on possible effects on consumer prices and the current challenges with state budget revenues, it's unclear if dairy interventions will start in 2016 as planned.

Producers of quality cheese, butter, and branded dairy products have to compete directly with businesses that use inexpensive vegetable fat substitutes for dairy (e.g. palm oil) but do not list these ingredients on their labels. Consumers generally cannot differentiate between quality and counterfeit products marketed as dairy, and simply choose less expensive products. Authorities responsible for food safety and quality control (Rosselkhoznadzor, Rospotrebnadzor) recognize the problem, confirming that approximately 10 percent of dairy products are falsely labeled. Unfair competition coupled with weak consumer demand pushes dairy prices down and creates a market situation in which higher quality products garner almost no premium price.

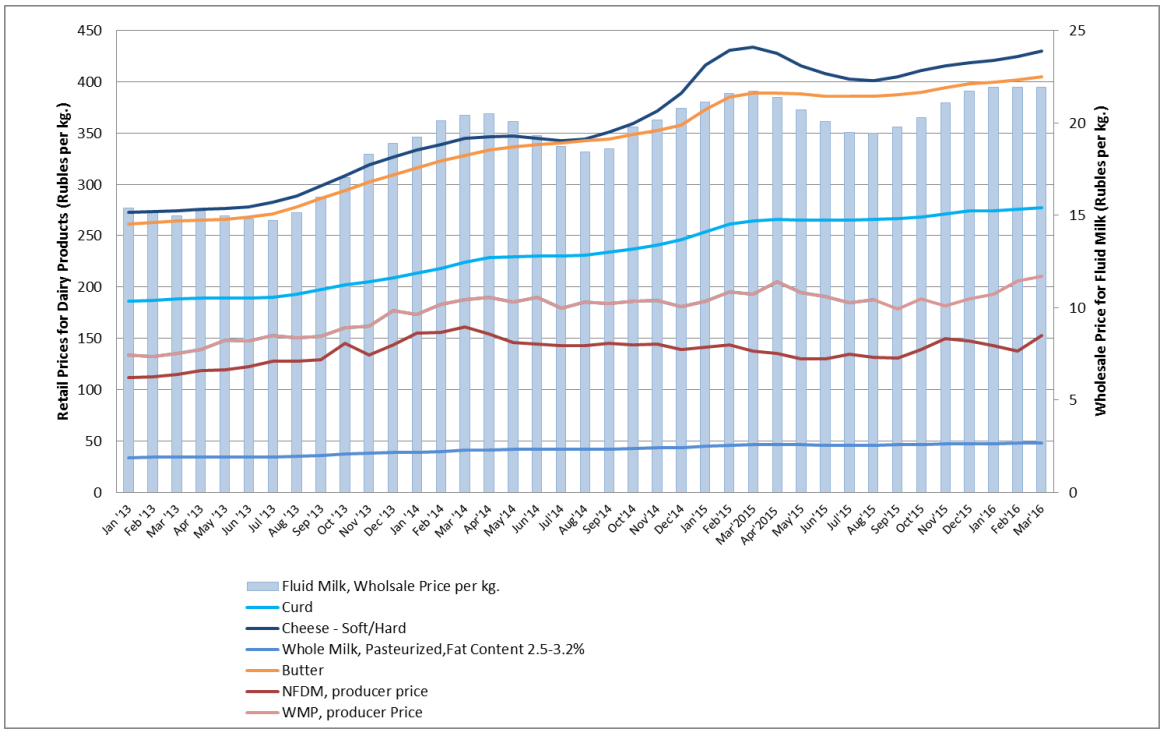
Authorities and business launched multiple initiatives to address the quality concerns and the issue of the increased use of palm oil and other cheap substitutes of milk fat. For example the National Union of Milk Producers "Souzmoloko" in partnership with the Retail Companies Association "ACORT" started regular tests of dairy products; samples are collected at the "ACORT" member stores. If discrepancies between the ingredients printed on labels and the results of the laboratory tests are detected for the first time, the associations notify the producer with a request to enhance the quality control. If multiple violations detected, information becomes public (http://www.souzmoloko.ru/falsifikat/). Rosselkhoznadzor has recently started to publish the "Honor List" with the names of the producers, whose products are labeled properly. (https://cerberus.vetrf.ru/cerberus/violation/pub).

The current economic crisis has lasted longer and hit the Russian households more strongly than the previous crisis of 2008-2009. The previous downturn did not have the same negative impact on the consumers' purchasing power. Real disposable incomes grew by 2.4 percent in 2008, by 3 percent in 2009, and 5.9 in 2010; compare with the reduction of the real disposable income by 1 percent in 2014, 4 percent in 2015, and continued decline during the first months in 2016. Real disposable income fell by 6.9% year-on-year in February, after falling by 6.3% in January 2016. Retail turnover fell by 9.9 percent in 2015 and consumer expenditures continued declining in February 2016, 5.9% less compared to

February of 2015. Poverty rates in Russia have grown; the population with income below the minimum subsistence level[12] grew from 15.9 million in 2013 to 19.2 million people in 2015[13].

Total domestic consumption of fluid milk in 2015 was 30.836 MMT and remained stable during the crisis due to relatively low prices for milk and dairy products. Commodity prices for raw milk were on average 5.2 percent higher in 2015 than in 2014; however, the average farm gate price for raw milk in March 2016 is only 0.9 percent higher than in March 2015 at Rub. 21,920 per MT. Growth of milk prices remains below inflation levels (CPI 12.9% in 2015; 7.3% in March 2016), and this weak growth of commodity prices for milk and dairy have a negative effect on producers' margins, but became an incentive for relatively stable consumption.

CHART 5. Commodity Prices for Fluid Milk in Russia and Consumer Prices for Basic Dairy Products in 2013 – March 2016



Source: Rosstat

Fluid Milk Trade

In 2016 fluid milk imports are projected at 320,000 MT, which is a significant improvement over the previous forecast by approximately 60,000 MT (23 percent), but a minor decrease from the 328,000 MT imported in 2015. The share of imported milk in total raw milk processed by Russian dairy plants in 2016 is projected at 1.66 percent. Imports accounted for 1.7 percent of industrially processed milk in 2015.

[12] Minimum subsistence level in 2016: approximately RUB 9,452 (USD 135,00) per month .
[13] Source:Rosstat

Trade restrictions continue to influence dairy trade with Russia in 2016. In 2015, the GOR extended a ban on a variety of agricultural products including milk and dairy HS codes 0401, 0402, and 0403, 0404, 0405, 0406 (except for specialized lactose-free milk and dairy products for therapeutic dietary nutrition) from the United States, Canada, the European Union, Australia, and Norway until August 6, 2016 (RS1540 Russian Food Ban Extended Until August 2016). In August 2015 Prime Minister Medvedev also signed a decree that expanded the list of countries that fall under restrictions to include Albania, Montenegro, Iceland and Liechtenstein.
On January 1, 2016, Ukraine implemented the full-scale Deep and Comprehensive Free Trade Agreement (DCFTA); effective the same date, Russia cancelled its Free Trade Agreement with Ukraine and banned imports of a number agricultural products, including milk and dairy[14].

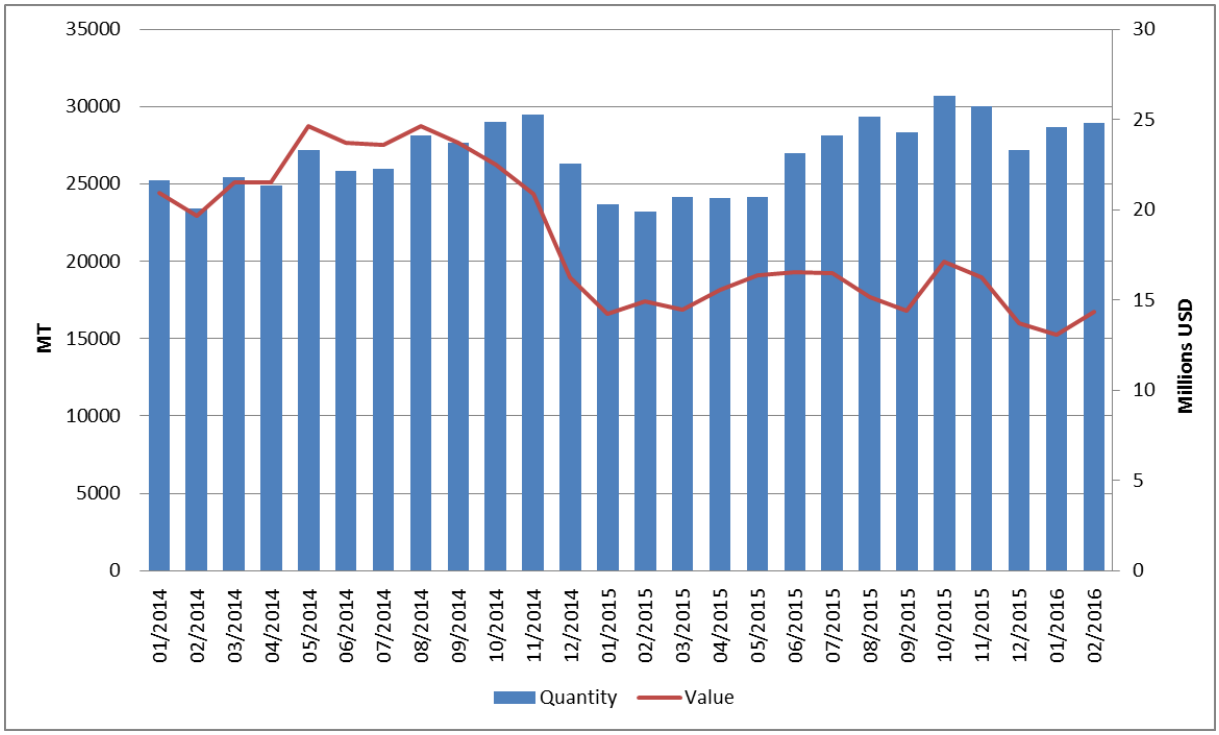
Belarus accounted for 96.6 percent of fluid milk imports to Russia in 2015, and will likely be the only major exporter of raw milk to Russia in 2016. If exporters continue offering lower prices, dairy processors may increase purchases of dry milk powders and butter from Belarus, but an increase in demand for fluid milk from Belarus is doubtful. Despite the long term declining trend of domestic raw milk supplies, the current market looks balanced in terms of supply and demand of raw cows' milk. The production of cheese in 2016 is not anticipated to grow and butter production is expected to decline by 3.8 percent; thus will Russian commercial dairies likely be able to maintain sufficient supplies to cheese and butter producers.

Belarus shipped 320,082 MT of fluid milk and cream (HS Code 0401), valued at 185.162 million US dollars in 2015[15]. Although the volume of raw milk shipments grew by 0.5 percent, the value of these exports dropped by 29.73 percent last year compared to 2014. The average price per MT of fluid milk dropped from 827.21 USD in 2014 to 528.93 USD in 2015. In February 2016 prices fell by additional 22.73 percent to 495.65 USD per MT of milk. Dollar prices declined under the influence of declining world market prices and, especially, the devaluation of the Russian and Belarus ruble.

In 2010-2015 Belarus implemented a state program to develop the milk production sector. Total investments in modernization of dairy farms under the program were Rub 6,587.9 billion that allowed increasing milk production by 1.152 MMT in 5 years. According to the Belarus Ministry of Agriculture and Food, the country produced 7.0 MMT of raw cow's milk in 2015, and large agricultural enterprises produced 94.7 percent of total output or 6.635 MMT of milk. The highly industrialized and modernized milk production sector of Belarus is more cost efficient than the Russian dairy industry, which has become a strong competitive advantage that allows Belarusian exporters to offer very attractive prices in the Russian market.

CHART 6. Russian Imports of Milk and Cream, Not Concentrated nor Containing Added Sweetening (HS Code 0401) from Belarus Monthly Series: 2014 - 02/2016 Quantity (MT) and Value (Million USD)

[14] The ban is similar to the trade restrictions imposed on a number of Western countries until August 2016. The list of banned agricultural includes product groups under the following HS Codes: 0201, 0202, 0203, 0207, 0210, 0301, 0302-0308, 0401-0406, 0701-0714, 0801- 0811, 0813, 1601, 190190 and 210690
[15] Source: Belstat



Source: Belstat

FAS/Moscow projects 2016 milk exports at 20,000 MT, considering the uncertain prospects of Russian trade with Ukraine. Kazakhstan likely remains the main destination of raw milk shipments from Russia. The Federal Customs Service of Russia reported a significant increase of milk exports to Ukraine in 2015[16] to 17,872 MT from just 13 MT shipped in 2014. Post believes that these are exports from Russia to parts of the Donetsk and Luhansk regions of eastern Ukraine. Export to Ukraine accounts for the most of the unexpected 110 percent increase of total Russian raw milk exports, which reached 42,000 MT in 2015. The trade continued to grow in January-February 2016, milk exports to Ukraine reached 5,708 MT or 65.8 percent of all milk exports from Russia. However, continued growth of bilateral trade between these countries in 2016 is vulnerable because of changes in the trade regime due to political instability.

[16]Important Note: State Customs Committee of the Ukraine reports only 1 MT of HS CODE 0401 imports from Russia in 2015, and no imports in January-February 2016, a difference that suggests that almost all the exports from Russia are destined for those eastern regions of Ukraine that are not reporting trade data to Kyiv.

Cheese and Curd (HS Code 0406)

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

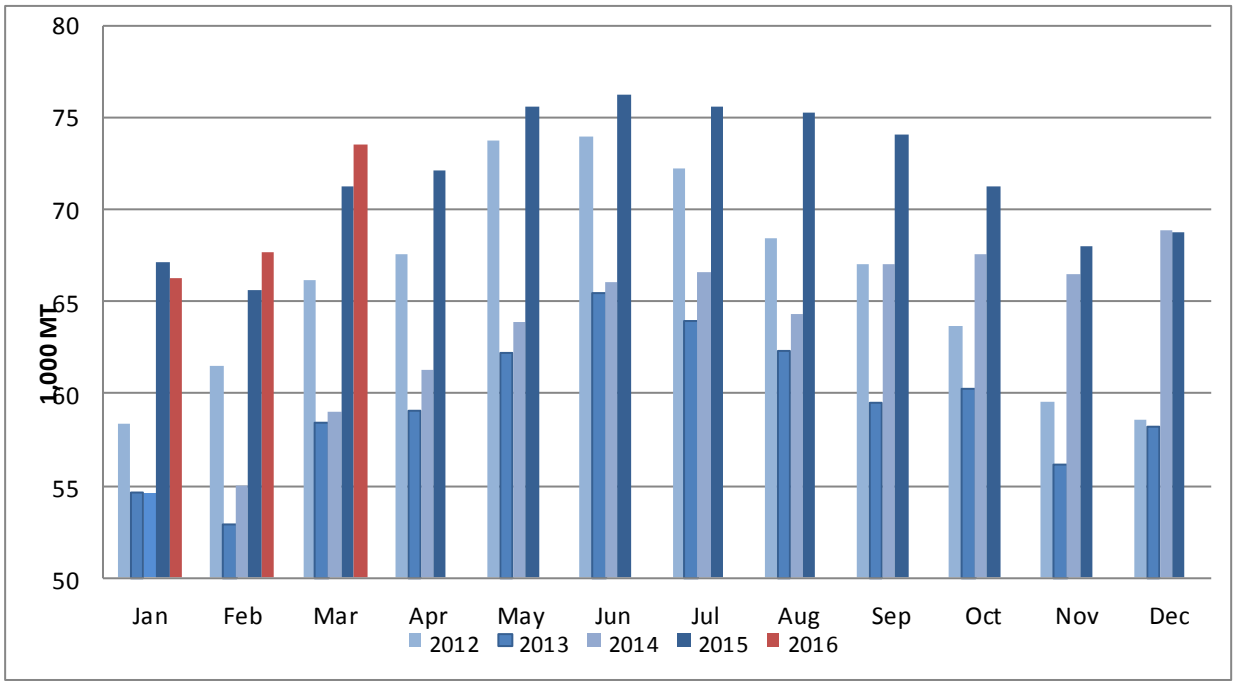
Dairy, Cheese	2014		2015		2016	
Market Begin Year	Jan 2014		Jan 2015		Jan 2016	
Russia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	8	22	30	30	10	35
Production	760	760	850	861	860	860
Other Imports	349	349	205	214	220	225
Total Imports	349	349	205	214	220	225
Total Supply	1,117	1,131	1,085	1,105	1,090	1,120
Other Exports	29	29	25	23	25	25
Total Exports	29	29	25	23	25	25
Human Dom. Consumption	1,058	1,072	1,050	1,047	1,055	1,065
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	1,058	1,072	1,050	1,047	1,055	1,065
Total Use	1,087	1,101	1,075	1,070	1,080	1,090
Ending Stocks	30	30	10	35	10	30
Total Distribution	1,117	1,131	1,085	1,105	1,090	1,120
(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 continues to forecast cheese and curd production in 2016 at 860,000 MT. In 2015 domestic producers increased cheese and curd production by 13.3 percent as they continued to benefit from the reduced competition in the market due to trade restrictions imposed on several western suppliers. However, multiple factors constrain further production growth in 2016, including weak consumer demand, strong competition from Belarus in the market, increased quantities of year-end stocks, limited sources for additional supplies of high quality raw milk suitable for cheese production, and continued use of palm oil as a dairy fat substitute.

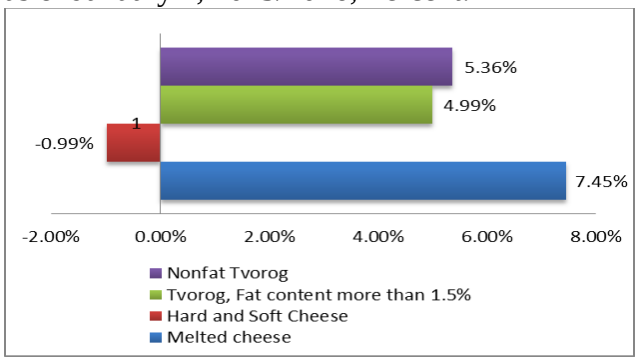
CHART 7. Russian Monthly Production of Cheese and Curd (HS Code 0406) in 2012 – Mar., 2016



Source: FAS/Moscow estimate based on Rosstat data

Market conditions were favorable for domestic cheese producers in the second part of 2014 and in early 2015: production grew by approximately 20 percent (148,000 MT) in two years. But then in January 2016 Rosstat reported a 16 percent increase of cheese and curd stocks compared to January 2015. Average consumer prices for hard cheeses in February and March 2016 were 1.4 and 0.99 percent lower, respectively, than prices during the same months of 2015. At the same time, average consumer prices for 'tvorog', a less expensive traditional fermented milk product , were 5.5 and 4.99 percent higher in February and March 2016 than a year ago. Evidently, the cheese market is coming to saturation, and manufacturers have difficulties with sales as more consumers have switched to less expensive cheese substitutes.

CHART 8. Annual Change of Consumer Prices for Cheese and Curd (Tvorog)
as of January 1, 2015/2016; Percent.



Source, Rosstat

Industry experts and authorities at the highest level[17] are concerned about continued increases in use of non-dairy fat substitutes that may have a harmful long-term effect on the cheese making industry. The dynamics of palm oil imports reflect its increased consumption by Russian food industry; however, it's not clear how much palm oil is used as a fat substitute in the dairy products because of inconsistent labeling. According to various estimates, dairy producers utilize approximately 25-30 percent of imported palm oil, which is also a popular ingredient in other industries such as confectionary, bakery, and cosmetics. According to the Federal Customs Service of Russia, the country imported 886,000 MT of palm oil (HS Code 151190) in 2015. The imports increased by 25 percent (approximately 182,506 MT) in 2015 compared to 2014. The trend continued during the first months of 2016: imports of this commodity grew by 20 percent compared to the same months of the previous year to 150,337 MT in January-February 2016.

The National Union of Milk Producers "Souzmoloko" analyzed the issue by comparing the fat content of raw milk available in the market for processing and the fat content of the dairy products produced in 2015. Souzmoloko experts concluded that there is a 9-10 percent gap of milk fat amount in two data sets. These estimates are in line with the results of laboratory tests performed by official organizations responsible for food safety and quality control (Rospotrebnazor and Rosselkhoznadzor).

The precise share of falsifications and improper labeling of goods in each dairy product group is difficult to determine due to the illegal nature of these activities. Presumably, most violations are associated with cheese, a product with a long shelf live promising the best margins for producers. Lawmakers and authorities are considering several initiatives to enhance the control of palm oil use and improve the differentiation of the products in retail[18], but the increased use of milk fat substitutes will most likely continue its downward pressure on prices and influence the cheese market in 2016.

Locally produced, well-recognized brands have begun to capture greater shares of the current cheese market. According to "Souzmoloko" there are approximately 600 large- and medium-size cheese plants in Russia, and the top 40 producers now account for approximately 30-40 percent of the market. Consolidation trends are the strongest in mid-priced cheese production as producers of well-recognized branded products[19] , who are capable to offer consistent quality, gradually increase their market shares. Producers of popular international brands, which used to export most of their branded cheese before the embargo, have needed to adjust to a new market reality. Effective trade restrictions forced them to localize or expand their existing production operations in Russia. For example, Pepsico successfully implemented a Rub 300 million investment project to increase production of company's brand cheese "Lamber" by 40 percent to 24,000 MT at the "Rubtsovsky" plant in Altayskiy Krai. Valio increased production of processed cheese "Viola" from 4,000 to 10,000 MT at its "Ershovo" plant in Moscow region and launched production of "Valio" curd (tvorog) at the facilities of its German partner company Ehrmann in Moscow region in 2015. Arla Foods in partnership with Russian company Molvest invested over Rub 800 million in production of branded yellow cheese, total capacity of the project is 7,400 MT;

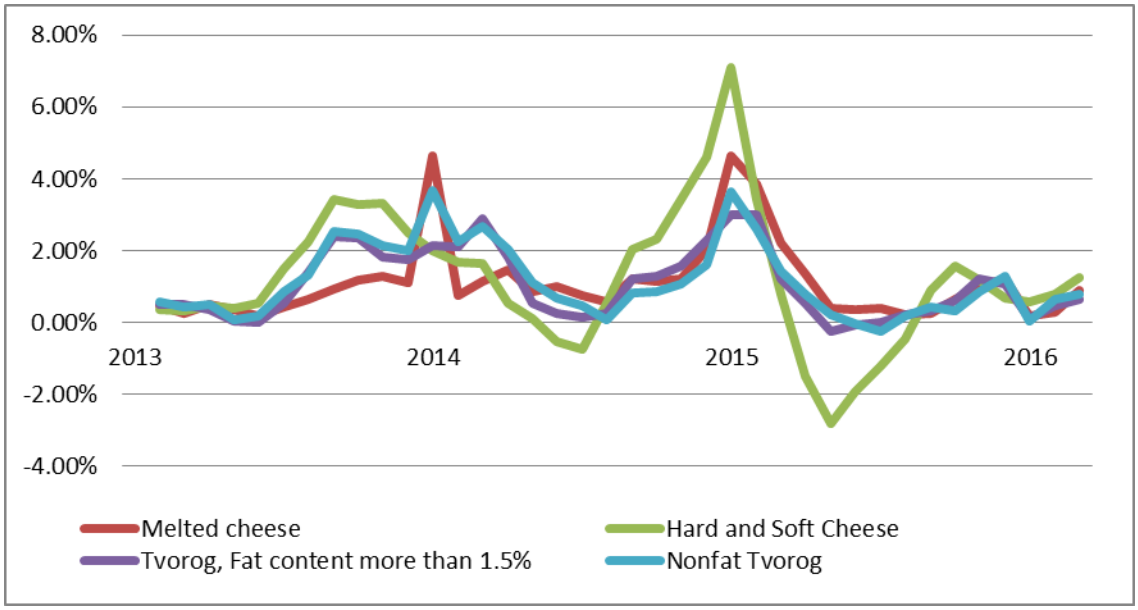
[17] http://www.rbc.ru/society/21/04/2016/571895b69a79473e1c7efb25 ;
[18] Samples of media reports in Russian:
http://milknews.ru/index/medvedev_poruchil_razobratsya_s_falsifikatom_v_voronezhskoy_oblasti.html ;
http://www.rbc.ru/business/08/02/2016/56b4c76a9a7947e2a3655cdb
[19]"Valio Ltd." (Finland, "Viola" trademark), "Hochland AG" (Germany, "Hochland" trademark), "Lactalis Group" (France, "President" trademark), "Karat OAO" (Russia, trademark "Druzhba")

a new production line for Arla processed cream cheese with a capacity of 9,000 MT was opened in November 2015. Danone remains a leader in the market of traditional dairy, including tvorog.

Cheese and Curd Consumption

FAS/Moscow anticipates a 1.7 percent increase in domestic cheese and curd consumption in 2016 to 1.065 MMT (approximately 7.48 kg. per capita) after a 2.3 percent decrease in 2015. The declining cheese consumption trend is anticipated to reverse in the second part of 2016 due to stable supplies of traditional low-priced curd products (e.g. "tvorog") and reasonably priced domestic and Belarusian cheeses. Also, the surplus stocks of 2015 will most likely force consumer prices down and stimulate the recovery of consumption.

CHART 9. Monthly Change of Consumer Prices for Cheese and Curd (Tvorog) in 2013-March 2016; Percent



Source: Rosstat

Consumers in 2015 largely switched to the less expensive grocery items within product groups. Cheese is a popular product in Russia; according to multiple market researches approximately 80 percent of Russian households purchase cheese every week. Consumers were not willing to completely cut out cheese consumption; therefore, they substituted expensive hard cheeses with soft or processed varieties or spreads. Romir Scan Panel[20] identified almost 10 percent reduction of hard cheese and 12 percent growth of processed cheese and spreads consumption in 2015. Consumer prices in the premium segment have been more volatile, reflecting the dramatic fluctuations of supply and demand for quality cheeses that started in August 2014. Prices for economy (low-priced) cheese brands and "tvorog" have been more stable and became a reason for only a 2.3 percent reduction of total domestic consumption of cheese and curd in the falling market of 2015 (compare to 14 percent decline of beef consumption, and

[20] Market research scan-panel "Romir" represents grocery purchases data from 10,000 participating households from Russian cities with population exceeding 10,000 people.

12 percent decline of seafood and fish consumption in 2015). Cheese prices in the economy and middle segments are anticipated to remain stable in the course of 2016 due to stabilized supplies of branded, reasonably priced products of consistent quality from the leading companies.

At the end of 2015, Romir conducted a market survey focused on consumer satisfaction by the quality of food products. The biggest group, 33 percent of the responders, complained about the deteriorating quality of cheese. In response to empty cheese shelves, numerous new local brands have emerged in 2015. However, consumers have not demonstrated loyalty to these brands because they were not satisfied with the price-to-quality ratio of the new products. The situation became favorable for expansion of non-banned, well-known imported brands and private labels. According to a recent Nielsen[21] market research study, 83 percent of Russian consumers buy private-label products, 53 percent noticed the increase of private-label goods, and 34 percent noticed improved quality in these products. Leading retailers announced their plans to further expand private label sales, which may improve consumer loyalty and encourage more cheese purchases.

The increase of supplies of recognizable branded cheeses and further expansion of private labels, along with the reintroduction of popular brands to the market, e.g.,"Valio tvorog," will contribute to the anticipated recovery of consumption in 2016.

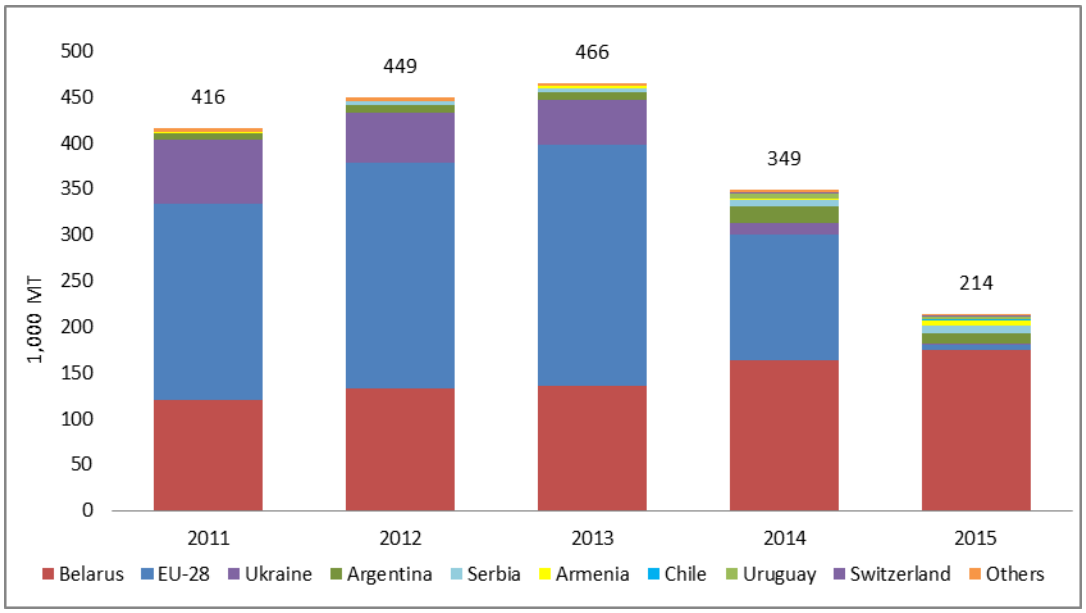
The research company Ipsos-Comcon examined consumer preferences in hard and semi-hard cheeses in the middle price range. "Rossiysky", "Gollandsky", "Poshekhonsky", and "Adygeisky" all increased their share in the market. "Rossiysky" is the most popular variety of cheese, with 61 percent share of total consumption. Low price, national branding and local production were named among the product's attractive features. Purchases of "Gauda" and "Maasdam" declined because consumers have not adjusted to the new local taste of cheeses that had been mostly supplied by imports prior to the embargo.

[21] http://www.nielsen.com/ru/ru/insights/news/2016/private-label-Russia-2016.html

Cheese and Curd Trade

FAS/Moscow raised its cheese and curd import forecast to 225,000 MT in 2016 anticipating a moderate 5 percent (11,000 MT) increase. Stabilization of cheese prices promises some recovery of consumer demand. The Russian cheese industry managed to accelerate production in terms of quantity and likely is able to maintain supplies in 2016. However, domestic industry still needs to address quality concerns when raw milk supplies and financial resources are rather limited. Assuming the current restrictions[22] remain unchanged until at least August 2016, Belarus cheese exporters will continue as the primary supplier and will likely increase shipments.

CHART 10. Russian Imports of Cheese and Curd (HS Code 0406) Annual Series: 2011- 2015 Quantity (MT); Major Suppliers



Source: Federal Customs Service of Russia; Belstat

Unlike Russia, Belarus has a sufficient supply of raw milk of the quality grades suitable for cheese production. As a result, cheese makers in Belarus benefit from lower commodity prices for raw milk compared to those in Russia. Russian consumers also appreciate the taste of cheeses from Belarus, which are usually made by traditional "soviet" recipes. "Made in Belarus" is becoming a sign of quality in the Russian dairy market. However, stronger growth of cheese imports from Belarus may be constrained due to quality concerns expressed by the Russian official food safety services.[23]

[22] For detailed information about the current trade restrictions please refer to GAIN Report RS1584.
[23]One of multiple examples: in Feb 2016 Rosselkhoznadzor detected violations in products imported from several cheese plants in Belarus related to exceeding the minimum content requirements for food preservative E251(Sodium nitrate) http://www.fsvps.ru/fsvps/news/16207.html ; http://www.fsvps.ru/fsvps/news/16197.html

The final 2015 cheese import estimate is changed to 214,000 MT based on available year-end trade statistics. Imports of HS Code 0406 dropped by 38.6 percent from 2014 because of ruble depreciation, weak consumer demand, and the import embargo.

Cheese and curd export forecast for 2016 is unchanged at 25,000 MT; which is 3,000 MT more than cheese exports in 2015. The quantity of cheese exports from Russia likely will grow, although the value of these shipments may decline. Large stocks from 2015 may encourage exporters to offer discounts to trade partners from the Eurasian Economic Union (mostly in Kazakhstan and Kyrgyzstan).

Butter and Anhydrous Milkfat (HS Codes 040510, 040590)

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

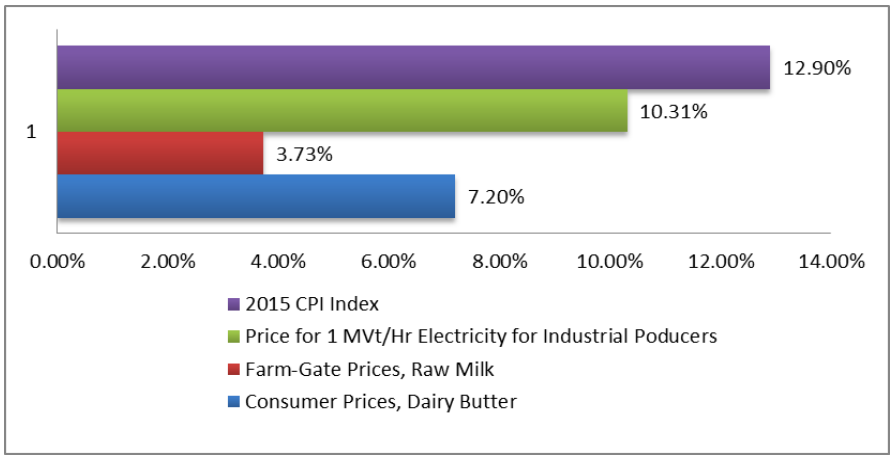
Dairy, Butter	**2014**		**2015**		**2016**	
Market Begin Year	**Jan 2014**		**Jan 2015**		**Jan 2016**	
Russia	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Beginning Stocks	10	10	30	19	12	14
Production	252	252	265	260	265	250
Other Imports	137	137	85	88	100	100
Total Imports	137	137	85	88	100	100
Total Supply	399	399	380	367	377	364
Other Exports	4	4	3	3	5	3
Total Exports	4	4	3	3	5	3
Domestic Consumption	365	376	365	350	362	351
Total Use	369	380	368	353	367	354
Ending Stocks	30	19	12	14	10	10
Total Distribution	399	399	380	368	377	364
(1000 MT)						

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

Butter and Anhydrous Milkfat Production

FAS/Moscow has decreased the forecast for 2016 butter production to 250,000 MT, a 3.8 percent decline. Expenses for production and storage have grown, while the weakened consumer demand constrains retail price growth below the inflation level. Currently, the butter market is still struggling to balance the excessive supplies of 2014 and cope with the increased use of dairy fat substitutes. According to Rosstat, butter stocks in January 2016 declined compared to January 2015, but still remain by approximately 40 percent higher than 5-years average. Milkfat products at competitive prices from non-restricted exporters are strengthening downward pressure on butter prices, and encourage domestic milk processors to use available milk for the products offering better profit margins.

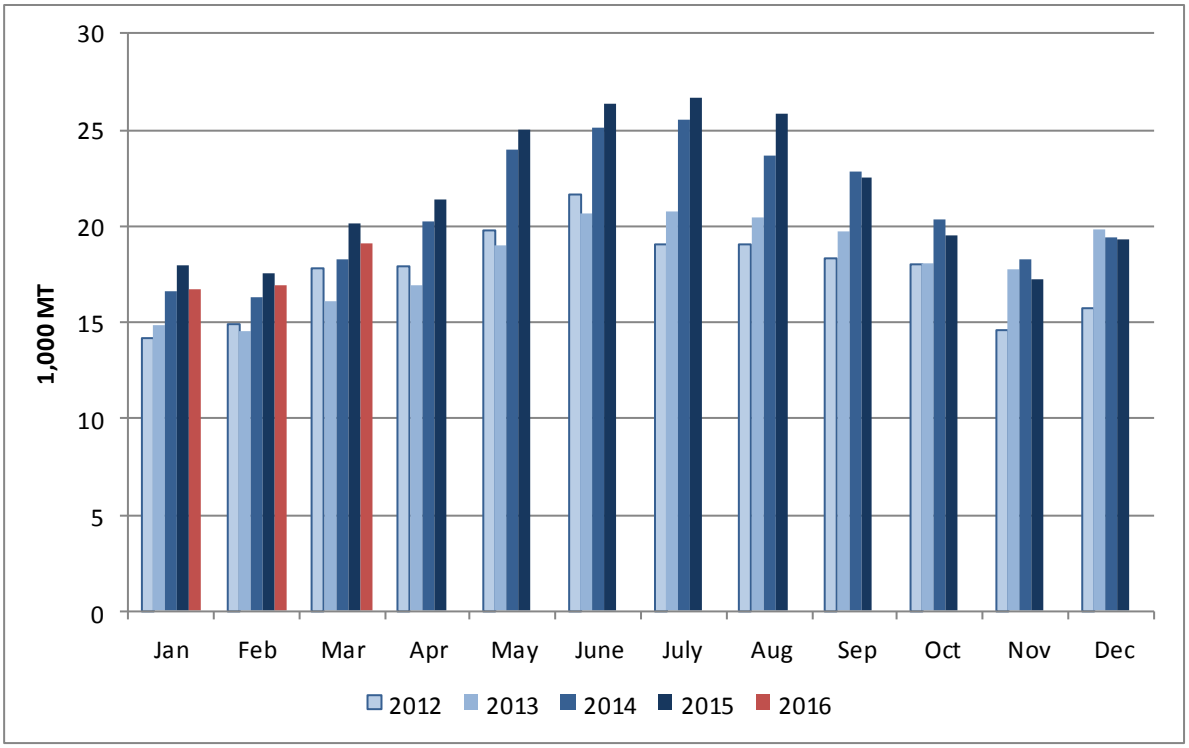
CHART 11. Average Consumer Prices for Dairy Butter, Farm Gate Price for Raw Milk, Electricity Tariff - Annual Change and CPI Index as of January 1, 2016; Percent.



Butter and Anhydrous Milkfat Consumption

In 2016 total domestic butter consumption will likely stabilize at the previous year's level – 351,000 MT or 2.46 kg. per capita. FAS/Moscow revised 2014 and 2015 per capita butter consumption to 2.63 and 2.46 kg respectively, based on availability of the year-end stock inventory data from Rosstat. The spike in butter consumption in 2014 (5.3 percent annual increase) resulted from increased purchases of butter during the time when cheese shelves in the stores were almost empty due to the embargo. In 2015 cheese supplies stabilized, butter supplies remained flat, but overall consumer demand weakened and butter consumption has fallen by 6.8 percent.

CHART 12. Russian Monthly Production of Butter (HS Codes 040510, 040590) in 2012–Mar 2016



Source: FAS/Moscow estimate based on Rosstat

Butter and Anhydrous Milkfat Trade

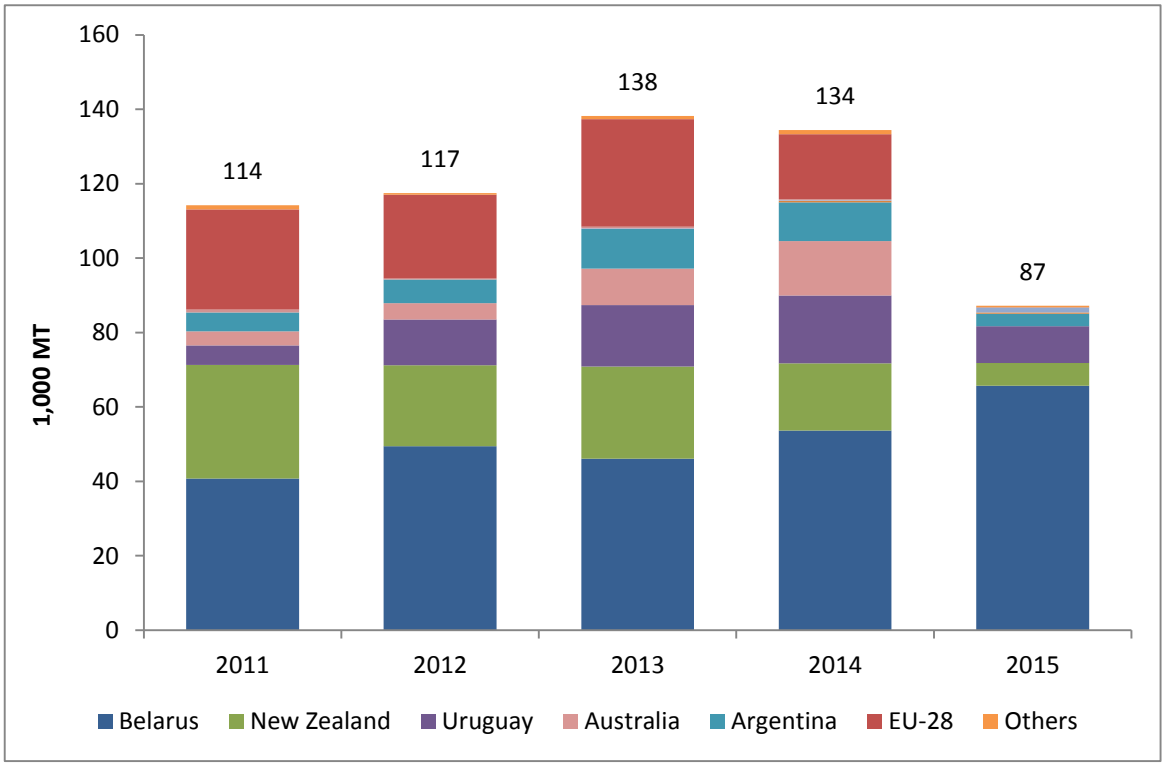
HS Codes 040510 and 040590 are on the list of banned food products and trade will be affected by the current restrictions at least until August 2016. Despite that fact, FAS/Moscow continues to forecast 100,000 MT of butter imports in 2016, which is 13 percent annual growth. The increase in imports is anticipated due to projected decrease of domestic production and favorable export prices offered by non-restricted suppliers.

The Belarus share of Russian butter imports grew from 32 percent in 2013 to 75 percent in 2015. Bilateral trade has been boosted by trade preferences under EAEU agreements, proximity of the markets, and discounted export prices Belarus offers to its most important export market. Similar to other dairy products, most of Russian butter imports in 2016 will originate in Belarus. Belstat reported 22.5 percent growth of butter exports to Russia to 65,723 MT in 2015. In January and February 2016 Belarus increased shipments of butter to Russia to 10,761 MT compared to 5,054 MT in the same months of 2015.

In January and February of 2016 Uruguay and New Zealand also increased butter exports to Russia, shipping 1,600 (10 percent growth year-to-date) and 1,217 (117 percent growth year-to-date) MT respectively.

Based on available full year trade data FAS Moscow has revised the 2015 butter import estimate to 88,000 MT, which is a 35.7 percent drop year-on-year, due to trade restrictions and the weak ruble. HS code 040510 accounts for 99 percent of the imports.

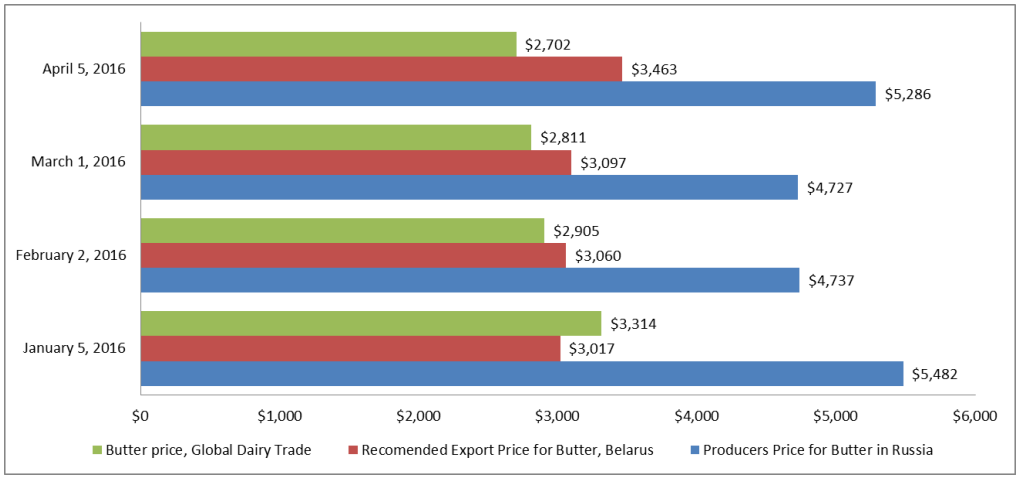
CHART 13. Russian Imports of Dairy Butter (HS Codes 040510, 040590) Annual Series: 2011 - 2015 Quantity (MT); Major Suppliers



Source: Federal Customs Service of Russia; Belstat

Average wholesale prices for butter in Russia during the first months of 2016 were 35 percent and 48 percent higher than Belarus exporters' and Global Dairy Trade's respectively. As of April, 5 2016, the price for 1 MT of butter at Global Dairy Trade was 2,702 USD and the Recommended exports price in Belarus was Rub 235,000 (3,463 USD), while the Average producer price for 1 MT of butter in Russia was Rub 358,700 (5,286 USD). The difference is the direct outcome of the more expensive domestic raw milk in Russia compared to that in major exporting countries. Medium-term, no dramatic shifts in the price trends are expected.

CHART 14 Commodity Prices for Butter in January-April, 2016: Russia, Belarus, Global Dairy Trade; USD/MT



Sources: Rosstat, Belarus Ministry of Agriculture and Food, Global Dairy Trade; Central Bank of Russia

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	1	0	5	0	4
Production	46	46	38	42	36	44
Other Imports	37	36	33	38	35	38
Total Imports	37	36	33	38	35	38
Total Supply	83	82	71	85	71	86
Other Exports	1	1	1	2	1	2
Total Exports	1	1	1	2	1	2
Human Dom. Consumption	82	77	70	79	70	80
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	82	77	70	79	70	80
Total Use	83	78	71	81	71	82
Ending Stocks	0	5	0	4	0	4
Total Distribution	83	82	71	85	71	86
(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

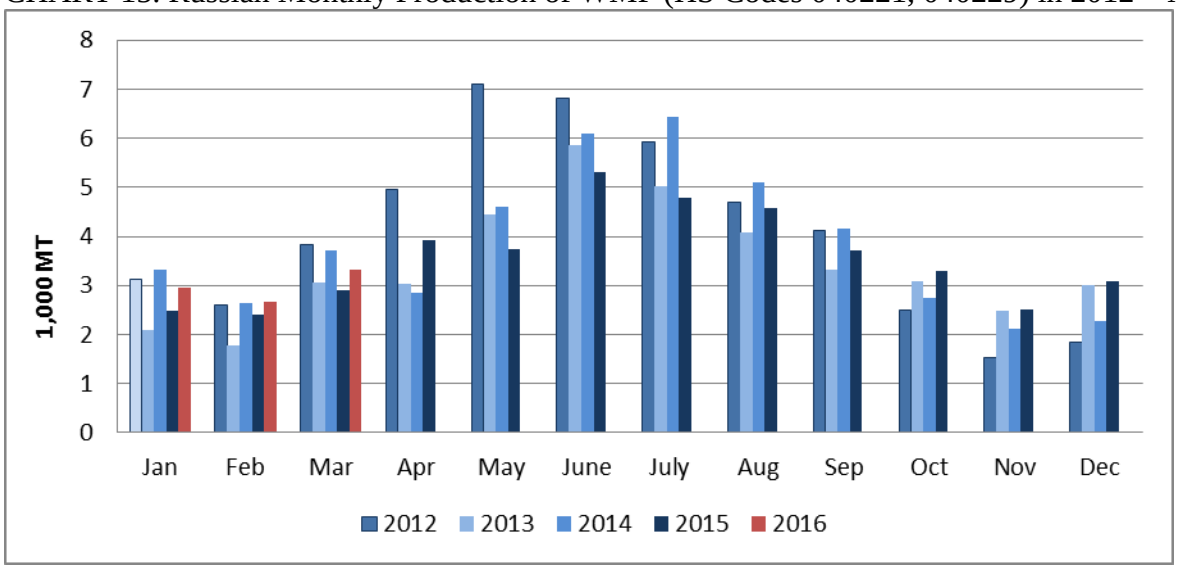
Dairy, Milk, Nonfat Dry	2014		2015		2016	
Market Begin Year	Jan 2014		Jan 2015		Jan 2016	
Russia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	0	5	0	8	0	7
Production	84	84	70	69	75	70
Other Imports	103	103	120	110	117	110
Total Imports	103	103	120	110	117	110
Total Supply	187	192	190	187	192	187
Other Exports	3	3	2	2	2	2
Total Exports	3	3	2	2	2	2
Human Dom. Consumption	184	181	188	178	190	180
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	184	181	188	178	190	180
Total Use	187	184	190	180	192	182
Ending Stocks	0	8	0	7	0	5
Total Distribution	187	192	190	187	192	187
(1000 MT)						

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

Production of WMP and NFDM

FAS/Moscow increased its previous 2016 WMP production forecast to 44,000 MT, which is an annual increase of 2,000 MT. After the positive start of the year, domestic producers are motivated to increase output due to a promising favorable market outlook for WMP. Stronger production growth is not expected because the exporters from Belarus most likely will be able to offer very competitive products in terms of price-quality ratio and maintain the market share they gained in 2014-2015. In 2015 WMP production decreased by 4,000 MT to 42,000 MT; FAS/Moscow has revised the previous estimate based on the available year-end Rosstat statistics.

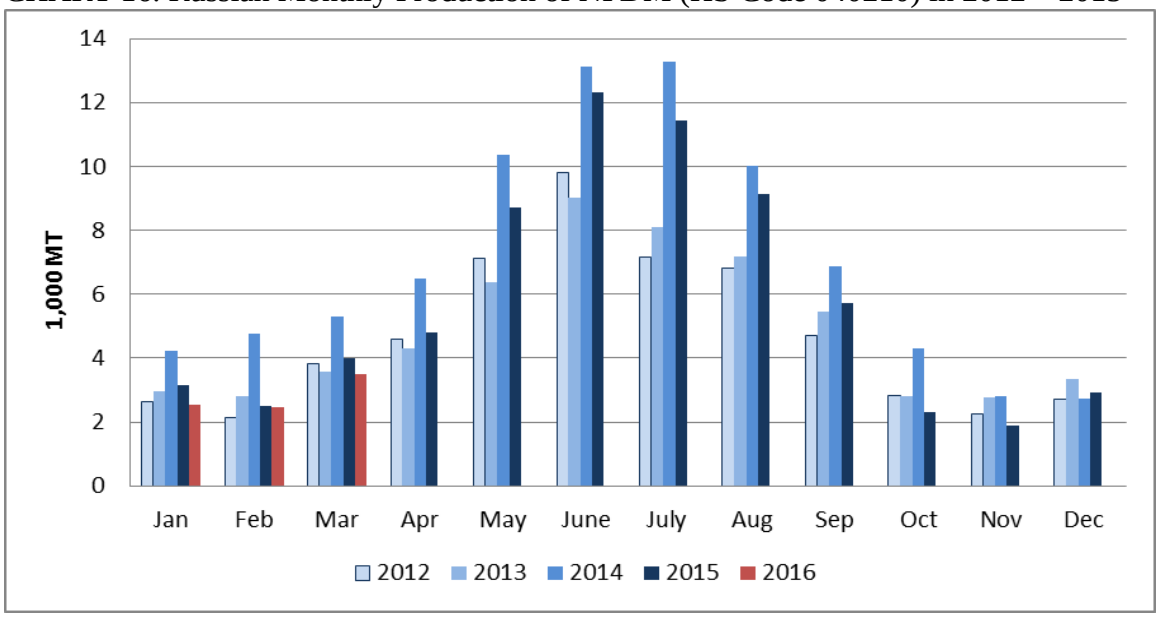
CHART 15. Russian Monthly Production of WMP (HS Codes 040221, 040229) in 2012 – Mar 2016



Source: FAS/Moscow estimate based on Rosstat

FAS/Moscow forecasts 70,000 MT of NFDM production in 2016, a minor annual increase (1,000 MT). Considering the anticipated decline of butter production in 2016 and the reported decline of NFDM output in the first quarter of 2016, the realization of the stable production forecast will strongly depend on the implementation of the state intervention purchases plans. In 2015 NFDM production decreased by 5,000 MT to 69,000 MT; FAS/Moscow has revised its previous estimate based on the available year-end Rosstat statistics.

CHART 16. Russian Monthly Production of NFDM (HS Code 040210) in 2012 – 2015



Source: FAS/Moscow estimate based on Rosstat

The milk powder output traditionally increases in Russia between May and September each year, although the total annual production volume depends on the specific market situation. Most of the producers do not specialize exclusively on milk powder production, and add the powders to their summer assortment, store it and use between November and March to reduce expenses during the "low milk season". Some unused capacity at drying facilities exists and dryers may increase the output of milk powder when the immediate market is favorable and additional sales are promising profits. Considering the flexibility of the industry to reduce or increase powder production, the annual output in 2016 will be influenced by four major factors: fluctuations of the demand for milk fat and protein ingredients from the domestic food industry in the course of the year, pricing policies of the government of Belarus, the seasonal surplus of raw milk in summer, and the possible launch of GOR intervention purchases of 4,000 MT of WMP and 6,000 MT of NFDM in nine pilot regions[24].

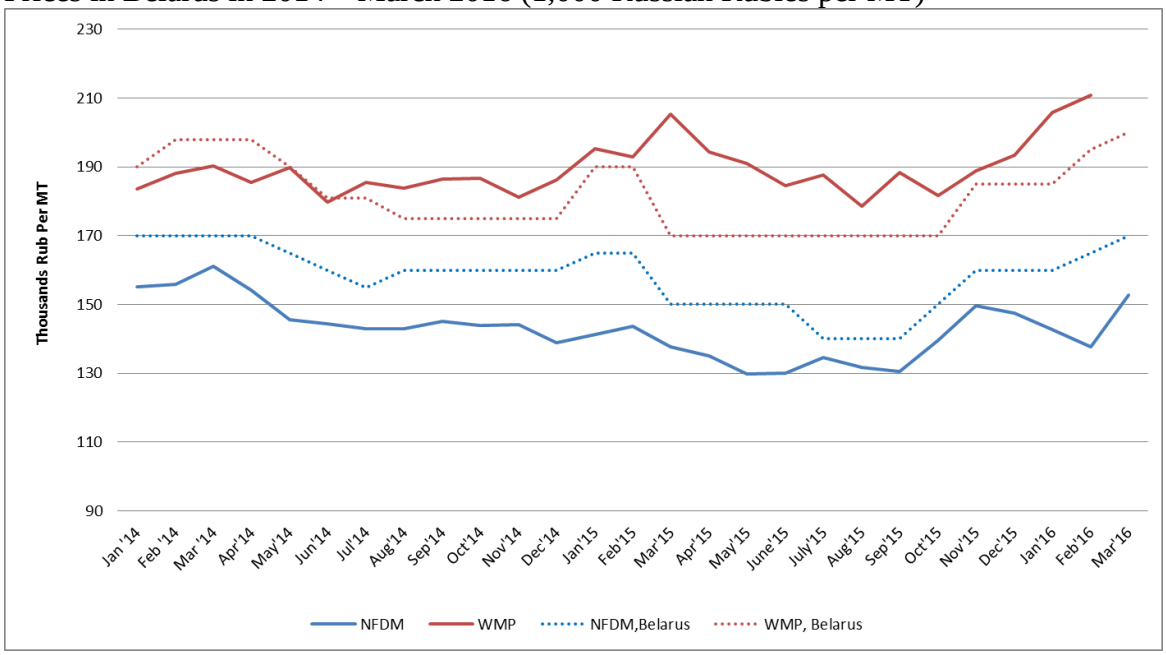
During the first quarter of 2016, production of NFDM in Russia declined by 12 percent compared to the same months of 2015, while the production of WMP has increased by 14.6 percent compared to the first quarter of the previous year. According to industry contacts, the demand for dairy products with milk fat substitutes is much lower in the beginning of 2016 compared to the same months of 2015, and producers reduced their purchases of NFDM. On the contrary, demand for WMP in confectionary and bakery sectors showed some positive dynamics due to growth of export sales driven by the devalued ruble.

Pricing policies in Belarus continue to significantly impact the price patterns of the Russian milk powder market. In the beginning of 2016, Belarus had increased the minimum recommended export prices for WMP by 8 percent (from Rub 185 per kg. to Rub 200 per kg.) and for NFDM by 6.25 percent (from Rub 160 per kg. to Rub 170 per kg.)[25]; prices for WMP and NFDM grew in Russia by 11.6 percent for WMP and 3.6 percent for NFDM.

[24] Baskortostan, Tatarstan, Udmurtia, Altaisky Krai, Orenburgskaya Oblast, Saratovskaya Oblast, Omskaya Oblast, Novosibirskaya Oblast, Belgorodskaya Oblast

[25] The majority of dairy production and all international trade in Belarus are managed by the public sector. The government controls export prices for dairy products, and the Ministry of Agriculture and Food of the Republic of Belarus regularly reviews and publishes "the minimum recommended export prices"[25]

CHART 17. Wholesale Prices for Dry Milk Powders in Russia and Minimum Recommended Export Prices in Belarus in 2014 – March 2016 (1,000 Russian Rubles per MT)



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

WMP and NFDM Consumption

Based on current price trends, the final year-end market data, and the revised stocks, FAS/Moscow revised its previous forecast of WMP consumption in 2016 to 80,000 MT. The projection is increased to 2.6 percent growth from zero. In 2015 WMP consumption was revised to 79,000 MT.

The demand for NFDM is anticipated to stabilize, and the forecast of NFDM consumption in 2016 has been changed to 178,000 MT, equal to the consumption of 2015 (revised from 188,000 MT, the previous estimate). The previous increase in demand for NFDM followed the food embargo, when producers of milk-containing cheese products and spreads increased their use of NFDM as an ingredient. As noted in this Report, the current cheese market is balanced, and there are no expectations of further increase of NFDM use for cheese products this year.

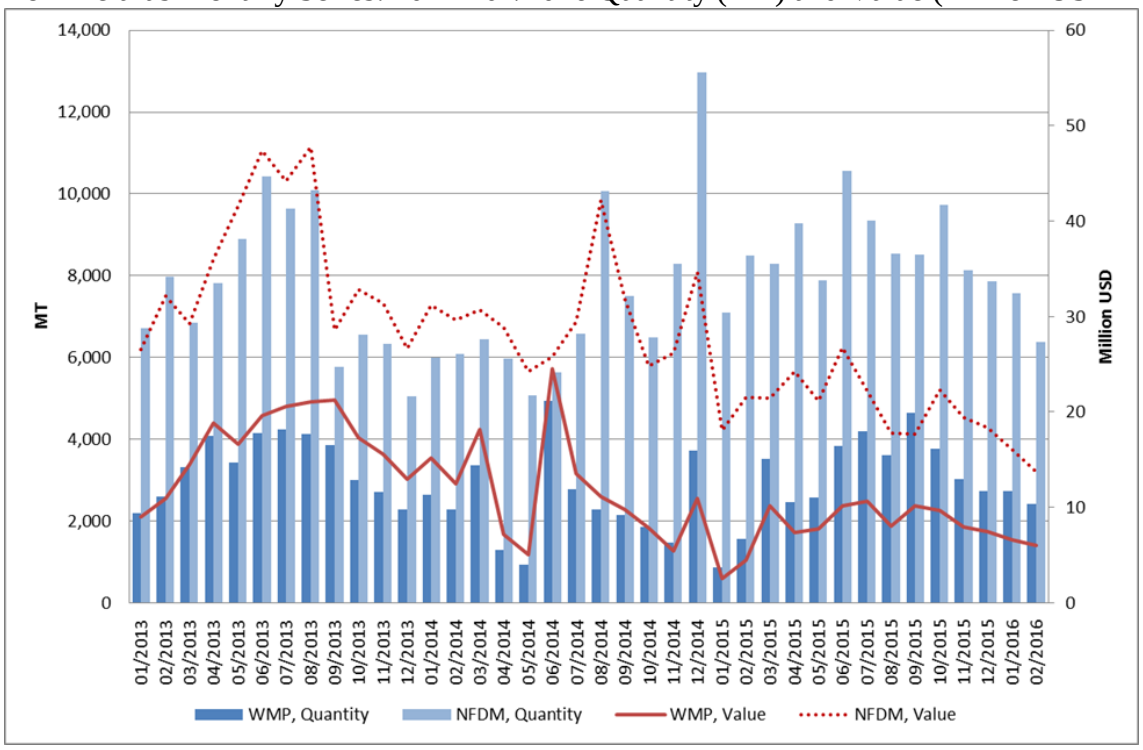
After falling in 2015, the demand for WMP ingredient from food producers has improved in the beginning of 2016. While the domestic demand is still weak, the export sales of confectionary products increased after the ruble depreciation. According to the Center of Confectionary Market Research, in January-February 2016 exports of baked goods grew to 24,900 MT (15.6 percent increase), chocolates to 19.7 (18 percent increase). Confectioneries from Russia are adding new markets to traditional buyers from Belarus and Kazakhstan. In January-February 2016 Russia exported 1,580 MT of baked goods to China, compared to only 137 MT exported during the same months of 2015. Russian exports of chocolates to China increased four times to 2,500 MT from 616 MT shipped in the same months of the previous year.

WMP and NFDM Trade

FAS/Moscow increased 2016 imports forecast for WMP to 38,000 MT (from the previous 33,000 MT) and decreased the forecast of NFDM imports to 110,000 MT (from the previous 117,000 MT). The estimate is based on the assumption that Belarus will be following the price strategies that allow maintaining the volume of WMP and NFDM exports at 2015 level. FAS/Moscow changed 2015 import estimates of WMP to 38,000 and NFDM to 110,000 MT based on the available year-end trade data.

In 2015 Russia imported 61.58 percent of the total volume of NFDM and 48.1 percent of the WMP it consumed. The share of imports in domestic consumption of milk powders is anticipated to remain high because the suppliers from Belarus will likely continue offering low prices that significantly impact price trends in the neighbor market.

CHART 18. Russian Imports of WMP (HS Codes 040221; 040229) and NFDN (HS Code 040210) from Belarus Monthly Series: 2014 - 02/2016 Quantity (MT) and Value (Million USD



Source: Belstat

Belarus has strengthened its position as the major supplier of dry milk powders to Russia after the August 2014 import embargo. In 2013 the Belarusian share of Russian NFDM imports was 64.8 percent, of WMP – 89 percent. In 2015 Belarus accounted for more that 95 percent of both WMP and NFDM imports. That share has increased, although the value of this trade deteriorated due to ruble depreciation. Compared to 2013, the year preceding the embargo, the value in US dollars of shipments of WMP and NFDM from Belarus has fallen by 51 percent and 40 percent, respectively.

Production Information

Table 6. Russian Quarterly Milk Production, All Types of Producers, 1999- Q1 2016, 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	**30,550**	6,200	8,839	8,956	6,553
2016		6,276			

Source: Rosstat

Table 7. 2014- 2015 Russian Fluid Milk Production, by Region, 1,000MT

	All Types of Farms			Agricultural Enterprises		
	2014	2015	2014/2015 Percent Difference	2014	2015	2014/2015 Percent Difference
RUSSIAN FEDERATION	**30,499.3**	**30,550.6**	**0.17%**	**14,345.4**	14,694.1	**2.43%**
CENTRAL DISTRICT	5,393.4	5,395.9	**0.05%**	3,705.4	3,825.6	**3.24%**
Belgorod region	544.2	532.8	**-2.09%**	376	376.4	**0.11%**
Bryansk region	312.7	290.6	**-7.07%**	172	173.3	**0.76%**
Vladimir region	345.1	354.3	**2.67%**	316.7	327.3	**3.35%**
Voronezh region	788.5	805.8	**2.19%**	441.3	476.1	**7.89%**
Ivanovo region	149.2	154.5	**3.55%**	110.2	116.5	**5.72%**
Kaluga region	228.3	253.8	**11.17%**	183.4	209.5	**14.23%**
Kostroma region	106.9	108.1	**1.12%**	76.6	79.3	**3.52%**
Kursk region	325	309.9	**-4.65%**	158.9	160.3	**0.88%**
Lipetsk region	248.1	254.4	**2.54%**	164.3	175.6	**6.88%**
Moscow region	637.4	630.5	**-1.08%**	576.7	567.7	**-1.56%**
Orel region	191.6	182.7	**-4.65%**	115.6	115.6	**0.00%**
Ryazan region	365.1	370.9	**1.59%**	307.4	316.9	**3.09%**
Smolensk region	235.6	217.1	**-7.85%**	129.6	124.8	**-3.70%**
Tambov region	223.8	219.7	**-1.83%**	55	59.7	**8.55%**
Tver region	212.6	212.9	**0.14%**	137.3	138.9	**1.17%**
Tula region	176.7	187.3	**6.00%**	116.1	129.3	**11.37%**
Yaroslavl region	272.4	280.1	**2.83%**	239.9	249.8	**4.13%**
City of Moscow	30.1	30.2	**0.33%**	28.5	28.7	**0.70%**
NORTHWEST DISTRICT	1708.7	1770	**3.59%**	1409.7	1482.7	**5.18%**
The Republic of Karelia	66.1	68.2	**3.18%**	58.9	61.4	**4.24%**
The Republic of Komi	56.6	56.2	**-0.71%**	35.5	36.2	**1.97%**
Arkhangelsk region	117.8	120.3	**2.12%**	83	88	**6.02%**
Nenets Autonomous District	3.2	3.2	**0.00%**	3.1	3.1	**0.00%**
Vologda region	444.6	469.4	**5.58%**	408	434	**6.37%**
Kaliningrad region	156.2	170	**8.83%**	87.1	101.3	**16.30%**
Leningrad Region	567.8	588.7	**3.68%**	524.1	546.7	**4.31%**
Murmansk region	22	19.1	**-13.18%**	20.6	17.6	**-14.5%**
Novgorod region	82.2	79.3	**-3.53%**	48.7	46.7	**-4.11%**
Pskov region	195.4	198.8	**1.74%**	143.7	150.9	**5.01%**
SOUTHERN DISTRICT	3280.2	3287.9	**0.23%**	978.4	1007.4	**2.96%**
The Republic of Adygea	115.3	117.9	**2.25%**	5.3	5.5	**3.77%**
The Republic of Kalmykia	88	78.8	**-10.45%**	0.3	0.2	**-33.3%**

Krasnodar region	1302.1	1328.2	**2.00%**	821.9	851	**3.54%**
Astrakhan region	172	172.4	**0.23%**	1.3	1	**-23.0%**
Volgograd region	523	510.1	**-2.47%**	43.9	41.6	**-5.24%**
Rostov region	1079.8	1080.5	**0.06%**	105.7	108.2	**2.37%**
NORTH-CAUCUS FEDERAL DISTRICT	2725.8	2757.9	**1.18%**	362.1	357.9	**-1.16%**
The Republic of Dagestan	791.9	820.2	**3.57%**	122.6	126.9	**3.51%**
The Republic of Ingushetia	66.7	74.4	**11.54%**	0.6	2.3	**283.3%**
Kabardino-Balkaria	461.6	469.6	**1.73%**	61.3	56.1	**-8.48%**
Karachay-Cherkessia	237	235.2	**-0.76%**	13.6	11	**-19.1%**
Republic of North Ossetia-Alania	219.1	205.7	**-6.12%**	25	21.8	**-12.8%**
Chechen Republic	262.8	266	**1.22%**	1.8	2.6	**44.44%**
Stavropol region	686.8	686.8	**0.00%**	137.3	137.2	**-0.07%**
VOLGA FEDERAL DISTRICT	9467.3	9497.2	**0.32%**	4593.3	4719.6	**2.75%**
The Republic of Bashkortostan	1773.1	1812.3	**2.21%**	533.3	540.7	**1.39%**
The Republic of Mari El	195.8	186.5	**-4.75%**	97.4	96.6	**-0.82%**
The Republic of Mordovia	408.8	404.3	**-1.10%**	282.4	299.6	**6.09%**
The Republic of Tatarstan	1728.3	1750.7	**1.30%**	999.8	1031.9	**3.21%**
Udmurt Republic	724.1	729	**0.68%**	565.4	589.6	**4.28%**
Chuvash Republic	420.9	424.1	**0.76%**	119.5	123.8	**3.60%**
Perm	472.3	482.2	**2.10%**	352.4	369.5	**4.85%**
Kirov region	541.8	578.8	**6.83%**	483.3	526.6	**8.96%**
Nizhny Novgorod region	619.8	619.8	**0.00%**	445.9	447	**0.25%**
Orenburg region	811	797.1	**-1.71%**	211.6	198	**-6.43%**
Penza region	326.7	332.3	**1.71%**	155.8	155.5	**-0.19%**
Samara region	434.9	440.6	**1.31%**	145.5	146.2	**0.48%**
Saratov region	777.4	728.3	**-6.32%**	118.8	116.5	**-1.94%**
Ulyanovsk region	232.5	211.1	**-9.20%**	82.1	78	**-4.99%**
URAL FEDERAL DISTRICT	1998.3	1927.6	**-3.54%**	995.3	995.8	**0.05%**
Kurgan region	300.3	252.6	**-15.88%**	72	64.9	**-9.86%**
Sverdlovsk region	652.5	656.7	**0.64%**	491.1	499.2	**1.65%**
Tyumen Region	561.3	551.6	**-1.73%**	267.4	275.7	**3.10%**
Khanty-Mansi Autonomous District Yugra	27.4	26.8	**-2.19%**	4.4	4.4	**0.00%**
Yamal-Nenets Autonomous District	2.1	2	**-4.76%**	1.8	1.7	**-5.56%**
Chelyabinsk region	484.1	466.7	**-3.59%**	164.8	156	**-5.34%**
SIBERIAN FEDERAL DISTRICT	5389.3	5383	**-0.12%**	2158.5	2155.7	**-0.13%**
Altai Republic	91.6	89.6	**-2.18%**	10.1	8.9	**-11.8%**
The Republic of Buryatia	208.7	205.6	**-1.49%**	15.2	11.9	**-21.7%**
The Republic of Tuva	61.6	62.4	**1.30%**	4.7	4.2	**-10.6%**
The Republic of Khakassia	191.3	188.4	**-1.52%**	35.9	32.6	**-9.19%**
Altayskii Krai	1414.9	1414.9	**0.00%**	547.9	529.2	**-3.41%**

Trans-Baikal Territory	344.6	341.2	**-0.99%**	6.6	5.4	**-18.18%**
Krasnoyarsk Territory	724.5	730.2	**0.79%**	368.3	372.2	**1.06%**
Irkutsk Region	467.4	466.1	**-0.28%**	130.1	133.4	**2.54%**
Kemerovo region	375.9	380.7	**1.28%**	148.9	154	**3.43%**
Novosibirsk region	660.5	659.5	**-0.15%**	483.2	493.6	**2.15%**
Omsk region	709.4	703.1	**-0.89%**	339.3	340.3	**0.29%**
Tomsk region	138.8	141.2	**1.73%**	68.3	70.1	**2.64%**
FAR EAST FEDERAL DISTRICT	536.4	531.2	**-0.97%**	142.7	149.3	**4.63%**
The Republic of Sakha (Yakutia)	168.4	164.3	**-2.43%**	36.7	34.3	**-6.54%**
Kamchatka	118.5	123.7	**4.39%**	30.7	35.6	**15.96%**
Primorsky Krai	43.4	39.4	**-9.22%**	23.5	20.5	**-12.77%**
Khabarovsk Krai	143.6	142.7	**-0.63%**	29	36.3	**25.17%**
Amur Region	17.5	17.8	**1.71%**	7.9	8.1	**2.53%**
Magadan region	5.9	6	**1.69%**	0.6	0	**-100.00%**
Sakhalin Region	27.6	27.8	**0.72%**	13.8	13.8	**0.00%**
Jewish Autonomous Region	11.5	9.6	**-16.52%**	0.6	0.7	**16.67%**
Chukotka Autonomous District	0	0	**0.00%**	0	0	**0.00%**

Source: Rosstat

Table 8. 2015 Russian Fluid Milk Production, by Region

	Region	Milk Production in 2015; All Producers ; 1,000 MT	Milk Production in 2015; AG. Enterprises ; 1,000 MT	Share of AG Enterprises In Total Production	Annual Yield per Cow at AG Enterprises (kg.)
1	The Republic of Bashkortostan	1,812.3	540.7	29.83%	4,984
2	The Republic of Tatarstan	1,750.7	1,031.9	58.94%	5,146
3	Altayskii Krai	1,414.9	529.2	37.40%	4,527
4	Krasnodar region	1,328.2	851.0	64.07%	6,626
5	Rostov region	1,080.5	108.2	10.01%	5,107
6	The Republic of Dagestan	820.2	126.9	15.47%	2,487
7	Voronezh region	805.8	476.1	59.09%	6,010
8	Orenburg region	797.1	198.0	24.84%	3,660
9	Krasnoyarsk Territory	730.2	372.2	50.97%	5,204
10	Udmurt Republic	729.0	589.6	80.88%	5,803
11	Saratov region	728.3	116.5	16.00%	5,631
12	Omsk region	703.1	340.3	48.39%	4,503

13	Stavropol region	686.8	137.2	19.98%	6,276
14	Novosibirsk region	659.5	493.6	74.85%	4,388
15	Sverdlovsk region	656.7	499.2	76.02%	6,393
16	Moscow region	630.5	567.7	90.05%	6,395
17	Nizhny Novgorod region	619.8	447.0	72.11%	5,734
18	Leningrad Region	588.7	546.7	92.86%	8,230
19	Kirov region	578.8	526.6	90.99%	7,004
20	Tyumen Region	551.6	275.7	49.99%	6,024
21	Belgorod region	532.8	376.4	70.65%	6,452
22	Volgograd region	510.1	41.6	8.15%	not available
23	Perm	482.2	369.5	76.64%	5,604
24	Kabardino-Balkaria	469.6	56.1	11.95%	not available
25	Vologda region	469.4	434.0	92.45%	7,003
26	Chelyabinsk region	466.7	156.0	33.42%	5,056
27	Irkutsk Region	466.1	133.4	28.61%	5,593
28	Samara region	440.6	146.2	33.20%	5,408
29	Chuvash Republic	424.1	123.8	29.20%	5,612
30	The Republic of Mordovia	404.3	299.6	74.09%	5,801
31	Kemerovo region	380.7	154.0	40.44%	4,879
32	Ryazan region	370.9	316.9	85.45%	6,101
33	Vladimir region	354.3	327.3	92.37%	6,646
34	Trans-Baikal Territory	341.2	5.4	1.60%	1,487
35	Penza region	332.3	155.5	46.78%	5,732
36	Kursk region	309.9	160.3	51.71%	4,922

37	Bryansk region	290.6	173.3	59.62%	4,460
38	Yaroslavl region	280.1	249.8	89.17%	6,537
39	Chechen Republic	266.0	2.6	0.97%	2,923
40	Lipetsk region	254.4	175.6	69.01%	6,288
41	Kaluga region	253.8	209.5	82.56%	5,789
42	Kurgan region	252.6	64.9	25.70%	5,301
43	Karachay-Cherkessia	235.2	11.0	4.68%	4,928
44	Tambov region	219.7	59.7	27.18%	5,101
45	Smolensk region	217.1	124.8	57.46%	5,258
46	Tver region	212.9	138.9	65.22%	5,932
47	Ulyanovsk region	211.1	78.0	36.95%	5,239
48	Republic of North Ossetia-Alania	205.7	21.8	10.58%	3,450
49	The Republic of Buryatia	205.6	11.9	5.77%	3,463
50	Pskov region	198.8	150.9	75.88%	5,905
51	The Republic of Khakassia	188.4	32.6	17.28%	4,364
52	Tula region	187.3	129.3	69.01%	6,104
53	The Republic of Mari El	186.5	96.6	51.78%	6,019
54	Orel region	182.7	115.6	63.28%	4,838
55	Astrakhan region	172.4	1.0	0.55%	4,988
56	Kaliningrad region	170.0	101.3	59.57%	7,734
57	The Republic of Sakha (Yakutia)	164.3	34.3	20.91%	2,287
58	Ivanovo region	154.5	116.5	75.37%	5,940
59	Amur Region	142.7	36.3	25.46%	5,580
60	Tomsk region	141.2	70.1	49.68%	5,307

61	Primorsky Krai	123.7	35.6	28.76%	5,091
62	Arkhangelsk region	120.3	88.0	73.22%	7,110
63	The Republic of Adygea	117.9	5.5	4.66%	4,514
64	Kostroma region	108.1	79.3	73.32%	4,635
65	Altai Republic	89.6	8.9	9.93%	3,252
66	Novgorod region	79.3	46.7	58.83%	4,839
67	The Republic of Kalmykia	78.8	0.2	0.28%	not available
68	The Republic of Ingushetia	74.4	2.3	3.13%	233
69	The Republic of Karelia	68.2	61.4	89.97%	7,072
70	The Republic of Tuva	62.4	4.2	6.72%	1,132
71	The Republic of Komi	56.2	36.2	64.49%	4,530
72	Khabarovsk Krai	39.4	20.5	51.91%	3,569
73	City of Moscow	30.2	28.7	94.98%	7,618
74	Sakhalin Region	27.8	13.8	49.70%	5,109
75	Khanty-Mansi Autonomous District Yugra	26.8	4.4	16.57%	not available
76	Murmansk region	19.1	17.6	92.10%	5,518
77	Kamchatka	17.8	8.1	45.26%	3,435
78	Jewish Autonomous Region	9.6	0.7	7.13%	not available
79	Magadan region	6.0			not available
80	Nenets Autonomous District	3.2	3.1	97.45%	7,269
81	Yamal-Nenets Autonomous District	2.0	1.7	87.22%	not available
82	Chukotka Autonomous District	0.0	0.0	72.22%	1,777

Source: Rosstat

Trade Tables

Table 9. Russian Imports of Milk and Cream, Not Concentrated Nor Containing Added Sweetening (0401) Annual Series: 2011 – 2015; Quantity (MT); Major Suppliers

Partner Country	Calendar Year					
	2011	2012	2013	2014	2015	2015/2014 Change
World	**205,643**	**324,092**	**339,065**	**383,519**	**328,790**	**-14.3%**
Belarus	178,503	293,107	277,210	318,560	320,082	**0.5%**
Kazakstan	0	0	20,680	36,297	7,844	**-78.4%**
EU-28	27,128	30,904	40,645	28,535	712	**-97.5%**
Others	12	81	530	127	152	**19.7%**

Table 10. Russian Imports of Cheese and Curd (HS Code 0406) Annual Series: 2011 – 2015; Quantity (MT); Major Suppliers

Partner Country	Calendar Year					
	2011	2012	2013	2014	2015	2015/2014 Change; %
World	**416,158**	**449,382**	**465,861**	**349,411**	**214,209**	**-38.7%**
Belarus	120,425	133,394	136,187	164,025	175,415	**6.9%**
Argentina	7,414	7,968	7,372	18,562	10,254	**-44.8%**
Serbia	442	3,630	5,055	7,453	8,077	**8.4%**
Armenia	379	868	1,576	1,535	6,103	**297.6%**
Ukraine	68,978	55,421	50,055	11,334	2,767	**-75.6%**
Kazakhstan	0	0	419	578	1,395	**141.3%**
Chile	0	0	25	92	1,444	**1469.6%**
Uruguay	0	0	345	5,144	2,619	**-49.1%**
Switzerland	699	409	462	1,371	1,471	**7.3%**
EU-28	214,125	244,578	261,504	137,117	4,314	**-96.9%**
Others	3,696	3,114	2,861	2,200	350	**-84.1%**

Source: Federal Customs Service of Russia; Belstat

Table 11. Russian Imports of Butter (HS Codes 040510; 040590) Annual Series: 2011 - 2015 & Quantity (MT); Major Suppliers

Partner Country	Calendar Year					
	2011	2012	2013	2014	2015	2015/2014 Change; %
World	**114,198**	**117,472**	**138,173**	**134,386**	**87,182**	**-35.1%**
Belarus	40,755	49,478	46,068	53,642	65,723	**22.5%**
New Zealand	30,550	21,715	24,824	18,115	6,113	**-66.3%**
Uruguay	5,271	12,350	16,505	18,198	9,875	**-45.7%**
Argentina	5,082	6,361	10,656	10,402	3,341	**-67.9%**
Brazil	0	0	0	445	365	**-18.0%**
Kazakhstan	0	0	152	209	1,338	**540.2%**
Chile	776	225	400	250	25	**-90.0%**
Australia	3,756	4,348	9,821	14,588	0	**-100.0%**
EU-28	26,887	22,546	28,932	17,440	0	**-100.0%**
Others	1,121	449	815	1,097	402	**-63.4%**

Source: Federal Customs Service of Russia; Belstat

Table 12. Russian Imports of NFDM (040210) Annual Series: 2011 – 2015; MT

Partner Country	Calendar Year					
	2011	2012	2013	2014	2015	2015/2014 Change;%
World	**71,417**	**95,835**	**131,390**	**102,952**	**109,762**	**6.6%**
Belarus	44,238	69,140	92,125	87,106	103,704	**19.1%**
New Zealand	123	0	0	0	1,713	**100.0%**
Argentina	504	1,260	8,313	2,692	1,658	**-38.4%**
Ukraine	5,674	10,745	5,619	1,710	20	**-98.8%**
Uruguay	0	2,000	4,050	2,325	948	**-59.2%**
Switzerland	670	375	705	1,707	1,459	**-14.5%**
EU-28	19,024	11,797	20,136	6,813	0	**-100.0%**
Others	1,307	518	442	599	260	**-56.6%**

Source: Source: Federal Customs Service of Russia; Belstat

Table 13. Russian Imports of WMP (HS Codes 040221; 040229) Annual Series: 2011 – 2015; MT

Partner Country	Calendar Year					
	2011	2012	2013	2014	2015	2015/2014 Change;%
World	**20,190**	**27,315**	**43,599**	**36,386**	**38,316**	**5.3%**
Belarus	14,871	25,005	39,987	29,702	36,791	**23.9%**
Argentina	725	503	390	3,488	550	**-84.2%**
Uruguay	0	0	650	598	550	**-8.0%**
Kazakhstan	0	0	0	94	223	**137.2%**
Ukraine	456	417	5	138	0	**-100.0%**
EU-28	2,811	807	2,107	1,744	0	**-100.0%**
Others	1,327	583	460	622	202	**-67.5%**

Source: Source: Federal Customs Service of Russia; Belstat