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Dairy and Products Semi-annual

2015 Dairy and Products Semi-annual

Approved By:
Christopher Riker

Prepared By:
FAS/Moscow Staff

Report Highlights:
Given the volatility in the Russian market (e.g., the economic situation in Russia, trade restrictions, etc.), annualized dairy production and consumption remains difficult to forecast in 2015. FAS/Moscow anticipates Russian milk production will decline to 29.5 MMT in 2015 due to a forecasted drop in the country's milking herd given the current economic situation and an anticipated reduction in wholesale prices for fluid milk in late 2015 (due to a potential abundance of supply when compared to reduced demand). The 2015 production forecasts for cheese (700,000 MT), butter (235,000 MT), and NFDM (75,000 MT) have all been reduced due to an expected decrease in consumption, while WMP is projected to remain relatively flat (48,000 MT). Imports of dairy products are expected to decline due to falling demand given the weakened ruble.

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

FAS/Moscow has made several changes to its reporting methodology used in calculating data presented in the Production, Supply & Distribution tables below:

- Cheese is defined as a product obtained from the coagulation of milk which has been cultured and often aged. It is typically produced from whole, low-fat, skim, buttermilk, cream, whey, and non-fat dry milk or a combination of these products. For this report, henceforth, and where possible for the previous ten years, FAS/Moscow will include fresh cheeses (HS code 040610) in its production, supply and distribution tables (i.e., defining cheese as all products reported under HS code 0406).

- Whole milk powder (WMP) is a product obtained by the removal of water from milk, containing more than 1.5 percent fat and no more than 5 percent moisture (also including partly skimmed dry milk). Given the availability of more-specific data published by Rosstat, for this report, henceforth, and going back to 2011 when this data is first made available, FAS/Moscow will exclude the following items from its WMP production, supply and distribution tables:

    - "Dry milk granulated or in other dry forms;"
    - "Dry milk granulated or in other dry forms – other;"
    - "Dry milk for children nutrition;"
    - "Dry milk for infant nutrition;"
    - "Infant formulas;"
    - "Dry Cream granulated or in other dry forms;" and,
    - "Dry Cream granulated or in other dry forms – other."

- When calculating trade estimates between the Eurasian Economic Union Member States (i.e., Russia, Kazakhstan, 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 Belarus and data from the Eurasian Economic Union (Eurasian Economic Commission - Statistics) for estimating trade between Russia and Kazakhstan.

Production

Cow Inventories

FAS/Moscow forecasts 2015 cows-in-milk to total 7.75 million head, a nearly 4 percent decrease from 8.05 million head in 2014. Russian government statistics report that backyard dairies still account for almost 47 percent of the nation's milking herd, while large-scale agricultural establishments only account for slightly more than 40 percent of cows (this is quite different from some other livestock industries in Russia -- for example, over 90 percent of Russia's poultry flock is held at large-scale agricultural establishments). According to industry sources, most cattle used for milk production in Russia are still dual-purpose breeds, with average annual yields varying between 3.5 – 4.5 MT per cow. When the economics prove challenging for backyard farmers it is not uncommon to see an increase in the rate of slaughter among these cows. As wholesale prices for fluid milk are expected to decline in the second and third quarters of 2015 (see below for further discussion) and operational costs have increased with a depreciated ruble, tighter margins are anticipated for dairy farmers – particularly backyard farmers. As such, FAS/Moscow expects to see a continued decline in Russian cows-in-milk in 2015.

FAS/Moscow's 2014 cows-in-milk estimate remains unchanged as FAS/Moscow's previous estimates are consistent with year-end data released by Rosstat.

Fluid Milk

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

Dairy, Milk, Fluid	2013		2014		2015	
Market Begin Year	Jan 2013		Jan 2014		Jan 2015	
Russia	USDA Official	New post	USDA Official	New post	USDA Official	New post
Cows In Milk	8,250	8,250	8,050	8,050	7,850	7,750
Cows Milk Production	30,529	30,529	29,900	30,553	29,300	29,500
Other Milk Production	0	0	0	0	0	0
Total Production	30,529	30,529	29,900	30,553	29,300	29,500
Other Imports	316	337	375	370	375	300
Total Imports	316	337	375	370	375	300
Total Supply	30,845	30,866	30,275	30,923	29,775	29,800
Other Exports	22	22	20	20	15	25
Total Exports	22	22	20	20	15	25
Fluid Use Dom. Consum.	10,150	10,150	9,825	9,900	9,625	9,500
Factory Use Consum.	18,350	18,371	18,200	18,735	18,000	18,225
Feed Use Dom. Consum.	2,323	2,323	2,230	2,268	2,135	2,050
Total Dom. Consumption	30,823	30,844	30,255	30,903	29,760	29,775
Total Distribution	30,845	30,866	30,275	30,923	29,775	29,800

NOTE: Official USDA data is available at http://www.fas.usda.gov/psdonline/psdHome.aspx

FAS/Moscow has slightly increased the 2015 fluid milk production forecast (by 200,000 MT to 29.5 MMT) based on the availability of 2014 year-end official data and last year's production levels being higher than previously forecasted. Russia's Ministry of Agriculture attributes last year's growth to continuing improvement in per-cow yields at large-scale agricultural establishments. Despite the increase in FAS/Moscow's 2015 fluid milk production forecast, however, FAS/Moscow still anticipates a nearly 3.5 percent decrease in year-on-year Russian milk production.

In August 2014, the Russian Government instituted a one-year ban on many agricultural products from the United States, the European Union (EU), Canada, Australia and Norway, including certain dairy products (HS codes 0401 - not concentrated milk and cream, 0402 - concentrated milk and cream, 0403

– buttermilk, yogurt, etc., 0404 – whey and other products, 0405 - butter, and 0406 – cheese and curd -- see., e.g., RS1455). Subsequently, Russian milk producers initially benefited from domestic market conditions. For example, with the ban on many foreign cheese imports into Russia, Russian cheese manufacturers boosted production, and thus increased their milk consumption, in effort to replace foreign cheeses no longer available in the market.

Moreover, the Russian government continued to make efforts to support milk production by offering direct subsidies to commercial dairy producers from federal and regional budgets to encourage these producers to modernize their existing dairy farms and build new production facilities. In 2014, 25.5 billion rubles (roughly $543 million USD[1]) were paid to milk producers from the Federal budget via three main lines of support including per-liter-of-milk subsidies (with amounts differing by region), partially covering the interest rate for long-term and short-term borrowings, and financial assistance for maintaining a purebred breeding herd (see, e.g., RS1520). In addition a new state support tool has been proposed in 2015 -- the government is considering reimbursing up to 20 percent of the capital investments on commercial dairy farms.

Despite these measures, however, limited investments to modernize existing dairy farms are expected in 2015 due to the economic situation in Russia[2] and increasing operational costs for the entire industry (e.g., the depreciated ruble has increased the cost of borrowing money as well as the cost of importing production components such as veterinary drugs, genetic materials and equipment).

Industry sources also anticipate a decline in the Russian wholesale price for milk this summer due to a projected decrease in raw milk consumption by processors, particularly cheese manufacturers (see "cheese" below), and an anticipated shrinkage of consumer demand for higher-end, more expensive dairy products. Given the current economic climate, industry sources expect consumers, in the near term, to turn away from higher-end dairy products in favor of less-expensive, traditional Russian dairy products (e.g., tvorog, kefir, smetana, ryazhenka, pakhta, etc.). While these products are historically available in Russia, and processers can reportedly shift production without too much difficulty, large-scale processors do not typically prioritize production of these dairy products as the profit margin for these less expensive goods tends to be relatively small.

[1] The average USD-Russian Ruble exchange rate in 2014, as reported by the Russian Central Bank was 46.96 Rub per 1 USD. See: http://www.cbr.ru/statistics/.

[2] The Russian Ministry of Economic Development (MED) has indicated that the Russian economy will decline in 2015. With a presumption that average annual oil prices will equal $50 per barrel, MED expects GDP to contract by 2.8 percent, consumer prices to rise 11.9 percent, real wages to decline by 9.6 percent, and disposable income to decline 6.3 percent over the course of 2015.

Cheese

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

Dairy, Cheese	2013		2014		2015	
Market Begin Year	Jan 2013		Jan 2014		Jan 2015	
Russia	USDA Official	New post	USDA Official	New post	USDA Official	New post
Beginning Stocks	12	12	8	8	10	30
Production	430	713	450	760	460	700
Other Imports	364	463	230	348	240	275
Total Imports	364	463	230	348	240	275
Total Supply	806	1,188	688	1,116	710	1,005
Other Exports	16	26	10	29	5	30
Total Exports	16	26	10	29	5	30
Human Dom. Consumption	782	1,154	668	1,057	695	965
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	782	1,154	668	1,057	695	965
Total Use	798	1,180	678	1,086	700	995
Ending Stocks	8	8	10	30	10	10
Total Distribution	806	1,188	688	1,116	710	1,005

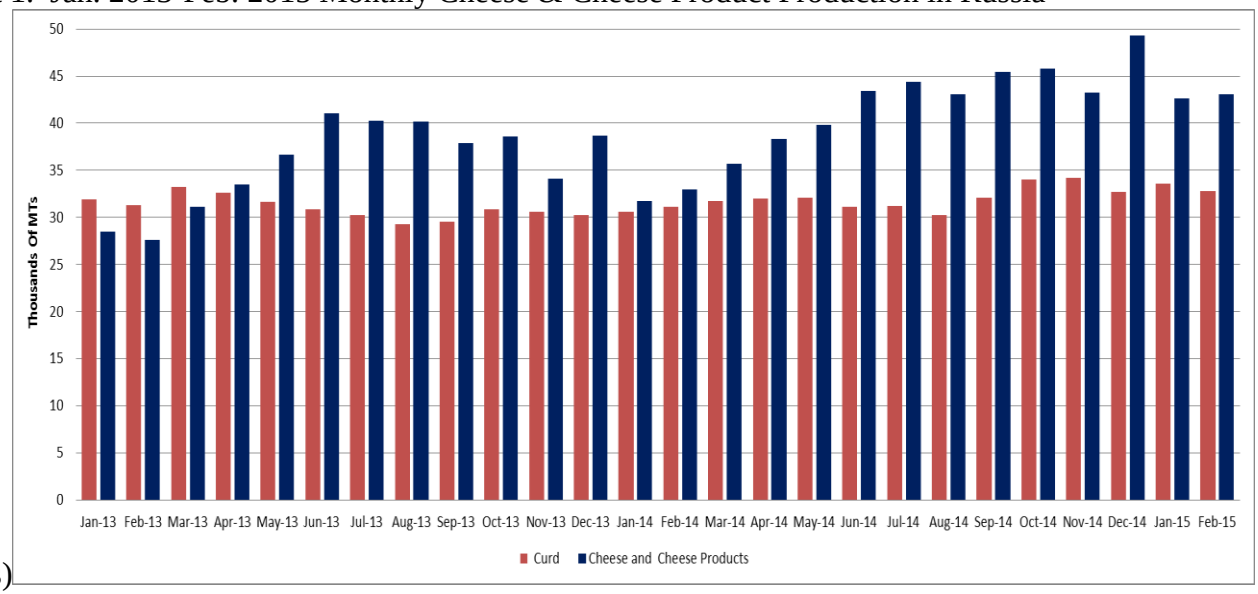
NOTE: Official USDA data is available at http://www.fas.usda.gov/psdonline/psdHome.aspx

Due to oversupply in 2014, FAS/Moscow forecasts 700,000 MT of cheese to be produced in Russia in 2015, approximately 8 percent less than revised 2014 production estimates.

When the August 2014 ban on foreign cheese was imposed against the United States, EU, Canada, Australia, and Norway, Russia immediately restricted the market access of several traditional high-end foreign cheese suppliers (e.g., the European Union provided nearly ¾ of Russia's cheese imports in 2013 and Australia had seen recent growth in its cheese supplies to Russia). Domestic cheese suppliers, who generally produce lower-end, less expensive cheeses (e.g., Rossisky, Kostromskoi, Poshekhonsky, Gollandsky, Gouda and Maasdam), reportedly jumped at the opportunity to meet the needs of Russian retailers who feared a shortage of available product on their shelves. While domestic production was already on the rise in early 2014, domestic cheese production significantly increased during the latter half of the year.

As a result, FAS/Moscow estimates a nearly seven percent increase in domestic cheese production in 2014 (i.e., 760,000 MT in 2014 compared to 713,000 MT in 2013).

Chart 1. Jan. 2013-Feb. 2015 Monthly Cheese & Cheese Product Production in Russia



(MTs)
Source: Rosstat

While market conditions initially benefitted domestic cheese producers, industry sources report that the massive increase in domestic cheese production late last year and in early 2015 has led to a saturation of the market. At present, industry sources report that many domestic cheese manufacturers are saddled with large stocks from the production spike in late 2014, unable to sell their products to consumers who now seek an improved price-quality ratio. Given industry reports that the market is rife with available domestically produced cheese, and as previously noted, FAS/Moscow has reduced its production forecast for 2015 by nearly 8 percent.

Butter

Table 3. Russia: Butter Supply and Distribution, 1,000 MT (butter-equivalent)

Dairy, Butter	2013		2014		2015	
Market Begin Year	Jan 2013		Jan 2014		Jan 2015	
Russia	USDA Official	New post	USDA Official	New post	USDA Official	New post
Beginning Stocks	10	10	10	10	10	30
Production	219	219	235	252	240	235
Other Imports	144	140	130	137	130	100
Total Imports	144	140	130	137	130	100
Total Supply	373	369	375	399	380	365
Other Exports	2	2	2	4	2	5
Total Exports	2	2	2	4	2	5
Domestic Consumption	361	357	363	365	368	350
Total Use	363	359	365	369	370	355
Ending Stocks	10	10	10	30	10	10
Total Distribution	373	369	375	399	380	365

NOTE: Official USDA data is available at http://www.fas.usda.gov/psdonline/psdHome.aspx

FAS/Moscow has decreased its 2015 butter production forecast by nearly seven percent, to 235,000 MT, largely as a result of higher than normal beginning-year stocks being held by domestic producers as a result of increased production last year.

Russian butter production increased 15 percent in 2014, partially as a result of reduced competition after restrictions were imposed on several foreign suppliers. However, it is not fully clear whether or not the butter production increases in 2014 were, in fact, solely representative of an increase in the production of dairy butter. For example, © Euromonitor International reports that "{g}overnment research labs identified that more than half of all butter in Russia was spreads as it contained vegetable oils and fats such as palm oil and coconut oil… {allowing} production companies to reduce prices for butter making it available to more consumer groups." In fact, the Russian media reports that the Russian Federal Service for Veterinary and Phytosanitary Surveillance (more commonly known as Rosselkhoznadzor) believes consumers cannot differentiate between dairy products containing palm oil and those that do not, and those penalties for producers who falsely label non-dairy spreads as dairy butter may need to be strengthened.

Whole Milk Powder (WMP)

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

Dairy, Dry Whole Milk Powder	2013		2014		2015	
Market Begin Year	Jan 2013		Jan 2014		Jan 2015	
Russia	USDA Official	New post	USDA Official	New post	USDA Official	New post
Beginning Stocks	0	0	0	0	0	0
Production	60	41	70	46	65	48
Other Imports	44	44	40	37	40	35
Total Imports	44	44	40	37	40	35
Total Supply	104	85	110	83	105	83
Other Exports	1	1	1	1	1	1
Total Exports	1	1	1	1	1	1
Human Dom. Consumption	103	84	109	82	104	83
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	103	84	109	82	104	82
Total Use	104	85	110	83	105	83
Ending Stocks	0	0	0	0	0	0
Total Distribution	104	85	110	83	105	83

NOTE: Official USDA data is available at http://www.fas.usda.gov/psdonline/psdHome.aspx

FAS/Moscow forecasts 2015 Russian WMP production to total 48,000 MT, approximately four percent more than in 2014. According to the Russian industry, there remains unused capacity at Russia's existing drying facilities which can be used to increase production. Given the expectation that domestic milk prices may fall this summer, FAS/Moscow anticipates a slight increase in domestic WMP production (with producers taking advantage of lower priced milk to pass the savings onto their consumers – e.g., confectionary and sausage manufacturers). Given the expectation that less expensive milk will be available for processors this summer in Russia, domestic WMP producers most likely will increase their share of the Russian WMP market, but these gains are anticipated to remain small as Belarusian WMP is readily available and some processors report that it is of more uniform quality.

As mentioned above, commercial dairies were able to increase production of milk in 2014. Consequently, Russian production of WMP increased by nearly 12 percent to 46,000 MT. Accordingly, FAS/Moscow has revised its production estimate for 2014.

Non-Fat Dry Milk (NFDM) Production

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

Dairy, Milk, Nonfat Dry	2013		2014		2015	
Market Begin Year	Jan 2013		Jan 2014		Jan 2015	
Russia	USDA Official	New post	USDA Official	New post	USDA Official	New post
Beginning Stocks	0	0	0	0	0	0
Production	56	58	80	84	85	75
Other Imports	131	131	85	101	85	90
Total Imports	131	131	85	101	85	90
Total Supply	187	189	165	185	170	165
Other Exports	3	3	4	3	5	3
Total Exports	3	3	4	3	5	3
Human Dom. Consumption	184	186	161	182	165	162
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	184	186	161	182	165	162
Total Use	187	189	165	185	170	165
Ending Stocks	0	0	0	0	0	0
Total Distribution	187	189	165	185	170	165

NOTE: Official USDA data is available at http://www.fas.usda.gov/psdonline/psdHome.aspx

FAS/Moscow anticipates Russia will produce 75,000 MT of non-fat dry milk (NFDM) in 2015, nearly 10 percent less than was produced in 2014 (a year in which Russia realized a nearly 45 percent increase in production).

Substantial growth in NFDM production in 2014 was mostly driven by the growth in production of other dairy products as NFDM is reportedly produced at cheese and butter production facilities. Unlike WMP, food processors, who are the major consumers of NFDM, report no quality concerns with domestically produced NFDM. In turn, given the increase in production of cheese and butter last year, Russian producers were able to produce and sell more NFDM in 2014, gaining a larger share of the market at the expense of imports (e.g., production grew by 26,000 MT, while imports fell by 30,000 MT).

Rosstat, however, reports that production in the first two months of 2015 had fallen significantly -- 37 percent lower than at the same point in 2014. As previously noted, industry sources attribute this decline to a drop in production of processed dairy products and a corresponding decrease in NFDM demand from processors (who use NFDM to harmonize milk fat content in their products). Despite a significant decline in early year production, indications are that NFDM production will pick up this summer (although not at levels seen last year), buoyed by less expensive milk and its storability.

Consumption

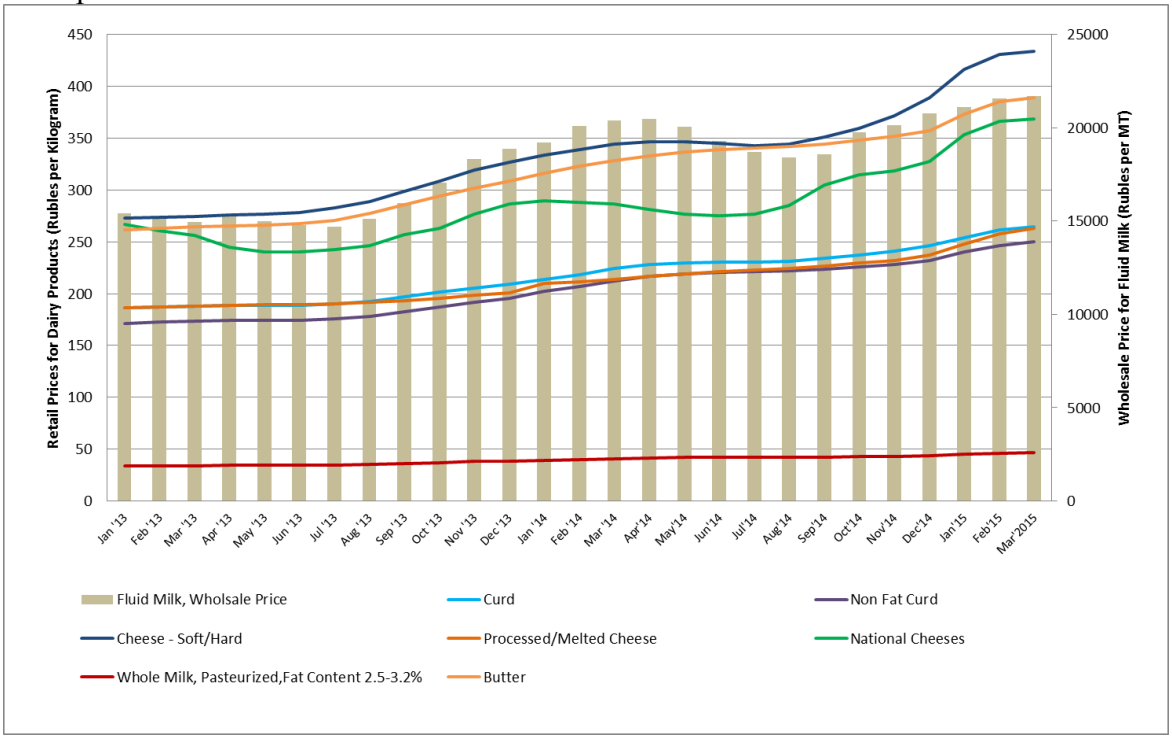
Fluid Milk

Given the decline in the purchasing power of Russian consumers as a result of the current economic situation in the country, and tighter margins anticipated for dairies which, in certain instances, may lead them to reduce their milking herd in an effort to control costs, FAS/Moscow forecasts a 3.5 percent decrease in fluid milk consumption in Russia this year.

According to Rosstat, March 2015 retail prices for fluid milk were 13 percent higher than in 2014, butter prices were 18 percent higher, and cheese prices were almost 26 percent higher. The rapid depreciation of the ruble, which peaked in December 2014, had a significant impact on foreign trade according to industry sources, including trade with Belarus, with both buyers and sellers hesitating to sign new contracts with one another given the economic uncertainties. The decline in imports during

non-peak fluid milk production months in Russia coupled with a weaker ruble led, in part, to increased retail prices.

Chart 2. Average Russian Monthly Retail Prices for Dairy Products compared to the Russian Wholesale Price per Metric Ton of Cow's Milk



Source: Rosstat

In an effort to address food price inflation, Russian authorities conducted mass inspections of retail chains in more than thirty Russian cities, followed by announcements from several major retail chains in Russia of their decision to voluntarily freeze prices for 'socially-sensitive' foodstuffs (including fluid milk and butter – see, e.g., RFATO006 and RS1038). Although these measures reportedly helped some consumers cope with price increases, these actions reportedly had a negative impact on local producers who faced increasing costs of production coupled with fixed earnings. In turn, industry contacts report that producers were forced to optimize their production costs and recipes which, in some cases, had a negative impact on product quality. For example, an investigation conducted by the Russian Federal Service for Supervision of Consumer Rights Protection and Human Welfare (more commonly known as Rospotrebnadzor) found that 9.8 percent of samples labeled as "dairy cheese," 12.8 percent of samples labeled as "dairy curd/tvorog," and 20.3 percent of "dairy butter" were found to have non-dairy components. This may partially explain why many Russian dairy producers believe that the volume of raw milk available in the market does not correlate with the volume of processed dairy products being marketed in Russia.

Cheese

FAS/Moscow is expecting 2015 consumption of cheese to decline by nearly nine percent. In addition to consumer desire for an improved price-quality ratio for cheese, FAS/Moscow has seen competition in the Russian cheese market intensify between more expensive dairy cheeses and non-dairy cheese products which are being sold at lower, more attractive prices for consumers. Consumption of cheese in Russia declined in 2014 by slightly more than eight percent, as cheese was arguably the dairy product most affected by the imposition of the Russian trade ban in August 2014 (e.g., restricting supplies of higher-end cheeses from the EU).

Butter

FAS/Moscow also forecasts a decline in butter consumption in 2015, by approximately four percent, compared to three percent growth in 2014. It is likely, given the current economic situation, that non-dairy spreads will be even more competitive with butter this year as consumer purchasing power continues to decline.

Whole Milk Powder (WMP) and Non-Fat Dry Milk (NFDM)

Consumption of NFDM is forecast to drop by approximately 10 percent in 2015, as producers of processed dairy products are expected to reduce their use of NFDM. According to Rosstat, wholesale prices for NFDM during the first quarter of 2015 were nearly nine percent lower in January, eight percent lower in February, and 15 percent lower in March than they were last year – making production relatively unprofitable at this time. The consumption of NFDM declined by two percent in 2014, which, according to market analysts, is in-line with the reported decline in production of processed dairy products where NFDM is used as an ingredient.

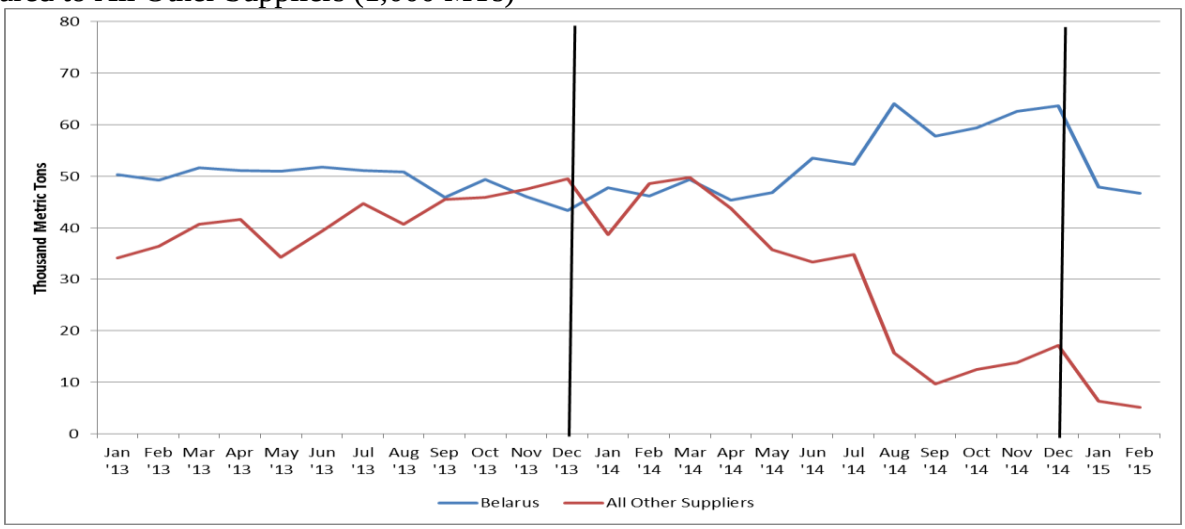
Unlike NFDM, 2014 average monthly wholesale prices for WMP were higher compared to those of the previous year as there was stable demand from food processors (e.g., confectionaries, meat processors, etc.). FAS/Moscow expects consumption of WMP to remain relatively flat in 2015.

Trade

As has been the case in recent years, Belarus continues to account for the lion's share of Russian dairy imports; a trend that is expected to continue in 2015. In 2014, Belarus accounted for, by volume, 83 percent of Russian fluid milk imports, 47 percent of Russian cheese imports, 40 percent of Russian butter imports, 82 percent of Russian WMP imports, and 84 percent of Russian NFDM imports. Russia's ban on many dairy imports from the United States, the EU, Canada, Australia, and Norway, as well as trade restrictions imposed on other regional suppliers (e.g., Ukraine), proved beneficial to Belarusian dairy exports to Russia in 2014.

However, Belarusian dairy exports began to significantly decline in early 2015. As previously noted, the weaker ruble had a significant impact on foreign trade according to industry sources, including trade with Belarus. Both buyers and foreign sellers reportedly hesitated to sign new contracts with one another given the economic uncertainties.

Chart 3. Monthly Volume of Belarusian Milk, Cheese, Butter, WMP and NFDM Exports to Russia Compared to All Other Suppliers (1,000 MTs)



Sources: Belstat and the Federal Customs Service of Russia

Fluid Milk

Russian fluid milk imports are expected to decline by 19 percent in 2015 (from 370,000 MT to 300,000 MT), as prices for domestically produced milk are expected to decline in the second and third quarters of 2015 (encouraging the consumption of domestically produced milk over imports). As previously noted, industry sources expect Russian cheese production to slow in 2015 given the relative availability of product in the market which, in turn, is likely to lead to increased milk availability in the market in the summer months (when production is expected to reach its zenith). Imports are forecasted to be less competitive in the market this year given their relative higher cost given the depreciation of the ruble.

With regard to exports, while 2014 export levels were relatively flat when compared to 2013, given the likelihood of more milk available in the Russian market this summer, FAS/Moscow has increased its export forecast to 25,000 MT (i.e., 25 percent higher than 2014 levels).

Cheese

FAS/Moscow has increased its 2015 cheese import forecast by nearly 15 percent, to 275,000 MT. Despite this increase, FAS/Moscow's forecast still remains 20 percent lower than 2014 import levels, mostly due to the continued ban on traditional foreign cheese suppliers, macroeconomic factors in Russia, and the declining purchasing power of Russian consumers.

FAS/Moscow has increased 2014 import volumes to 348,000 MT based on the availability of year-end statistics (however, this is still nearly 25 percent less than was imported in 2013). Belarus accounted for the majority of Russian cheese imports (163,000 MT, 47 percent of imports) and was followed by the EU (137,000 MT, 39 percent of imports), Argentina (19,000 MT, five percent of imports), Ukraine (11,000 MT, three percent of imports), and Serbia (7,000 MT, two percent of imports). Given the restrictions imposed on EU and Ukrainian supplies, coupled with a weaker ruble than in much of 2014, it is unlikely 2015 imports will be able to keep pace with even last year's reduced levels.
Russia saw growth in its cheese exports in 2014, with the vast majority shipped to Kazakhstan, Belarus, Azerbaijan, and other former Soviet republics. Exports in 2015 are forecasted slightly higher (i.e.,

30,000 MT) given the availability of Russian cheese in the market (including stocks) and its potential price competitiveness given the weaker ruble.

Butter

FAS/Moscow forecasts 2015 Russian butter imports to fall to 100,000 MT, nearly 30 percent lower than 2014 import volumes. Trade is likely to be negatively impacted by the increase in domestic butter production in 2014 (which led to a build-up of stocks), as well as reduced consumer buying power as imported butters are traditionally more expensive.

FAS/Moscow has also increased the 2014 butter import forecast by five percent, to 137,000 MT based on year-end statistics. Unlike cheese, the volume of imported butter remained relatively flat between 2013 and 2014, declining by only two percent. European Union butter supplies appear to have been largely substituted by exporters from Belarus, Latin America and, before the August ban, Australia, which increased its share in Russian butter imports by 57 percent during the first eight months of 2014.

On the heels of increased butter exports in 2014 (albeit only 4,000 MT), FAS/Moscow anticipates, like it has for cheese, that Russian butter exports are potentially positioned to be price competitive in the region given the weaker ruble and the availability of stocks. Accordingly, FAS/Moscow has increased its export forecast to 5,000 MT for 2015.

WMP and NFDM

FAS/Moscow forecasts 2015 WMP imports to decline by five percent, to 35,000 MT, and NFDM imports to decline by 10 percent, to 90,000 MT, as competitively priced domestically produced milk is expected to be available for dryers to allow for some gains in market share at the expense of imports.

While significant growth in WMP imports from Argentina was realized in 2014 (up nearly 800 percent to 3,488 MT), Russia's total import volume of WMP declined by 16 percent as local producers were able to take a small portion of Belarus' share of the Russian market. Russian imports of NFDM fell more precipitously than WMP, by nearly 23 percent in 2014, as local producers were able to gain a larger share of last year's market.

Russian exports of WMP and NFDM are forecasted to remain flat in 2015 (1,000 MT and 3,000 MT, respectively). Industry sources report that there are a finite number of dryers operating in Russia, and there is insufficient capacity to be able to significantly increase exports. FAS/Moscow has left its estimated export volumes for WMP in 2014 unchanged and only slightly reduced its estimate for NFDM (from 4,000 MT to 3,000 MT).

Production Information

Table 6. Russian Quarterly Milk Production, All Types of Producers, 1999- Q2 2014, 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**	6,164	9,022	9,101	6,242
2014	**30,553**	6,147	8,975	9.070	6,361
2015		6,247			

Source: Rosstat

Table 7. 2014 Russian Fluid Milk Production at Agricultural Establishments, by Region, 1,000MT

	All Farms		
	2013	2014	2013/2014 Percent Difference
RUSSIAN FEDERATION	**14002.9**	**14340.9**	**102.3**
CENTRAL DISTRICT	**3657.6**	**3697.4**	**101.1**
Belgorod region	364.8	375.8	103.0
Bryansk region	177.6	171.3	96.4
Vladimir region	317.2	316.3	99.7
Voronezh region	404.4	441.2	109.1
Ivanovo region	107.1	110.1	102.8
Kaluga region	174.1	183.5	105.4
Kostroma region	77.3	76.3	98.7
Kursk region	158.2	158.5	100.2
Lipetsk region	161.2	162.4	100.8
Moscow region	583.5	575.7	98.7
Orel region	129.4	115.3	89.1
Ryazan region	293.8	307.4	104.6
Smolensk region	163.9	128.8	78.6
Tambov region	45.2	54.7	121.1
Tver region	138.3	134.4	97.2
Tula region	105.7	116.1	109.8
Yaroslavl region	228.2	241.2	105.7
City of Moscow	27.9	28.4	101.8
NORTHWEST DISTRICT	**1358.5**	**1404.1**	**103.4**
The Republic of Karelia	54.9	58.7	106.9
The Republic of Komi	34.3	34.8	101.5
Arkhangelsk region	78.3	82.8	105.8
Nenets Autonomous District	3.0	3.1	103.9
Arkhangelsk region (without autonomous district)	75.3	79.8	105.9
Vologda region	390.4	408.1	104.5
Kaliningrad region	74.4	87.0	117.0
Leningrad Region	508.9	520.2	102.2
Murmansk region	25.7	20.7	80.5
Novgorod region	52.2	48.2	92.4
Pskov region	139.3	143.5	103.0
SOUTHERN DISTRICT	**986.2**	**978.3**	**99.2**
The Republic of Adygea	5.4	5.3	96.8
The Republic of Kalmykia	0.2	0.1	84.5
Krasnodar region	825.6	822.5	99.6
Astrakhan region	1.9	1.0	53.4
Volgograd region	45.3	43.6	96.1
Rostov region	107.8	105.8	98.1
NORTH-CAUCUS FEDERAL DISTRICT	**354.1**	**360.4**	**101.8**
The Republic of Dagestan	117.7	122.8	104.4
The Republic of Ingushetia	0.1	0.6	754.6
Kabardino-Balkaria	57.2	60.5	105.8
Karachay-Cherkessia	15.2	12.5	82.3

Republic of North Ossetia-Alania	24.8	25.0	100.7
Chechen Republic	2.3	1.8	78.4
Stavropol region	136.9	137.2	100.2
VOLGA FEDERAL DISTRICT	**4452.0**	**4578.8**	**102.8**
The Republic of Bashkortostan	536.6	528.9	98.6
The Republic of Mari El	94.5	96.3	102.0
The Republic of Mordovia	283.2	282.1	99.6
The Republic of Tatarstan	953.3	998.7	104.8
Udmurt Republic	526.4	564.7	107.3
Chuvash Republic	114.3	119.2	104.3
Perm	332.4	351.6	105.8
Kirov region	454.4	483.4	106.4
Nizhny Novgorod region	433.6	445.4	102.7
Orenburg region	225.4	211.1	93.7
Penza region	155.8	151.7	97.4
Samara region	140.8	145.3	103.2
Saratov region	115.8	118.0	101.9
Ulyanovsk region	85.5	82.3	96.3
URAL FEDERAL DISTRICT	**968.2**	**994.4**	**102.7**
Kurgan region	77.1	72.1	93.6
Sverdlovsk region	456.6	490.4	107.4
Tyumen Region	269.5	267.4	99.2
Khanty-Mansi Autonomous District Yugra	5.1	4.4	87.3
Yamal-Nenets Autonomous District	1.7	1.8	106.3
Chelyabinsk region	165.0	164.6	99.7
SIBERIAN FEDERAL DISTRICT	**2079.0**	**2164.8**	**104.1**
Altai Republic	11.3	9.8	87.2
The Republic of Buryatia	14.3	12.3	86.0
The Republic of Tuva	4.0	4.3	109.0
The Republic of Khakassia	35.7	35.8	100.5
Altay	530.1	547.1	103.2
Trans-Baikal Territory	6.1	6.0	98.5
Krasnoyarsk Territory	355.4	368.1	103.6
Irkutsk Region	120.4	129.8	107.8
Kemerovo region	137.9	144.9	105.0
Novosibirsk region	468.6	499.6	106.6
Omsk Region	323.1	338.8	104.9
Tomsk region	72.1	68.2	94.7
FAR EAST FEDERAL DISTRICT	**147.4**	**141.8**	**96.2**
The Republic of Sakha (Yakutia)	35.6	36.0	101.1
Kamchatka	7.6	8.0	104.5
Primorsky Krai	31.5	30.5	96.8
Khabarovsk Krai	25.5	23.8	93.2
Amur Region	32.1	28.7	89.3
Magadan region	1.1	0.6	51.6
Sakhalin Region	13.1	13.8	105.5
Jewish Autonomous Region	0.8	0.5	65.6
Chukotka Autonomous District	0.03	0.02	55.0

Source: Rosstat

Trade Tables

Table 8. Russian Imports of Dairy Products (2011-2014, and January-February 2014-2015), MT

	Calendar Year				January – February (YTD) ▪		
	2011	**2012**	**2013**	**2014**	**2014 (Jan-Feb)**	**2015 (Jan-Feb)**	**YTD Percent Change**
Cheese (0406)							
World	295733	315988	326769	185386	45924	5818	-87.33
Belarus *	120425	13394	136187	162983	21938	24546	10.68
Total	**416158**	**329382**	**462956**	**348369**	**67232**	**30364**	**-54.83**
Butter (040510, 040590)							
World	73443	67994	89843	80744	19796	2809	-85.81
Belarus *	40755	49478	46068	53596	6365	5054	-20.59
Total	**114198**	**117472**	**135911**	**134340**	**26161**	**7863**	**-69.94**
WMP (040221, 040229)							
World	5319	2310	3617	6684	1620	473	-78.80
Belarus *	14871	25005	39987	30212	4970	2431	-51.08
Total	**20190**	**27315**	**43604**	**36896**	**6590**	**2904**	**-55.93**
NFDM (040210)							
World	27179	26695	38800	15846	3850	769	-80.02
Belarus *	44238	69140	91125	85177	12034	15586	29.52
Total	**71417**	**95835**	**129925**	**101023**	**15884**	**16355**	**2.96**
Milk And Cream, Not Concentrated (0401)							
World	27140	30985	41111	64959	16066	1656	-89.69
Belarus *	178503	293107	277210	317158	48618	46940	-3.45
Total	**205643**	**324092**	**318321**	**382117**	**64684**	**48596**	**-24.87**

Source: Federal Customs Service of Russia

(* Belarusian exports to Russia as reported by Belstat)

(▪ YTD trade data includes imports from Kazakhstan)

Table 9. Russian Imports of Milk and Cream, Not Concentrated nor Containing Added Sweetening (0401)
Annual Series: 2010 – 2014 and YTD February 2014 and 2015, MT

Partner Country	Calendar Year					Year To Date		
	2010	**2011**	**2012**	**2013**	**2014**	**02/2014**	**02/2015**	**%Change**
World	27570	27140	30985	41111	64959	16066	1656	-89.69
EU	27482	27128	30904	40581	28535	8173	61	-99.25
Finland	*8684*	*13479*	*15867*	*17815*	*13008*	*3928*	*4*	*-99.89*
Estonia	*9899*	*4454*	*5101*	*8390*	*3894*	*828*	*3*	*-99.63*
Poland	*2119*	*755*	*1077*	*3816*	*3129*	*1025*	*0*	*-100.00*
Latvia	*582*	*705*	*10*	*514*	*2630*	*916*	*0*	*-100.00*

Source: Federal Customs Service of Russia
*Excluding Belarus

Table 10. Russian Imports of Cheese (0406),
Annual Series: 2010 - 2015 and YTD February 2014 and 2015, MT

Partner Country*	**Calendar Year**					**Year To Date**		
	2010	**2011**	**2012**	**2013**	**2014**	**02/2014**	**02/2015**	**%Change**
World	294281	295733	315988	326769	185386	45924	5818	-87.33
EU	215328	214125	244578	259552	137117	37353	194	-99.48
Netherlands	*24509*	*29138*	*35674*	*57003*	*24953*	*4184*	*0*	*-100.00*
Finland	*31731*	*34027*	*32071*	*37076*	*21867*	*5986*	*0*	*-100.00*
Lithuania	*29174*	*34362*	*39150*	*34695*	*22639*	*6750*	*0*	*-100.00*
Poland	*14173*	*12121*	*21645*	*29199*	*17905*	*4965*	*0*	*-100.00*
Denmark	*6889*	*8077*	*10602*	*17981*	*14989*	*4200*	*54*	*-98.70*
Argentina	6544	7414	7968	7372	18562	1693	2318	16.57
Ukraine	66430	68978	55421	49520	11334	4359	0	-100.00

Source: Customs Committee of Russia / Federal Customs Service
*Excluding Belarus

Table 11. Russian Imports of Butter (040510, 040590)
Annual Series: 2010 - 2014 and YTD February 2014 and 2015, MT

Partner Country	**Calendar Year**					**Year To Date**		
	2010	**2011**	**2012**	**2013**	**2014**	**02/2014**	**02/2015**	**%Change**
World	72088	73443	67994	89843	80744	19796	2809	-85.81
EU	32846	26887	22546	28717	17440	5764	0	-100.00
Finland	*11910*	*11715*	*11069*	*11295*	*6267*	*2032*	*0*	*-100.00*
France	*5132*	*4936*	*4548*	*5744*	*3297*	*1127*	*0*	*-100.00*
Uruguay	2033	5271	12350	16430	18198	2375	1450	-38.95
New Zealand	27111	30550	21715	23882	18115	2361	560	-76.28
Australia	3237	3756	4348	9268	14588	6762	0	-100.00
Argentina	3044	5082	6361	10310	10402	2114	537	-74.62

Source: Federal Customs Service of Russia
*Excluding Belarus

Table 12. Russian Imports of WMP (040221, 040229)
Annual Series: 2010 - 2013 and YTD February 2014 and 2015, MT

Partner Country	Calendar Year					Year To Date		
	2010	2011	2012	2013	2014	02/2014	02/2015	%Change
World	14736	5319	2310	3617	6684	1620	473	-78.80
EU	6460	2811	807	2212	1744	977	0	-100.00
Belgium	*1948*	*275*	*150*	*657*	*642*	*350*	*0*	*-100.00*
Poland	*62*	*5*	*4*	*222*	*555*	*531*	*0*	*-100.00*
France	*1477*	*68*	*73*	*517*	*194*	*41*	*0*	*-100.00*
Portugal	*304*	*122*	*243*	*168*	*180*	*55*	*0*	*-100.00*
Latvia	*426*	*251*	*108*	*56*	*66*	*0*	*0*	*N/A*
Finland	*501*	*126*	*25*	*355*	*64*	*0*	*0*	*N/A*
Argentina	2614	725	503	390	3488	65	1666	2463.08
Uruguay	1950	0	0	650	598	398	75	-81.16
Armenia	0	0	0	302	406	0	20	N/A
Australia	201	361	277	79	215	121	0	-100.00
Ukraine	3285	456	417	5	138	0	0	N/A

Source: Federal Customs Service of Russia
*Excluding Belarus

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

Partner Country	Calendar Year					Year To Date		
	2010	2011	2012	2013	2014	07/2013	07/2014	%Change
World	62819	27179	26695	38800	15846	3850	769	-80.02
EU	50745	19024	11797	19873	6813	2185	0	-100.00
France	*15304*	*4729*	*2350*	*6381*	*1728*	*301*	*0*	*-100.00*
Latvia	*1875*	*196*	*233*	*1398*	*1405*	*624*	*0*	*-100.00*
Finland	*4357*	*4711*	*3180*	*2533*	*1064*	*290*	*0*	*-100.00*
Belgium	*5550*	*695*	*362*	*2587*	*790*	*290*	*0*	*-100.00*
Denmark	*0*	*0*	*459*	*356*	*380*	*205*	*0*	*-100.00*
Poland	*8574*	*270*	*1216*	*2774*	*287*	*157*	*0*	*-100.00*
Argentina	2696	504	1260	8111	2692	781	661	-15.34
Uruguay	0	0	2000	3950	2325	700	25	-96.43
Ukraine	1498	5674	10745	5619	1710	20	0	-100.00

Source: Federal Customs Service of Russia
*Excluding Belarus

Table 14. Volume of Russian Imports of Dairy products from Belarus, 2011 – 2014, MT

Product	Calendar Year				2013/2014 % Change
	2011	2012	2013	2014	
(0401) Fluid Milk and Cream, not Concentrated nor Containing added sweetening	178,509	293,134	277,219	**318,578**	**14.92%**
(0405) Dairy, Butter	58,802.9	78,290	61,868	**66,875**	**8.09%**
(0406) Dairy Cheese and Curd	130,436.6	141,930	136,220	**163,411**	**19.96%**
(0402) Milk Powders	148,601.9	178,921	210,086	**175,128**	**-16.64%**

NOTE: Includes data attributable to some products which are not reported in the PSD
Source: Eurasian Economic Commission

Table 15. Volume of Russian Imports of Dairy products from Kazakhstan, 2011 – 2014, MT

Product	Calendar Year				2013/2014 % Change
	2011	2012	2013	2014	
(0401) Fluid Milk and Cream, not Concentrated nor Containing added sweetening	69.6	914	18,117	**19,794**	**9.26%**
(0405) Dairy, Butter	0.1	28	249	**106**	**-57.43%**
(0406) Dairy Cheese and Curd	471.7	586	416	**358**	**-13.94%**
(0402) Milk Powders	202.5	180	263	**1,311**	**398.48%**

NOTE: Includes data attributable to some products which are not reported in the PSD
Source: Eurasian Economic Commission

Table 16. Volume of Russian Exports of Dairy products to Belarus, 2011 – 2014, MT

Product	Calendar Year				2013/2014 % Change
	2011	2012	2013	2014	
(0401) Fluid Milk and Cream, not Concentrated nor Containing added sweetening	329	556	991	**1,492**	**50.55%**
(0405) Dairy, Butter	220.6	416	316	**502**	**58.86%**
(0406) Dairy Cheese and Curd	2,491.5	2,822	4,128	**5,843**	**41.55%**
(0402) Milk Powders	483.6	1,586	1,855	**1,984**	**6.95%**

NOTE: Includes data attributable to some products which are not reported in the PSD
Source: Eurasian Economic Commission

Table 17. Volume of Russian Exports of Dairy products to Kazakhstan, 2011 – 2014, MT

Product	Calendar Year	2013/2014 %

	2011	2012	2013	2014	Change
(0401) Fluid Milk and Cream, not Concentrated nor Containing added sweetening	16,894	19,912	26,723	**20,675**	**-22.63%**
(0405) Dairy, Butter	1,792.7	1,702	2,404	**3,300**	**37.27%**
(0406) Dairy Cheese and Curd	9,710.2	10,055	11,441	**14,395**	**25.82%**
(0402) Milk Powders	25,579.7	25,023	28,534	**26,413**	**-7.43%**

NOTE: Includes data attributable to some products which are not reported in the PSD
Source: Eurasian Economic Commission