

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **Estonia**

**Post:** Warsaw

### **Estonian Dairy Industry Suffers from the Russian Import Ban.**

**Report Categories:**

Dairy and Products

**Approved By:**

Russell J. Nicely, Agricultural Attaché

**Prepared By:**

Piotr Rucinski, Agricultural Specialist

**Report Highlights:**

It is estimated that in 2015 milk deliveries in Estonia will decline by 3 percent compared to the previous year's level. The Russian import ban reduced export demand and resulted in a drop of farm-gate milk prices. It is estimated that in 2015 a higher share of milk production will be processed into butter and non-fat dried milk, which can be sold or stored within the EU intervention programs or exported. In response to the European Commission's market intervention measures until November 15, 2015, Estonia placed 8,921 of Non Fat Dried Milk into PSA stocks.

## **General Information:**

### **Production**

It is estimated that in 2015 raw milk output in Estonia will amount to 710,000 MT, a 3 percent decreased compared to 2014. In the first nine months of 2015 milk deliveries in Estonia decreased by 3 percent in comparison to the same period of 2014. It is forecast that supplies of milk will continue to decline in 2016. In September 2015 average farm-gate prices for milk amounted to U.S. \$ 24 per 100 kilograms of milk, a 10 percent decrease in comparison to September 2014.

Estonia used to be a traditional supplier of dairy products to the Russian market. Introduction of the Russian import ban in August 2014 adversely affected the Estonian dairy industry which focused on fresh dairy products shipped to Russia. Despite the drop of farm-gate milk prices, Estonian farmers are continuing milk production because they are dependent on the revenue to pay back credits taken in 2013 and 2014 to enlarge and modernize their farms in expectation of the approaching termination of the milk quota system. However, it is estimated that because of the difficult economic situation, 5 percent of dairy farms have already discontinued production. The Estonian dairy processing industry is adjusting to the new market conditions by switching to production of butter and Non Fat Dry Milk (NFDM), which remains in demand both domestically and internationally. As a result of reduced exports, production of cheese in 2015 is expected to decline in comparison to 2014. A drop in raw milk prices in the first three quarters of 2015 reduced profit margins in dairy production. At the beginning of 2015 dairy cow inventories amounted to 97,000 head and were at the same level as a year ago.

### **Trade**

In the first three quarters of 2015 the value of Estonian exports of dairy products was 47 percent lower than for the same period of the previous year. The decrease of exports resulted from the Russian import ban which caused lower demand for dairy products within the EU. Major export destinations within the EU are Lithuania, Latvia, Italy and Poland. In the first nine months of 2015 the value of imports of dairy products amounted to U.S. \$ 40 million, a 33 percent less than in the same period of 2014. Major suppliers of dairy products were Latvia, Germany and Finland. In Baltics raw milk is often exported to the neighboring countries and final dairy products return to the country where milk was actually produced.

### **Stocks**

In response to the European Commission's market intervention measures until November 15 2015 Estonia placed 8,921 MT of Non Fat Dried Milk into the intervention and PSA stocks. It was the highest utilization of the PSA program among Baltic States which reflects the difficult situation of the Estonian dairy industry. It is expected that Estonia will continue to use the EU's PSA and start intervention purchases of NFDM later in 2015 and on into 2016 in order to stabilize the domestic market for dairy products.

### **End of the Report.**

