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Russian Federation

Dairy and Products

Annual Report

2005

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Report Highlights:

Russian dairy herds continue to contract. Expanded use of higher-producing pedigree dairy cattle will partially offset lower milk output. Butter imports during the first eight months of 2005 decreased by 36 percent while cheese imports grew by 18 percent. Results in 2006 will depend on to what extent plans of the Ministry of Agriculture regarding investment into the sector are fulfilled.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Annual Report
Moscow [RS1]
[RS]

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Executive Summary

Russia's domestic herd is now estimated to be seven percent smaller than in September 2004, and could decline a further four percent by December 2006. As a result, milk production is about 3.5 percent lower in 2005, and forecast to at best hold steady in 2006. However, we expect that expanded use of higher-producing pedigree dairy cattle will partially offset milk output lost from culled lower-yielding cows.

The dairy industry is becoming more competitive, as improvements are being made in Russia's milk processing sector. The number of larger, well-managed dairies is increasing. The supply of raw materials to these operations has become steadier and less seasonal.

Production

Russia's dairy herd continues to contract because of insufficient management, the poor transition of the sector to a market economy, and unstable feed supplies. The domestic herd is now estimated to be seven percent smaller than in September 2004, and could decline a further four percent by December 2006. As a result, milk production is about 3.5 percent lower in 2005, and forecast to increase by 2.6 percent in 2006. Expanded use of higher-producing pedigree dairy cattle will offset milk output lost from culled lower-yielding cows.

According to the agricultural leadership of one Ural region the reason for low milk productivity is inefficient management of livestock farmers.

The dairy industry is becoming more competitive, as improvements are being made in Russia's milk processing sector, the number of larger, well-managed dairies is increasing, the supply of raw materials to these operations has become steadier and less seasonal.

Feed supplies stocks were lower in August 2005 in comparison with August 2004, though lower per head supplies increased per head feed supplies.

Table 1. Feed at Agricultural Organizations at the end of August

	2005	2004
Mowed, planted and natural grasses, mln hectares	15,0	16,0
Produced, mln tones		
Hay	13,3	13,8
Haylage	22,5	23,3
Silage	20,7	21,5
Feed, mln tons	17,6	18,1
Per animal, tons of feed	1,68	1,59

Source: Federal State Statistics Service

PSD Table

Country	Russian Federation						
Commodity	Dairy, Milk, Fluid						
	2004	Revised	2005	Estimate	(1000 HEAD)(1000 MT)	Forecast	UOM
	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	2006 USDA Official [Old]	Post Estimate[New]	
Market Year	01/2004		01/2005		01/2006		MM/YYYY
Begin							
Cows In Milk	11200	11200	10640	10430	0	9770	(1000 HEAD)
Cows Milk Production	32000	32000	32000	31200	0	32000	(1000 MT)
Other Milk Production	0	0	0	0	0	0	(1000 MT)
TOTAL Production	32000	32000	32000	31200	0	32000	(1000 MT)
Intra EC Imports	0	0	0	0	0	0	(1000 MT)
Total Imports	100	100	110	110	0	120	(1000 MT)
TOTAL Imports	100	100	110	110	0	120	(1000 MT)
TOTAL SUPPLY	32100	32100	32110	31310	0	32120	(1000 MT)
Intra EC Exports	0	0	0	0	0	0	(1000 MT)
Total Exports	5	5	0	0	0	5	(1000 MT)
TOTAL Exports	5	5	0	0	0	5	(1000 MT)
Fluid Use Dom. Consum.	12900	12900	12850	12450	0	12400	(1000 MT)
Factory Use Consum.	16195	16195	16360	16000	0	16855	(1000 MT)
Feed Use Dom. Consum.	3000	3000	2900	2860	0	2860	(1000 MT)
TOTAL Dom. Consumption	32095	32095	32110	31310	0	32115	(1000 MT)
TOTAL DISTRIBUTION	32100	32100	32110	31310	0	32120	(1000 MT)
Calendar Yr.	0	0	0	0	0	0	(1000 MT)
Imp. from U.S. Calendar Yr.	0	0	0	0	0	0	(1000 MT)
Exp. to U.S.							

Production Dairy

Dairy Industry Production

Whole-milk products (milk equivalent) production increased in January-September 2005, butter production is flat while cheese production increased in the same period. At the same time production of cheap sources of fat, vegetable oil and margarine, significantly increased.

The industry predicts an increase of cheese production by roughly 5 percent in 2005. Large dairy processors, located for the most part in the major cities, are expanding production.

Table 2: Production of dairy products, MT1,000

	2002	2003	2004	August 2005 as % of August 2004
Vegetable oil	1,186	1,637	1,867	106.3
Margarine products	516	541	561	107.8
Butter	278	272	271	99.3
Whole-milk products (milk equivalent)	7,452	7,728	8,723	103.8
Fat cheese (including feta)	318	333	352	105.6
Ice cream	376	387	377	95.4

Source: Russian State Statistics Service

Consumption

Fluid milk domestic consumption decreased in 2005 due to the fall in raw milk production. Consumption of domestically produced fluid milk will grow in 2006 due to investments into the industry and state support of dairy cattle farming.

Trade

Butter imports in 2005 decreased but the trend will reverse in 2006 and will again grow to compensate for insufficient domestic butter production. New Zealand, Ukraine and Finland are the biggest butter exporters to Russia. But in 2005 Ukraine exports to Russia fell. Cheese imports increased in 2005 and will continue growing in 2006 due to its price competitiveness with domestic product.

Table 3: Imports of dairy products, MT, January – December

HS	Description	% Change			
		2002	2003	2004 - 04/03	-
--The World--		0	0	0	
04 DAIRY,EGGS,HONEY,ETC		198,499	170,173	177,764	
0406	CHEESE AND CURD	129,281,524	176,288	212,862	20,75
0405	BUTTER,OILS FROM MILK	109,924	133,796	101,289	-24,3
0404	WHEY,OTHER MILK PRODS	8,656	24,386	45,264	85,61
0402	MILK,CREAM CONC,SWEET	11,768	26,178	35,910	37,17
0403	BUTTERMLK,YOGURT,ETC	35,637	26,252	27,981	6,59
0401	MILK,CREAM,N SWT/CONC	6,480	10,278	10,277	0

Source of data: World Trade Atlas

Table 4 Imports of BUTTER,OILS FROM MILK, Quantity< MT

January - June					
Rank	Country	% Change			
		2003	2004	2005	- 05/04 -
0	--The World--	61,192	58,924	37,573	-36,23
1	New Zealand	14,963	11,838	11,875	0,31
2	Ukraine	6,324	16,947	8,187	-51,69
3	Finland	9,693	8,339	7,467	-10,46
4	Germany	9,317	5,148	3,169	-38,44
5	Czech Republic	4,010	1,823	1,201	-34,08
6	Belgium	4,289	2,942	1,122	-61,87
7	Australia	2,320	2,370	633	-73,29
8	Estonia	5	22	570	2 492,74
9	Lithuania	204	13	560	4 375,33
10	Sweden	2,563	2,140	485	-77,36

Source of data: World Trade Atlas

Table 5: Imports of CHEESE AND CURD, Quantity, MT

January - June					
Rank	Country	% Change			
		- KG - 2003	- KG - 2004	- KG - 2005	- 05/04 -
0	--The World--	77,418	95,308	112,359	17,89
1	Ukraine	24,207	35,908	47,911	33,43
2	Germany	26,468	24,627	25,659	4,19
3	Lithuania	4,961	7,172	9,029	25,89
4	Finland	7,840	5,278	6,703	26,99
5	Netherlands	3,982	4,676	4,334	-7,33
6	Argentina	363	965	4,247	340,11
7	Poland	3,560	8,636	3,723	-56,88
8	France	1,518	1,681	3,109	85
9	New Zealand	1,038	2,255	1,399	-37,93
10	Uruguay	25	225	1,199	433,11

Source: World Trade Atlas

The biggest Russian dairy processors are importing dry milk. Most supplies come from Ukraine and Belarus. If American dry milk is lower priced than European, it has some sales advantages over domestic product as it has longer shelf life and is of better quality.

The largest exporters of cheese to Russia are Ukraine and Belarus. Russia's cheese imports are growing at faster rates than domestic production. The Russian cheese market is divided into four segments – hard cheese, soft cheese, processed cheese and feta cheese. Hard cheeses account for more than 50 percent of production, while processed cheeses account for 40 percent.

Stocks

Russia has an irregular supply of fluid milk. In summer, dairies have large overstocks and produce dry milk to store for winter time processing. Excessive fluid milk processing in summer causes problems.

Policy

The Russian Ministry of Agriculture has a plan to significantly increase the charter capital of Russian banks involved in agricultural leasing. Resources will be used for massive purchases of cattle genetics both in Russia as well as from abroad and to import milking equipment to modernize and re-construct on a large scale the dairy cattle industry and then other livestock operations.

The Oct. 20 edition of the Newspaper Izvestiya reported that on Oct. 19 Prime Minister Fradkov met with Minister of Agriculture Gordeyev along with other Ministry officials, academicians, and regional representatives. He commented that he would like to offer more support for the dairy industry, but did not have the resources. He said western investment could be attracted to assist the domestic industry to develop. The group discussed whether barriers on imported hard cheeses, dry milk and butter should be established, especially from Belarus and Ukraine.

PSD Table							
Country	Russian Federation						
Commodity	Dairy, Butter	(1000 MT)					
	2004 USDA Official [Old]	Revised Post Estimate[New]	2005 USDA Official [Old]	Estimate Post Estimate[New]	2006 USDA Official [Old]	Forecast Post Estimate[New]	UOM
Market Year Begin		01/2004		01/2005		01/2006	MM/YYYY
Beginning Stocks	17	17	15	15	15	15	(1000 MT)
Production	270	270	275	270	0	270	(1000 MT)
Intra EC Imports	0	0	0	0	0	0	(1000 MT)
Total Imports	170	170	170	150	0	170	(1000 MT)
TOTAL Imports	170	170	170	150	0	170	(1000 MT)
TOTAL SUPPLY	457	457	460	435	15	455	(1000 MT)
Intra EC Exports	0	0	0	0	0	0	(1000 MT)
Total Exports	5	5	5	5	0	5	(1000 MT)
TOTAL Exports	5	5	5	5	0	5	(1000 MT)
Domestic Consumption	437	437	440	415	0	435	(1000 MT)
TOTAL Use	442	442	445	420	0	440	(1000 MT)
Ending Stocks	15	15	15	15	0	15	(1000 MT)
TOTAL	457	457	460	435	0	455	(1000 MT)
DISTRIBUTION							

PSD Table							
Country	Russian Federation						
Commodity	Dairy, Cheese						
	(1000 MT)						
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	
Market Year Begin		01/2004		01/2005		01/2006	MM/YYYY
Beginning Stocks	10	10	12	12	12	12	(1000 MT)
Production	330	350	335	355	0	360	(1000 MT)
Intra EC Imports	0	0	0	0	0	0	(1000 MT)
Total Imports	190	190	185	215	0	220	(1000 MT)
TOTAL Imports	190	190	185	215	0	220	(1000 MT)
TOTAL SUPPLY	530	550	532	582	12	592	(1000 MT)
Intra EC Exports	0	0	0	0	0	0	(1000 MT)
Total Exports	10	10	10	10	0	10	(1000 MT)
TOTAL Exports	10	10	10	10	0	10	(1000 MT)
Human Dom. Consumption	508	528	510	560	0	570	(1000 MT)
Other Use, Losses	0	0	0	0	0	0	(1000 MT)
Total Dom. Consumption	508	528	510	560	0	570	(1000 MT)
TOTAL Use	518	538	520	570	0	580	(1000 MT)
Ending Stocks	12	12	12	12	0	12	(1000 MT)
TOTAL	530	550	532	582	0	592	(1000 MT)
DISTRIBUTION							

PSD Table							
Country	Russian Federation						
Commodity	Dairy, Dry Whole Milk Powder						
		(1000 MT)					
	2004	Revised Post	2005	Estimate Post	2006	Forecast Post	UOM
	USDA Official [Old]	Estimate[New]	USDA Official [Old]	Estimate[New]	USDA Official [Old]	Estimate[New]	
Market Year		01/2004		01/2005		01/2006	MM/YYYY
Begin							
Beginning Stocks	0	0	0	0	0	0	(1000 MT)
Production	90	90	85	85	0	90	(1000 MT)
Intra EC Imports	0	0	0	0	0	0	(1000 MT)
Total Imports	25	25	25	30	0	30	(1000 MT)
TOTAL Imports	25	25	25	30	0	30	(1000 MT)
TOTAL SUPPLY	115	115	110	115	0	120	(1000 MT)
Intra EC Exports	0	0	0	0	0	0	(1000 MT)
Total Exports	6	6	5	5	0	5	(1000 MT)
TOTAL Exports	6	6	5	5	0	5	(1000 MT)
Human Dom. Consumption	109	109	105	110	0	115	(1000 MT)
Other Use, Losses	0	0	0	0	0	0	(1000 MT)
Total Dom. Consumption	109	109	105	110	0	115	(1000 MT)
TOTAL Use	115	115	110	115	0	120	(1000 MT)
Ending Stocks	0	0	0	0	0	0	(1000 MT)
TOTAL	115	115	110	115	0	120	(1000 MT)
DISTRIBUTION							

PSD Table								(1000 MT)	UOM
Country	Russian Federation								
Commodity	Dairy, Milk, Nonfat Dry								
	2004 USDA Official [Old]	Revised Post Estimate[New]	2005 USDA Official [Old]	Estimate Post Estimate[New]	2006 USDA Official [Old]	Forecast Post Estimate[New]			
Market Year Begin		01/2004		01/2005		01/2006		MM/YYYY	
Beginning Stocks	0	0	0	0	0	0	0	(1000 MT)	
Production	125	125	120	110	0	120		(1000 MT)	
Intra EC Imports	0	0	0	0	0	0	0	(1000 MT)	
Total Imports	65	65	60	60	0	60		(1000 MT)	
TOTAL Imports	65	65	60	60	0	60		(1000 MT)	
TOTAL SUPPLY	190	190	180	170	0	180		(1000 MT)	
Intra EC Exports	0	0	0	0	0	0	0	(1000 MT)	
Total Exports	20	20	15	15	0	15		(1000 MT)	
TOTAL Exports	20	20	15	15	0	15		(1000 MT)	
Human Dom. Consumption	170	170	165	155	0	165		(1000 MT)	
Other Use, Losses	0	0	0	0	0	0	0	(1000 MT)	
Total Dom. Consumption	170	170	165	155	0	165		(1000 MT)	
TOTAL Use	190	190	180	170	0	180		(1000 MT)	
Ending Stocks	0	0	0	0	0	0	0	(1000 MT)	
TOTAL DISTRIBUTION	190	190	180	170	0	180		(1000 MT)	