USDA Foreign Agricultural Service
GAIN Report
Global Agricultural Information Network

Required Report - public distribution

Date: 12/20/2017
GAIN Report Number: RS1758

Russian Federation

Dairy and Products Annual

Improved Supply Awaits Recovery of Consumption

Approved By:
Rachel Vanderberg

Prepared By:
FAS Staff

Report Highlights:
For the first time in at least a decade, milk production became more profitable on average than poultry or grain production in Russia. Global high prices for milkfat, the stronger ruble, and reduced cost of capital allowed local producers to improve margins, and encouraged greater production of dairy products. However, soft demand at the consumer level persists. The resulting high stocks of butter, Whole Milk Powder (WMP), and Skimmed Milk Powder (SMP) will likely limit further production growth in 2018 until continuing economic improvement for consumers rebalances demand with supply later in the year. Market consolidation and greater efficiency at commercial dairies increase with investor interest in the sector, but imports remain high for now.

Executive Summary:
Because milk farms depended on state subsidies rather than consumer demand and did not generate profits for decades, Russia's milk production sector remains far less modernized and consolidated compared to pork, poultry, sugar, and grains. The key weakness of Russia's milk production sector is its inefficiency, but the high cost of capital has long constrained development; over time these factors resulted in high milk production costs in Russia compared to the countries that export processed dairy to Russia. As a result, the markets for raw milk and processed dairy products remain strongly dependent on the price of imports. World prices for milkfat and proteins continue to influence Russia's market in spite of the counter sanctions. The share of imported processed dairy from Belarus and other non-restricted suppliers remains high because the total capacity of all Russia's milk farms remains below the country's demand.

For the first time in at least a decade in Russia, milk production was more profitable than poultry or grain production in January-September 2017. Global high prices for milkfat made milk and dairy produced in Russia price competitive to imports. Milk remains dependent on imports so further growth of industrial milk production is possible and could come at the expense of imports. However, world market experts anticipate some decline of world butter prices in 2018, which would affect forecasts.

Per cow yields at commercial farms continues growing. The share of industrially processed milk is increasing at the expense of shrinking on farm consumption of fluid milk. The top 50 biggest farms, which currently account for 4.8 percent of total milk production, will continue to grow and increase their share in the market. Good financial performance in the sector in 2017 may stimulate investors' interest and market consolidation activities in the sector in 2018.

Responding to improved profitability due to high world prices, producers increased the output of butter and milk powders January-September 2017, but the market is struggling to absorb the expensive dairy. Processing plants accumulated high stocks of butter and milk powders by the end of Russia's "high milk season" in September 2017. Butter and milk powder stocks are anticipated to remain high in the beginning of 2018, which will soften demand from processing plants. If consumer purchasing power improves as anticipated in the macroeconomic forecasts, the milk market in Russia will stabilize in the second half of 2018, when recovered consumption will balance with available supply from local plants and imports. The recovery will not quite make up for the high butter and powder stocks in the first half of 2018, and so Post forecasts a small annual decline in production of fluid milk, butter, and SMP. The production of WMP is anticipated to increase at the expense of imports, the production of cheese is forecasted to increase one percent because of anticipated recovery of demand for semi-hard and specialty cheeses.

Macroeconomic indicators: Most of Russia's key economic indicators improved in 2017 (CPI, key rate, GDP), but the average purchasing power of Russian consumers continues to decline. Key Rate: 8.25 percent (1.75 percent decline year-on-year); Consumer Price Index: 3 percent (1.6 percent decline year-on-year); inflation has slowed down, below the 4 percent target set by the government. Further reduction of the key rate by the Central Bank of Russia is possible before the end of 2017. The average

nominal exchange rate of ruble to US dollar in October 2017 was 58.31 rubles per US Dollar (68.22 ruble per US dollar in October, 2016). According to Rosstat, the Accumulated Retail Sales for nine months of 2017 increased 0.5 percent year-on-year; the Monthly Retail Sales grew 3.1 percent year-on year in September 2017. However, the Accumulated Food Retail Sales in the third quarter of 2017 declined 0.5 percent. Accumulated Real Disposable Income in January-August 2017 continued to decline - 1.2 percent year-on-year. The Ministry of Economic Development of the Russian Federation (MED) reported monthly GDP growth of 2.4 percent in September 2017. In its most recent base case scenario forecast MED anticipates annual GDP growth of 2.1 percent in 2017 and 2018.

Trade restrictions: On June 30, 2017, President Putin signed decree No. 293 extending Russia's ban on the import of agricultural products (including milk and dairy HS codes 0401, 0402, 0403, 0404, 0405, and 0406, except for specialized lactose-free milk and dairy products for therapeutic dietary nutrition) from the countries that applied economic sanctions against Russia. Please refer to GAIN report RS1741 for detailed information. These counter-sanctions will continue to influence dairy trade with a number of countries, including United States.

Methodology change: In January 2017, Rosstat transitioned to a new national product classification system, OKPD 2 (All-Russian Classification of Products by Economic Activities), which is harmonized with the statistical classification of products in the European Community 2008 CPA. The transition resulted in a discrepancy in historic statistical data series, including the monthly production and price data for processed dairy products, in particular for cheese, and WMP. PSD production estimates are based on the availability of the official statistical data. Annual production change 2017 to 2016 in Supply and Distribution tables may be attributed to the transition to the new product classification. For detailed information please refer to *Table 6 "Correspondence Table PSD Dairy Product – OKPD 2007 –OKPD2"* in this report.

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

Fluid Cow Milk (HS Code 0401)

Tab1e 1. Russia: Fluid Milk Supply and Distribution, 1,000 MT

Dairy, Milk, Fluid	2016		2017		2018	
Market Begin Year	Jan 2016		Jan 2017		Jan 2018	
Russia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Cows In Milk	7,550	7,235	7,320	7,000	0	6,800
Cows Milk Production	30,470	30,510	30,700	30,600	0	30,550
Other Milk Production	0	0	0	0	0	0
Total Production	30,470	30,510	30,700	30,600	0	30,550
Other Imports	326	326	300	295	0	270

Total Imports	326	326	300	295	0	270
Total Supply	30,796	30,836	31,000	30,895	0	30,820
Other Exports	48	48	50	38	0	38
Total Exports	48	48	50	38	0	38
Fluid Use Dom. Consum.	9,150	8,960	8,900	8,600	0	8,300
Factory Use Consum.	19,550	19,655	20,100	20,290	0	20,610
Feed Use Dom. Consum.	2,048	2,173	1,950	1,967	0	1,872
Total Dom. Consumption	30,748	30,788	30,950	30,857	0	30,782
Total Distribution	30,796	30,836	31,000	30,895	0	30,820
(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 forecasts a 2.8 percent decline of cows-in-milk inventories to 6.8 million head in the beginning of 2018 from 7.0 million head (the revised January 2017estimate).[1] Two separate pressures contribute to dairy herds declining. According to Rosstat, as of October 1, 2017, cow inventories at commercial farms decreased in 61 percent in the Russian regions year-on-year; meanwhile, 60 percent of the regions increased milk production at commercial farms. The 25 biggest milk producing regions have decreased commercial milking herds by 18.9 thousand head since October 1, 2016, but produced 262,000 MT more milk in nine months of 2017 than in the same period of 2016. Industrialized commercial farms reduced their milking herds as they improved livestock genetics and collected more milk from fewer cows. Commercial dairies have a potential for further increase of productivity considering that the average annual per cow yield in the commercial sector remains below 5.5 MT per cow. On the other side, non-commercial farms are gradually disappearing as fewer people live in rural areas[2]. Unlike the commercial sector, backyard farms do not improve productivity, and the average yield stays around 3.5 MT per cow per year. Both long term trends will persist in 2018, and influence the decline of the total milking herd numbers.

On October 1, 2017, Rosstat reported 3.664 million head of cows at backyard farms, or 86 thousand head fewer than on the same date in 2016. Agricultural organizations maintained cow inventories at 3.341 million head, a slight 0.2 percent decline by 8 thousand head from the previous year. Because Rosstat combines beef and dairy cattle in its reporting but shows that the number of cows increased in the regions developing beef cattle farming and declined in the major milk producing regions, Post

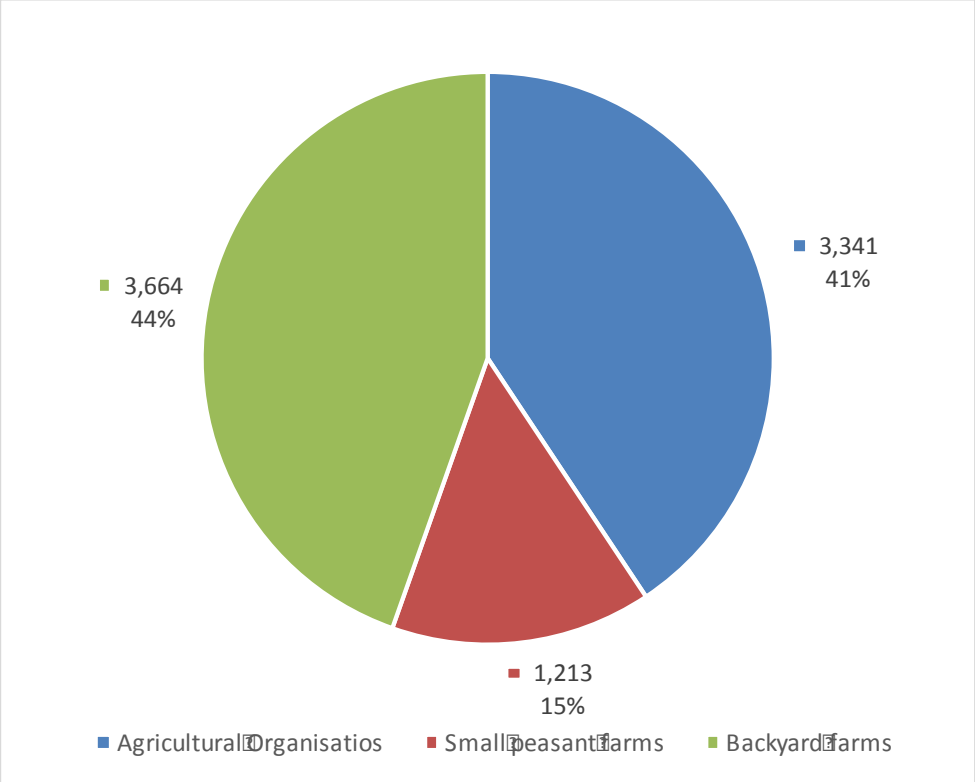
[1] Rosstat "cows" number includes all forage cows, beef and dairy. Milking cows herd numbers in 2016 and 2017 have been revised based on 2016 final data on and average milk yield: 2,418 MT per cow. For details on beef cattle inventories please refer to Gain Report "Annual Livestock and Products 2017"

[2] Rosstat: Official Statistics, Population, Demography, "Permanent Population Estimate as of January 1, 2017" : Rural population decreased by 57,000 people in 2016; while urban population grew by 187,465. Over the recent decade, rural population in Russia declined from 38.4 million to 37.7 million people.

concludes that dairy herds continue to decline. The largest growth of cow inventories was reported in four regions where beef industry leaders implement their beef cattle projects. Simultaneously, the biggest annual decline of commercial cow herds as of October 1, 2017, was in the largest milk producing region – the Republic of Bashkortostan by 11.84 thousand head to 134.8 thousand head. Cow numbers also decreased in the following milk producing regions: Orenburg oblast by 5.61 thousand head, Penzenskaya oblast by 3.47 thousand head to 30.1 thousand head, Krasnodarskiy Krai by 3.46 thousand head to 131.1 thousand, Chelyabinskaya Oblast by 3.35 thousand head to 38.8 thousand head, Republic of Tatarstan by 3.29 thousand head to 212.2 thousand.

On small backyard farms, cow numbers increased by 43.4 thousand head, 3 percent growth by the end of the third quarter in 2017 and reached 1.212 million head. The trend is anticipated to continue because authorities encourage backyard farms to register as legal, commercial entities, moving those farms into the "small peasant farm" category. In addition, authorities implement policies that encourage pork farmers to switch to dairy and beef cattle operations to control the spread of African Swine Fever (ASF) in the country. Every region has its own program of ASF prevention and control, but standard practice is to offer pork farmers a partial reimbursement of cattle purchase from the regional budget if farmers commit to stop rearing pigs. Per Rosstat data, the biggest growth of cow inventories at small farms as of October 1, 2017 was in Dagestan, Rostov, Altayskaya oblast, Altaiskiy Krai, Orenburg, and Novosibirsk.

Chart. 1 Distribution of Cows Inventories by Types of Farms in Russia as of October 1st, 2017; 1,000 head



Source: Rosstat

Leading commercial farms benefit from replacing the local dual purpose breeds with highly productive modern dairy cattle. However, the existing national regulation system of breeding operations is structurally inherited from the soviet times, and constrains the development of the industry. Poor management of data from breeding records at national level and lack of investment in breeding farms have resulted in constant shortage of quality replacement heifers corresponding to health and productivity requirements of a modern farm.

The market for breeding dairy cattle is still developing and remains non-transparent in terms of tracking and defining the fair market price for breeding cattle of local origin. Industry contacts confirm that there is a strong demand for replacement dairy heifers, and the domestic prices for local cattle of questionable quality are often comparable to prices for imported heifers. Leading milk producers continue importing pedigree dairy cattle with genetic value confirmed by trustworthy certification and records.

Imports of dairy heifers are expected to continue in 2018 at levels comparable to 2017 because of growing demand for quality cattle for leading commercial farms. In January-July 2017, Russia imported 31,093 head of cattle, with a total value of 62.2 million US dollars. On average, Russian importers paid 2,000 US dollars per head. Exporters from the European Union accounted for 94 percent of this trade in absolute numbers and 98 percent in dollar terms. The Netherlands supplied 14,362 head of breeding dairy heifers, Germany 8,692 head, Denmark 3,233 head, and Hungary 2,002 head. Russia also imported cattle from Finland, Estonia, Austria, Ireland, Slovakia, and Belarus. All the above listed

exporters, except Belarus, increased shipments; imports from the EU grew 172 percent in absolute numbers, and 143 percent in value.

Agricultural authorities recognize the need to enhance the genetics of the country's milking herd and the weakness of the existing pedigree certification system. The Ministry of Agriculture cooperates with milk producers' associations to develop new rules of breeding operations, including the modernization of the system of breeding cattle certification and genetic evaluation.

The recently extended counter-sanctions trade restrictions on agricultural products from major western suppliers do not restrict live cattle or genetic material. Additionally, in June 2016 President Putin signed the Amendments to the Tax Code to exempt from VAT the payments for the purebred breeding agricultural animals. The Amendments reduce the VAT rate from 10 to 0 percent until December 31, 2020. The zero VAT rate shall be applied to payments for domestic and imported purebred breeding cattle, embryos, and semen of purebred breeding bulls.[3] For imports, the exemption shall be granted upon the submission of the documents to Customs in accordance with the Federal law 123 FZ – 08.03.1995 On Livestock Breeding.

According to industry experts the epizootic outlook remains challenging in terms of the following economically significant cattle diseases[4]: Lumpy Skin Disease (LSD), Bovine Leucosis Virus (BLV)[5], and Bovine Brucellosis. The risk of Foot and Mouth Disease (FMD) and Anthrax remains high due to the unfavorable epizootic situation in neighboring geographic areas. The most recent FMD outbreak was confirmed in October 2017 in Bashkortostan – the region with the second largest cattle population in Russia. For the most recent update on the disease notifications and outbreak reports please refer to the official web site of the Russian Federal Service for Veterinary and Phytosanitary Surveillance (VPSS) and OIE.

Fluid Milk Production

The total production of fluid milk by all types of farms in 2018 is forecasted at 30.550 MMT, a 0.2 percent annual decline. Commercial dairies are expected to increase milk production in 2018, while backyard farms continue to decrease the output. High stocks of butter and milk powders accumulated by the end of the third quarter in 2017 will likely impact milk prices.

Compared to other macroeconomic indicators, the average Russian consumer's purchasing power lags behind, and the general trend has impacted the dairy market: Nielsen dairy market research[6] shows retail sales of 14 out of 16 audited dairy categories declined 4.7 percent in absolute numbers in January-September 2017 due to average 9 percent growth of prices. As a result, stocks of butter and milk powders accumulated, and dairy processing plants may reduce purchases of raw milk in the beginning of

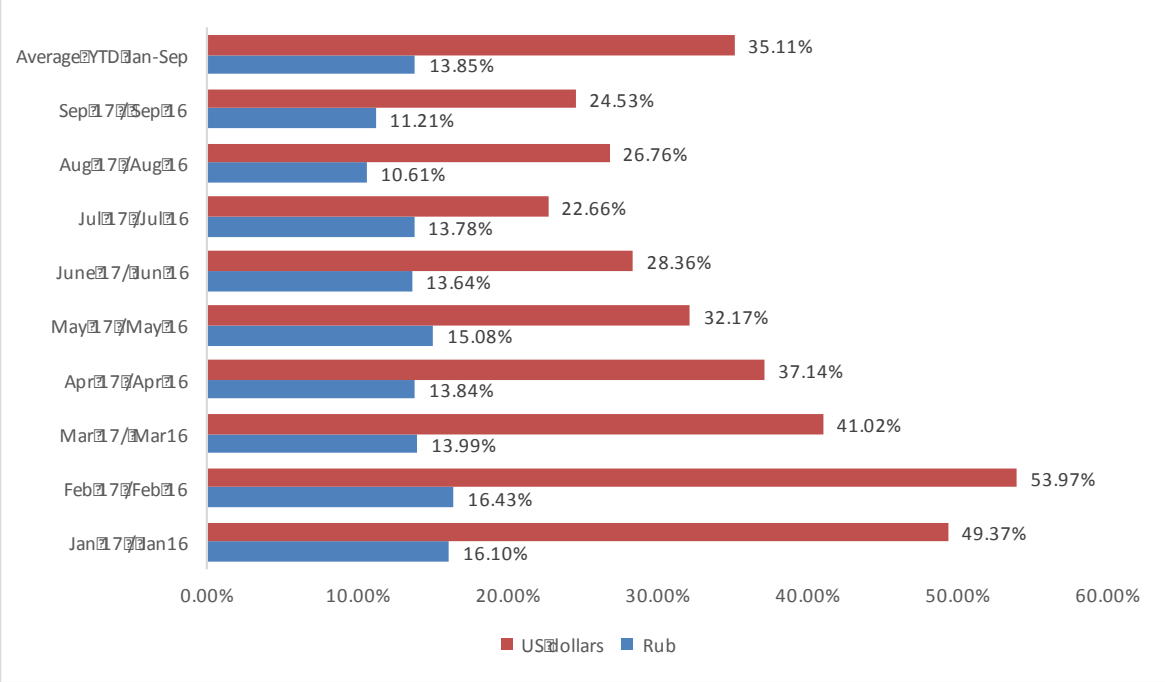
[3] The VAT exemption is also applicable to purebred breeding animals and genetic material of other agricultural animals including poultry (hatching eggs), swine, sheep, goats, and horses.
[4] Source in Russian: "Agroinvestor" Magazine #2 (9009) February, 2017 Article "Livestock farming under threat''
[5] Per Technical Regulations of the Eurasian Economic Union (TRTS 021/2011) products of animal origin must originate from the farms with "no leucosis cases registered at the farm during the last 12 months"; and products obtained from BLV seropositive cattle should not enter the market. However, according to "Federal center for Animal Health (FGBI "ARRIAH") more than 30 percent of commercial cattle in Russia is BLV positive.
[6] Source: http://www.nielsen.com/ru/ru/insights/news/2017/retail-audit-dairy-october-2017.html Note: Includes products not reported in PSD.

2018. Such soft demand on raw milk from processors may discourage commercial farms from further acceleration of production.

Backyards have been reducing productivity by 2.5-3 percent each year over the last decade; however, the total supply has stabilized at the level of 30.5-30.6 MMT due to improvements in per cow yields by commercial farms. Cows in backyard farms average 3.5 MT yield. Compare this to the average yield in the commercial sector, which was 5.448 MT per cow in 2016[7], and even further to 9.204 MT per cow at top ten farms from the RDRC (Russian Dairy Research Center) rating[8]. According to Rosstat, the commercial dairies increased per cow yields by 5.2 percent during three quarters in 2017, and the positive trend will continue in the long-term.

Despite the achievements of the leading companies, the overall level of industrialization and consolidation remains low in milk production sector, compared to other agricultural sectors. According to RDRC, the top 50 milk producing companies sold 1.48 million MT of milk in 2016, and accounted for 4.8 percent of total milk production. Improved financial performance in 2017 may increase investors' interest in the milk production sector because commercial farms benefit from the decreased cost of capital, a strong ruble, and comparatively high prices on raw milk. Better access to finances, modern farm management practices, and stable sales to major dairy processors are the key advantages of the top 50 milk producers compared to smaller farms. After launches of new mega-farm projects and possible mergers, the largest milk-producing companies most likely will continue to increase market share.

Chart 2. Growth of farm gate prices on cow milk in rubles compared to growth in US dollars in 2017 to 2016, comparable months, %.



*Data Sources: Rosstat, CBR **(CPI index in Jan-Sep, 2017 3 percent)*

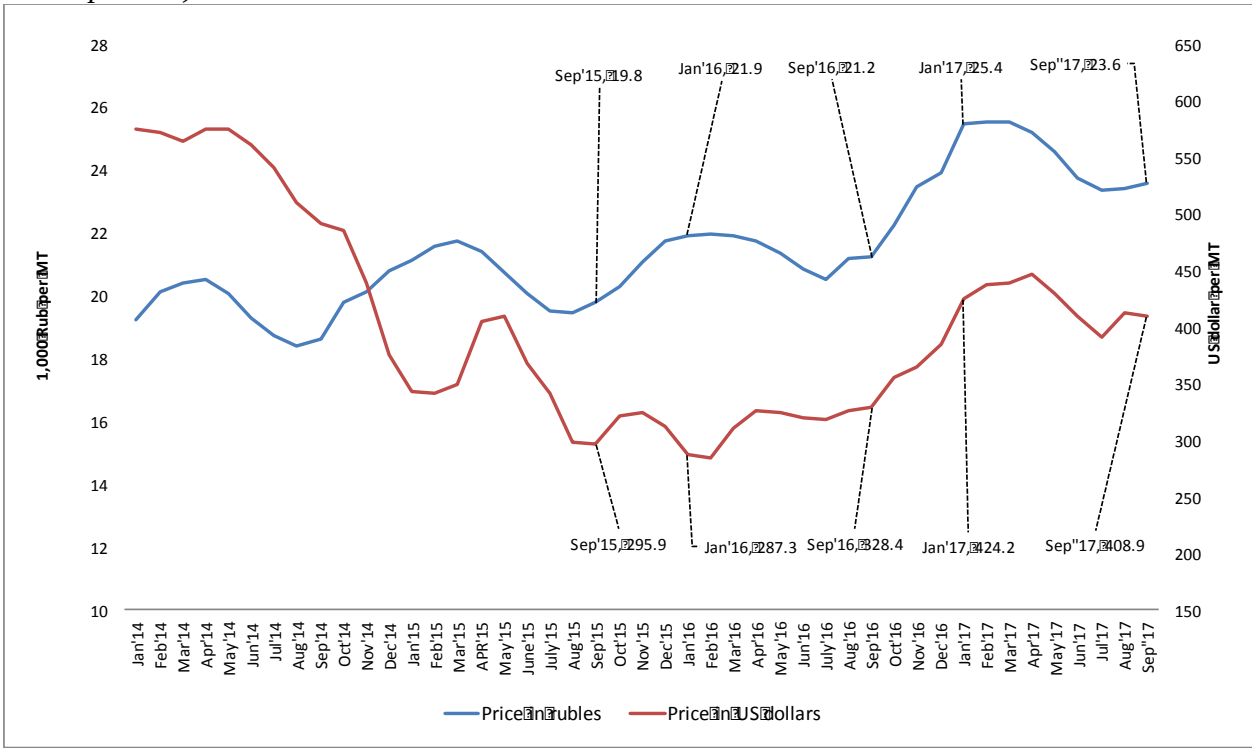
[7] Source: Rosstat

[8] Top-50 Milk Producing Farms in Russia – 2016. Source: Russian Dairy Research Center

According to the Ministry of Agriculture, average operational margins (EBIT) in agriculture increased to 16.4 percent in 2016 from 7.3 percent in 2013, and continued to grow in the first quarter of 2017 to 16.9 percent. The National Union of Milk Producers "Souzmoloko" confirms that operational margins of leading milk producing farms increased to 20-25 percent in 2016 from "zero" in 2013. Profitability rating published by milknews.ru, (the informational resource associated with "Souzmoloko") margins of 30 top companies varied from 5.3 to 53 percent in 2016[9].

Wholesale prices for raw milk in rubles in 2017 were on average 13.85 percent higher than on the same months last year. If calculated in US dollars, the prices were 35.11 percent higher, due to ruble appreciation. High world prices on milkfat were the main reason for growth of commodity prices on raw milk in Russia.

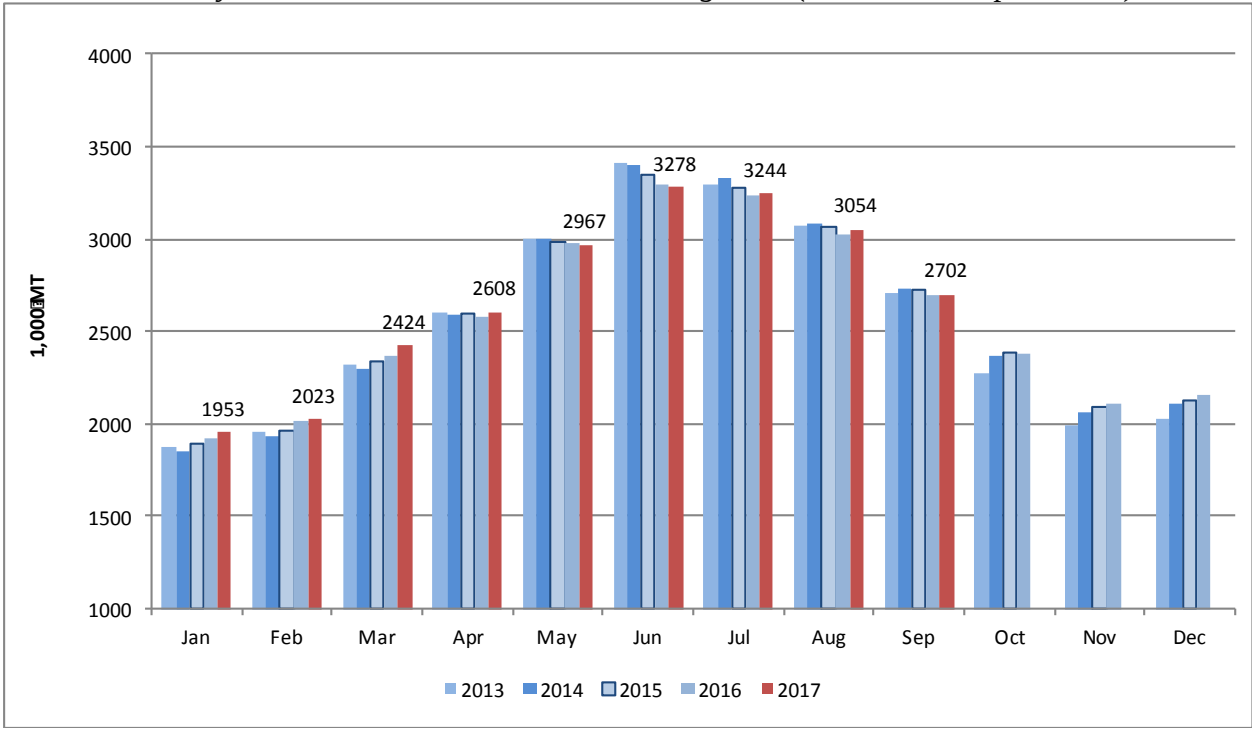
Chart 3. Average farm-gate prices for fluid raw milk in Russia (1,000 ruble per MT compared to US dollar per MT)



Source: Rosstat; Central Bank of Russia

[9] Top-30 Milk Farms by Net Profits. Source: www.milknews.ru

Chart 4. Monthly Fluid Milk Production in 2013 – Aug 2017 (1,000 MT; All producers)



Source: Rosstat

Fluid Milk Consumption (Processing)

FAS/Moscow forecasts 0.2 percent decline of total milk consumption in 2018 to 30.782 MT, which is attributed to declining consumption of fluid milk on backyard farms. Opposite long term trends are anticipated to continue: factory use consumption will grow 1.6 percent to 20.61 MMT, while consumption of fluid milk at backyard farms will decline 3.5 percent to 8.30 MMT. Because household farms are excluded from the industrial supply chain, FAS/Moscow estimates that only 66.5 percent of milk produced by all farms in 2017 will be processed industrially. Commercial dairies are anticipated to increase production, which will result in more milk available for processors.

The dairy processing sector is more consolidated compared to milk production. According to expert estimates, major milk processing plants are located in the ten Russian regions[10] where approximately 45 percent of all industrially produced milk is processed.

"Agricultural organizations" (Rosstat terminology) produced 11.5 million MT of milk in January-September 2017. Approximately 55 percent of this milk was used to produce fluid milk in consumer packages and traditional fluid dairy products based on fermented milk. This product group is classified in Russia under the "whole milk dairy products excluding tvorog" category, and includes "kefir", "ryazhenka", "prostokvasha", "smetana", "yogurt", and other traditional dairy. Traditional dairy products are a "super fresh" retail category with temperature requirement below 6°C and shelve life

[10] **1.** Krasnodar region; **2.** Moscow and Moscow Region ; **3**. Altayskii Krai :**4**. The Republic of Tatarstan **5.** The Republic of Bashkortostan; **6**. St. Peterburg and Leningrad region, **7.** Udmurt Republic, **8.** Voronezh region, **9.** Sverdlovsk region (0.656 **10**. Belgorod region. For detailed information please refer to Top 50 Milk Processing Plants Source Center of Dairy Market Research http://www.dairynews.ru/

between 3 and 30 days depending on the type of product. Post PSDs include these products in its "Factory use consumption" number.

Milk Trade

In 2018 imports of fluid milk are anticipated at 270,000 MT, an 8.5 percent annual decline, following a 9.5 percent decline to 295,000 MT in 2017. Supply from local commercial farms is growing at the expense of imports.

Belarus accounted for 92.3 percent of fluid milk imports to Russia in January-July 2017, and will likely remain the only major exporter of fluid milk to Russia in 2018. Over 98 percent of Belarusian exports of fluid milk are shipped to Russia, exporters will likely continue offering favorable prices, but the volume of the exports of fluid milk from Belarus is anticipated to continue to decline. Russian commercial dairies have enough capacity to maintain sufficient supplies of raw milk to dairy processing plants, while Belarusian exporters will more likely increase shipments of value added processed dairy products rather than raw milk.

FAS/Moscow projects 2018 milk exports from Russia at 38,000 MT, unchanged from the estimate of exports in 2017. Exports account for approximately 0.1 percent of Russia's milk production, and no growth of this trade is expected in the near future due to high producer prices on raw milk inside Russia.

Policy

Amendments to State Agricultural Program

The government of Russia significantly amended the State Program for the Development of Agriculture and Regulation of Agricultural Commodities Markets in 2013-2020, in which the GOR defined new priorities for agricultural development. For detailed information, please refer to RS1736 Agricultural State Program 2013-2020 Amended in 2017. The new edition of the program is designed to support the financial system of the agro-industrial complex and give provinces more flexibility in using federal funds according to the needs of the particular region. An important addition to the program is a new subprogram to support development of Russian agricultural exports. The changes could have a negative impact on mid-size and small dairy farms, in particular in the regions where milk production is not a priority for the regional authorities. The new state agricultural policy will likely accelerate the consolidation of milk production within the largest companies and, in the long term, will result in the concentration of milk production in a few geographic clusters.

Per liter subsidies

The major concern of milk producers is the uncertainty with the traditional "per one liter" subsidies in the budget for 2018. "Subsidies for increase of dairy cattle productivity" remained the only dairy sector specific program in 2017, and replaced the "subsidies per one kg. of milk sold for processing". The federal government allocated 7,964 million rubles specifically for dairy sector under this program in 2017. The amended program continued to subsidize each kg. of milk sold for processing in 2017, but the rules for the farms to qualify for the subsidies have been changed. The importance of this subsidy decreased for leading farms because of the improved profitability of milk business in 2017. However, the "per one liter subsidies" are very important for less efficient farms. As of the date of the report it is unclear if the program will continue next year. The draft budget law did not allocate any funds for the program, but 4.5 billion rubles may be added to the budget for the program after the second hearing of the draft law in the State Duma. It's also not clear if the new program of "Encouragement of Investment

in Agriculture", which included CAPEX reimbursement for pre-selected projects will continue in 2018, as there are no funds allocated for the program in draft budget in 2018.

Interventions

Commodity price volatility for raw milk resulting from major seasonal fluctuations in milk production remains one of the key problems of the industry, which has to manage the increased supply of raw milk during summer months, when demand for dairy products traditionally declines. The Ministry of Agriculture issued an order defining the minimum prices at 222,000 Rub per MT of SMP; 293,000 Rub per MT of WMP; and 340,000 Rub per MT of dairy butter. The order also defined a commodity price of 24,000 Rub per MT of raw milk for the purposes of interventions contracts. The ministry selected 11 regions[11] for milk interventions according to the following criteria: total milk production in the region was more than 300,000 MT in 2015; milk powders production was more than 1,000 MT in 2016; and the average commodity price for raw fluid milk in July 2015 and 2016 was at least 15 percent lower than the February price in the region. The government did not implement the interventions in 2017 because prices were higher than declared minimums, but the instrument can be used in the future if milk prices fall.

Cheese and Curd (HS Code 0406)

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

Dairy, Cheese	**2016**		**2017**		**2018**	
Market Begin Year	**Jan 2016**		**Jan 2017**		**Jan 2018**	
Russia	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Beginning Stocks	35	35	29	29	0	24
Production	865	865	865	925	0	935
Other Imports	230	230	235	230	0	235
Total Imports	230	230	235	230	0	235
Total Supply	1,130	1,130	1,129	1,184	0	1,194
Other Exports	25	25	25	20	0	20
Total Exports	25	25	25	20	0	20
Human Dom. Consumption	1,076	1,076	1,079	1,140	0	1,150
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	1,076	1,076	1,079	1,140	0	1,150
Total Use	1,101	1,101	1,104	1,160	0	1,170
Ending Stocks	29	29	25	24	0	24
Total Distribution	1,130	1,130	1,129	1,184	0	1,194
(1000 MT)						

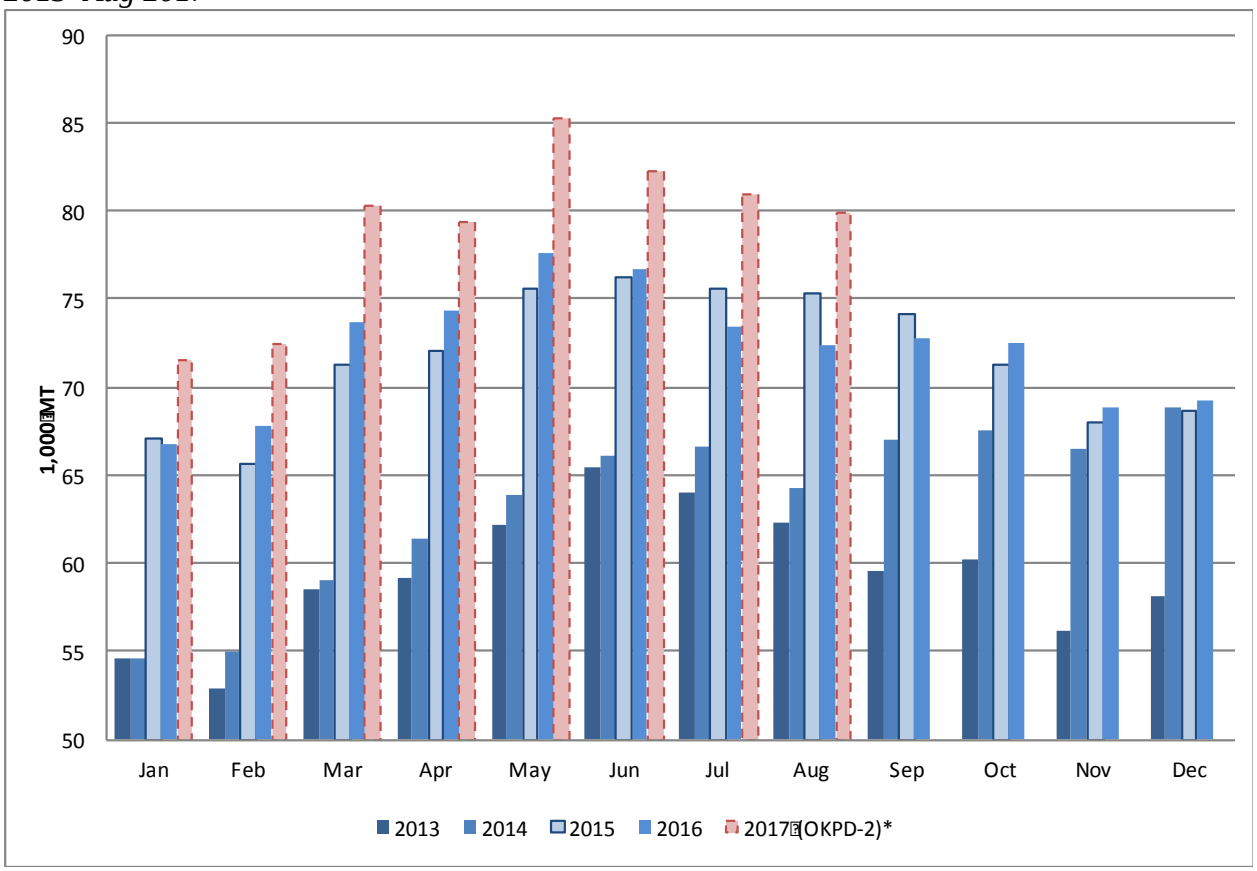
[11] Qualifying regions: Baskortostan, Tatarstan, Chuvashia, Altaisky Krai, Orenburgskaya Oblast, Saratovskaya Oblast, Omskaya Oblast, Novosibirskaya Oblast, Nizhny Novgorod Oblast; Kemerov Oblast and Penza Oblast.

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

Cheese and Curd Production

NOTE: As of the date of the report, the available official Rosstat data for production and prices of commodities "Cheese" (OKPD 2: 10.51.40.110) and "Tvorog" (OKPD 2 10.51.40.300) are inconsistent with the data series in 2010-2016. The transition to the new national product classification system OKPD2 on January 1, 2017 had a significant impact on the estimate of Cheese supply in 2017 in PSD. The forecast of cheese production in 2017 is based on the available Rosstat monthly production data in January-September 2017. The annual increase of production estimate by 60,000 MT in 2017 compared to 2016 must be attributed exclusively to the change of the Rosstat methodology. Please also refer to *Table 6* for more information.

Chart 5. Russian Monthly Production of Cheese & Curd ("Tvorog") (HS Codes 040510, 040590) in 2013–Aug 2017

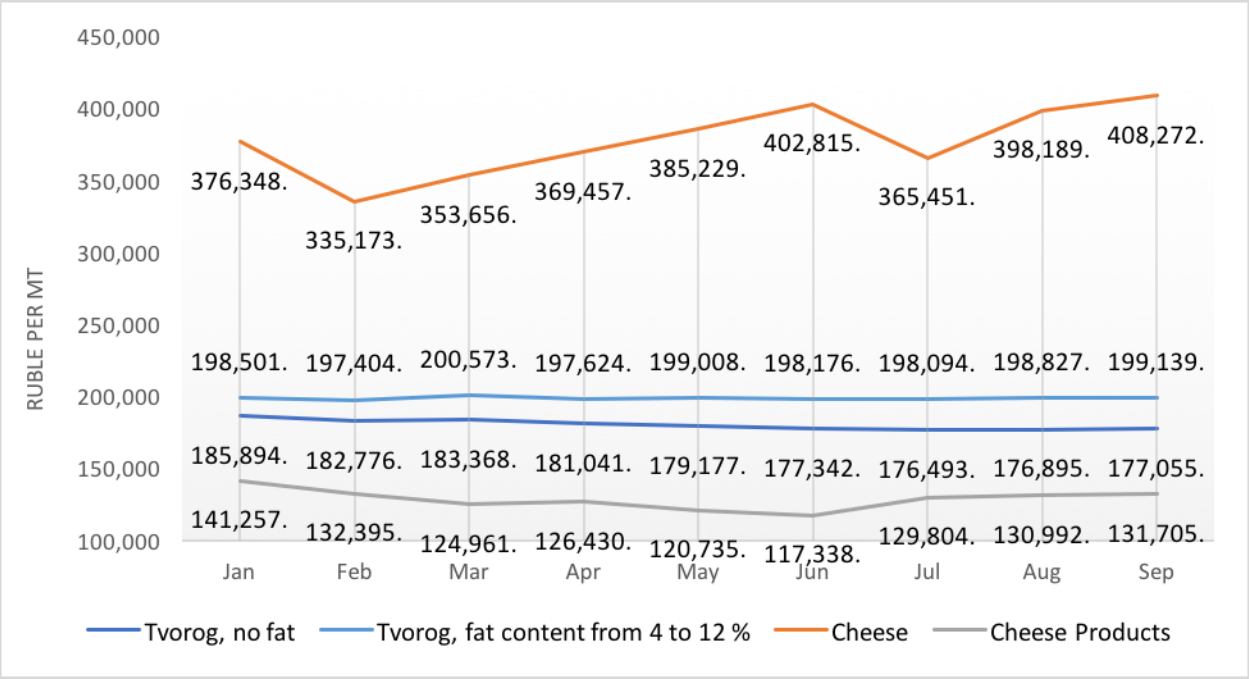


Source: Rosstat. In 2013-2016 based on OKPD; in 2017 based on OKPD2

FAS/Moscow forecasts 935,000 MT of cheese and curd production in 2018, one percent growth from the revised production estimate of 2017. Current trends, such as growing supply of raw milk for processing from commercial dairies, and increase of butter supply in 2017 are shaping a favorable outlook for cheese in 2018. Both trends encourage increase of cheese production, as additional raw milk will be available for cheese. Additionally, cheese makers will benefit from the anticipated economic recovery and better consumer demand in 2018. Cheese stocks (excluding "tvorog") were 36,242 MT in

the end of September 2017, the 5 percent above the 5-year average, that indicates that current cheese supply is better balanced with demand compared to the butter market. Average producer prices for hard cheese increased 8 percent from 376,348 rubles per MT in January 2017 to 408,272 rubles per MT in September; meanwhile butter prices declined two percent during the same period. In the beginning of 2018 milk processors will likely increase production of cheese and decrease production of butter.

Chart 6. Producer Prices for Cheese in Russia (HS Code 0406) in 2013–Sep 2017



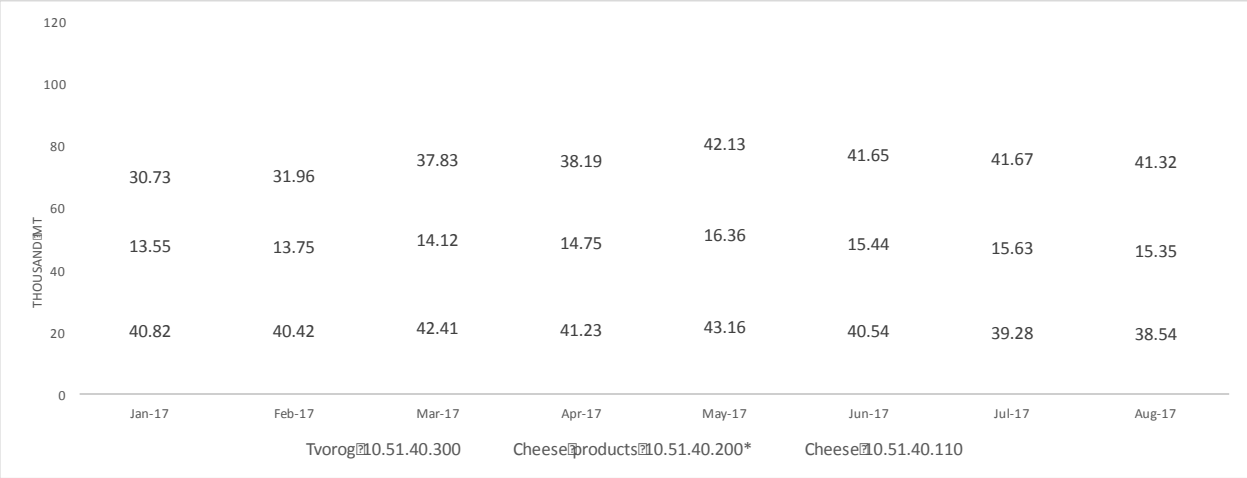
Data Source: Rosstat

Cheese and "Tvorog" Consumption

Post forecasts minor increase of total cheese consumption to 1.15 million MT attributed to the anticipated recovery of consumer purchasing power in 2018 and increased demand for semi-hard and specialty cheeses.

PSD category "Cheese" covers two different Russian markets: "Cheese" with 52 percent in consumption, and "Tvorog", 48 percent in consumption. "Tvorog" is a very popular traditional fermented milk product, similar to cottage cheese or quark, with a shelf-life from three to thirty days depending on type. Prices for "Tvorog" are on average two times less than prices for other cheeses. Consumption of tvorog has been more stable than cheese since 2014. Local products quickly replaced the imports after the disruption of trade due to embargo in 2014. The consumption of the low-priced traditional dairy product remained stable during the crisis years of 2015-2016. Post is not expecting any significant changes in consumption patterns of tvorog.

Chart 7. Production of Cheese and Curd ("Tvorog") in 2017 in Russia



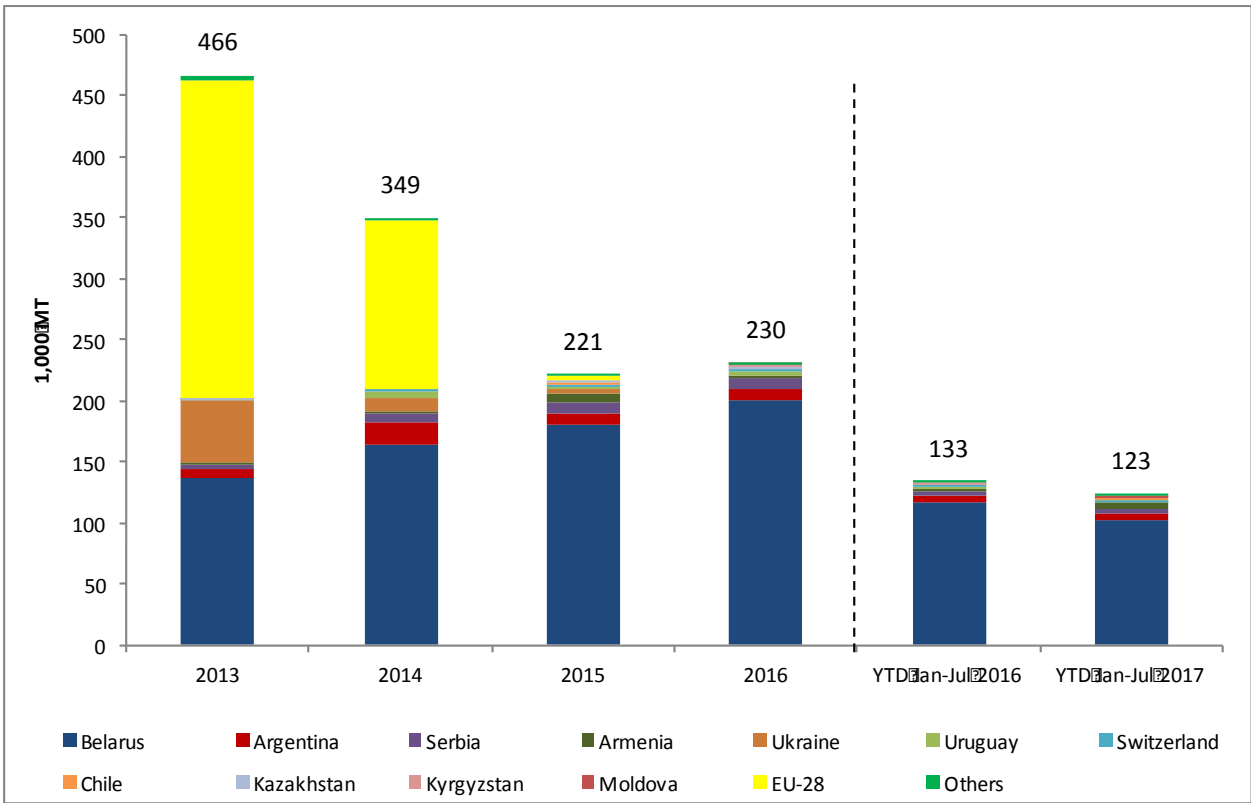
Data Source: Rosstat

Cheese and Curd Trade (HS Code 0406)

FAS/Moscow forecasts 235,000 MT of cheese and curd imports in 2018, which is a 2.2 percent increase from the 230,000 MT of HS 0406 imports anticipated in 2017. The stronger ruble, quality of imported products, and comparatively high prices for raw milk in Russia are the factors that supported trade with non-banned cheese exporters at the relatively stable level in 2017. The expected 5,000 MT decline in imports in 2017 corresponds with the increased supply from domestic industry. The recovery of imports in 2018 is attributed to the expected improvement of the macroeconomic situation and consequently, some growth of demand for premium cheeses.

Although the tonnage of cheese imports declined by 10,454 MT in January-July 2017 compared to the same months in 2016, the total dollar value of the imports increased by 104 million US dollars, 25 percent growth year-on-year. The spike in value correlates with the increased average cheese prices in the global market in 2017, ruble appreciation, and the changing assortment of the imports. Shipments of cheap cheese decline, while imports of premium cheese are growing from non-banned European suppliers. Belarus remains the biggest supplier, but its share in imports declined from 87 percent in 2017 to 83 percent by the end of July 2017. Meanwhile, the shipments of expensive premium cheeses from Switzerland increased 60 percent year-to-date to 1,210 MT. Serbia, recently the second largest supplier, shipped 5,176 MT of cheese during seven months of 2017; 7.68 percent more than in the same period of 2016.

Chart 8. Russian Imports of Cheese and Curd (HS Code 0406) Annual Series: 2013 - 2016 & Year to Date: 07/2016 & 07/2017 Quantity (MT); Major Suppliers



Source: Federal Customs Service of Russia; Belstat

The food embargo hit the supply of cheese harder than any other dairy category. Disrupted supplies of cheese from the EU resulted in a spike in cheese prices and empty shelves in September-October of 2014. The Russian industry has gained sufficient capacity to fill the shelves in the economy product category after three years of counter-sanctions trade restrictions. Local products started replacing Belarusian imports; however, Russian products in the premium group can't compete with quality European cheeses. Consumer purchasing power is anticipated to recover, consequently the demand for quality cheese will encourage imports in 2018.

Butter and Anhydrous Milkfat (HS Codes 040510, 040590)

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

Dairy, Butter	2016		2017		2018	
Market Begin Year	Jan 2016		Jan 2017		Jan 2018	
Russia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	16	16	11	11	0	20
Production	246	246	250	262	0	260
Other Imports	100	103	115	115	0	115
Total Imports	100	103	115	115	0	115
Total Supply	362	365	376	388	0	395
Other Exports	4	4	3	3	0	3
Total Exports	4	4	3	3	0	3
Domestic Consumption	347	350	363	365	0	377
Total Use	351	354	366	368	0	380
Ending Stocks	11	11	10	20	0	15
Total Distribution	362	365	376	388	0	395
(1000 MT)						

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

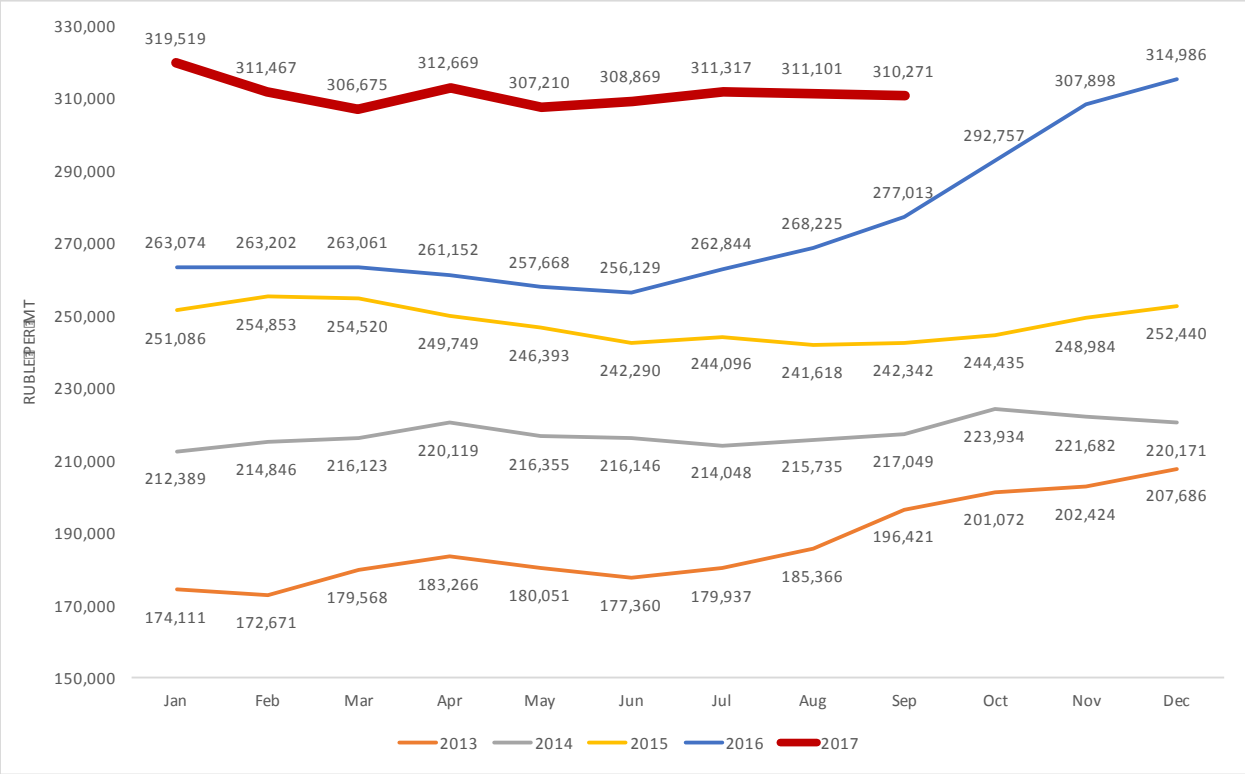
Butter and Anhydrous Milkfat Production

FAS/Moscow increased its 2017 butter production forecast by 12,000 MT to 262,000 MT, which is 6.5 percent annual growth, but anticipates a minor decline in production in 2018 to 260,000 MT. Russia currently produces approximately 72 percent of the milkfat it consumes, and world prices for milkfat continue influencing the market despite the trade restrictions. Producer margins in Russia strongly depend on the prices of imports: expensive imports push the wholesale butter prices up, and consequently, producer's margins increase. Good margins encouraged producers to increase output in 2017, but now butter supply has grown to a level that the current market is struggling to absorb.

Rosstat reported 205,000 MT butter production in January-September 2017, a 7.1 percent growth year-to-date. The market was favorable for butter producers since the last quarter of 2016, when prices for milk fat -- and therefore the margins from butter sales -- increased after a spike in world prices. Russia's butter stocks were abnormally low, 14.4 thousand MT, by the end of the country's high-milk season in September 2016 due to weak demand and low wholesale butter prices in the first half of the year. The production increase at the end of the year did not offset the weak start of the season, and total production declined 5.3 in 2016 percent year-on-year. The current market outlook is opposite to the previous year. Butter stocks were 25.7 thousand MT in September 2017, a record high at 35 percent more than the 5-year average. Average producer prices for butter grew far above the inflation level (year-on-year), during the three quarters of 2017, but declined month-on-month in September 2017. A decline in the

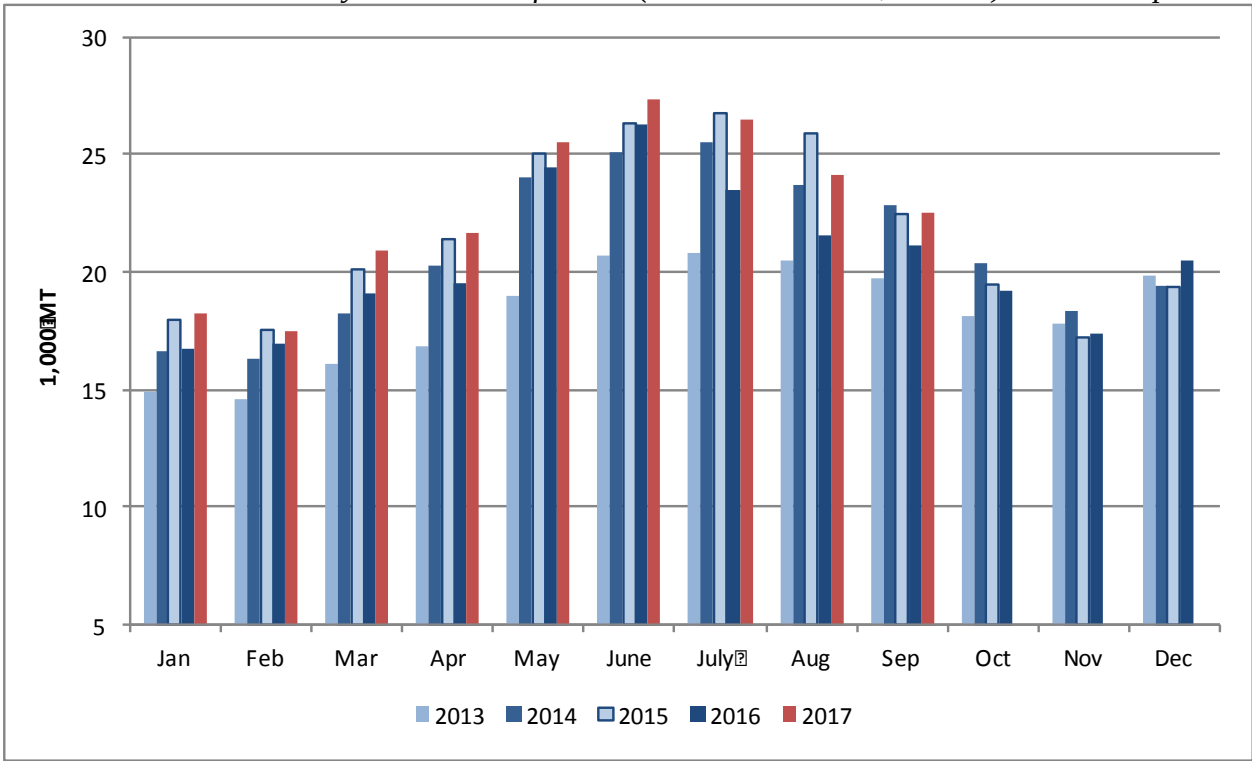
price of butter in the end of the "high milk season" is unusual for Russia, and indicates that the market is saturated. The average producer price was 310,271 Rub per MT in September 2017, which is down 2 percent from the beginning of the year. The dynamics of wholesale prices and accumulated stocks in the third quarter of the year indicate that market is not absorbing the additional 25,000 MT of butter supply anticipated in 2017. Production most likely will slow in the last quarter of 2017, but stocks will likely remain high by the beginning of 2018. High stocks will press on the market and constrain production growth in the next season.

Chart 9. Producer Prices for Butter in Russia (HS Code 040510) in 2013–Sep 2017



Source: Rosstat

Chart 10. Russian Monthly Production of Butter (HS Codes 040510, 040590) in 2013–Sep 2017



Source: Rosstat

Butter and Anhydrous Milkfat Consumption

FAS/Moscow forecasts butter consumption recovery to the pre-2015/16 crisis level of 377,000 MT in 2018, following the 4.4 percent increase in consumption in 2017. After two years of volatile prices and inconsistent supply of butter, increased domestic production and imports contribute to the recovery of butter consumption.

Retail sales account for approximately 70 percent of butter consumption, 19 percent is used for further processed food production, and 11 percent is consumed by HoReCa. Butter consumption declined in all segments during the crisis of 2015-1016, but the trend is anticipated to reverse on the expectations on the economic recovery. For example, the demand for butter from food processing industries, particularly confectionary and bakery, declined during the crisis years of 2015-2016, as processors replaced butter with less expensive milk fat substitutes. Butter will likely to return to recipes soon because multiple market scans show a declining level of consumer satisfaction with the quality of food products. For example, the Romir market survey of August 2017 identified that 15 percent of consumers are not satisfied with the quality of dairy products, a share that had doubled compared to 2015.

The presence of "false" butter is a persistent factor in the market with a negative impact on butter consumption. The trade restrictions of 2014 resulted in a shortage and temporary spike in butter prices followed by a sharp decline due to falling of consumer purchasing power during 2015 and 2016. The less expensive milk fat substitutes flooded the market to replace missing or expensive butter. Some dairy products with milkfat substitutes did not label their use of vegetable oils, exerting strong pressure on the prices of real dairy. Leading producers of reputable dairy brands still complain about need for better

enforcement of existing labeling regulations despite the official reports of the decline in the number of the detected falsifications. According to a recent report on the results of food quality audits in the first half of 2017, published by the Federal Service for Surveillance on Consumer Rights Protection and Human Wellbeing (Rospotrebnadzor), the share of falsified dairy products in the tested samples dropped to 3.8 percent from 4.6 percent in 2016 (and from 10-11 percent in 2015). Butter remains the most frequently falsified dairy product. Rospotrebnadzor reports that "more than half" of falsifications were detected in dairy butter.[12]

Butter and Anhydrous Milkfat Trade

Note: All the below tonnages are expressed in butter equivalents.

FAS/Moscow forecasts butter and anhydrous milkfat imports at 115,000 MT, unchanged from the imports expected in 2017. The Ruble has appreciated 14.5 percent against the US Dollar between January and September 2017; the stronger ruble became the key factor in the 15 percent growth of butter imports anticipated this year. Imports currently account for approximately one third of the milk fat consumed in the country, and the share will not likely change in 2018 because domestic industry can't produce sufficient milkfat to satisfy the current demand. However, any growth of imports in 2018 is also unlikely, because local production is becoming competitive with imports in terms of price.

Imports of butter and milkfat grew to 67,340 MT in January-July 2017, a 22.4 percent increase in absolute numbers from the same months of 2016. The value of these imports increased 91 percent to 350.2 million US dollars[13]. The average contract price for butter in July 2017 was 5,287 US dollars per MT, which is on average 62 percent higher than the price in the same months of 2016. New Zealand and Belarus account for 90 percent of Russia's butter imports in seven months of 2017, and will remain the dominating suppliers in the mid-term.

Belarus remains the major supplier with 65.5 percent share in butter trade. Belstat reported 43,062 MT of butter exports to Russia in seven months of 2017, a minor 1.5 percent decline in absolute numbers year-to-date, but 60 percent growth in value, reflecting the increased prices in the world market and appreciated Russian ruble. The government of Belarus controls the export prices for dairy products, and declares "the recommended export prices" in Russian rubles. Belarus Ministry of Agriculture and Food changes the export prices for butter to reflect the changes of the Global Dairy Trade (GDT) index. For example, Belarus changed the recommended export price for butter with 82.5 percent fat content to 350,000 ruble per MT or 6,024 US dollars per MT on September, 20 2017, that equals precisely to GDT Average butter price as of September 19, 2017. This pricing tactics allows Belarus to maintain its share in Russian butter market despite of currency and price volatility. HS Code 040510 "Butter" accounts for 100 percent of Belarusian milkfat shipments to its major export market.
According to Belstat, exports to Russia accounted for 89.5 percent of the total value of Belarus butter exports year-to-date in 2017. Although Belarus is actively seeking new export markets, Russia will remain its strategic export market due to proximity, trade preferences within the EAEU, and quality

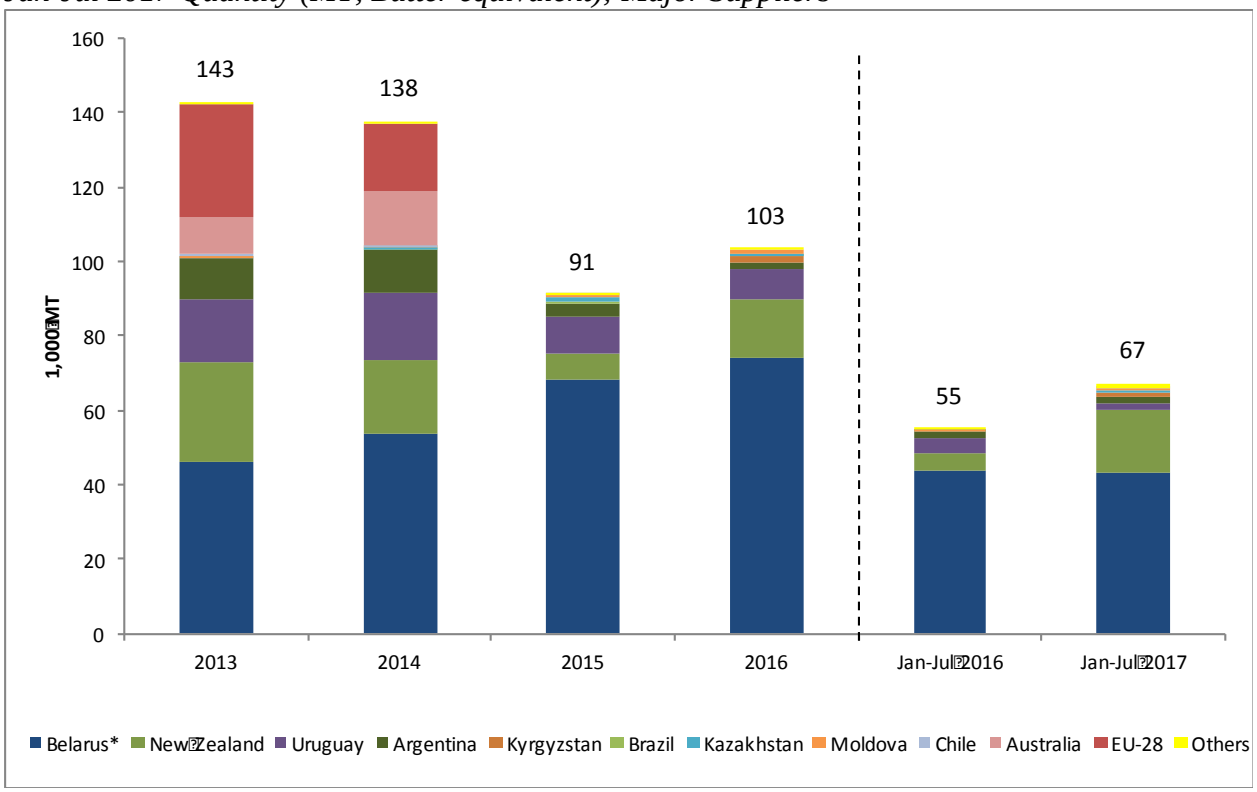
[12] Article in Russian: "Not much milk in milk. Officials say that falsification declines, but producers do not believe." Published in Agroinvestor Magazine N10(9917) in October 2017. http://www.agroinvestor.ru/markets/article/28691-v-moloke-malo-moloka/
[13] Sources: Federal Customs Service of Russia, Belstat.

standards harmonized with Russia's requirements. Post anticipates that share of butter from Belarus in total Russian imports will remain above 60 percent in the midterm.

New Zealand is the second largest butter supplier to Russia with 25 percent share in January-July 2017. New Zealand increased its butter shipments to Russia by 261 percent in seven months of 2017: HS Code 040510 "Butter" grew 526 percent to 10,781 MT and HS Code 040590 "Anhydrous Milkfat" increased 113 percent to 6,885 MT. As Russia's Federal Custom Service reports, the average contract price per metric ton of butter from New Zealand was 4,619 US dollars, approximately 15 percent less than the average contract price of butter imports from Belarus.

Russia also imported butter from Kyrgyzstan (1,562 MT; new exporter), Argentina (1,512 MT; 15 percent growth), and Uruguay (1,475 MT; 65.5 percent decrease year-to-date).

Chart 5. Russian Imports of Dairy Butter (HS Codes 040510, 040590) Annual Series: 2013 – 2016 and Jan-Jul 2017 Quantity (MT, Butter equivalent); Major Suppliers



Source: Federal Customs Service of Russia; Belstat

SMP (HS Code 040210)

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

Dairy, Milk, Nonfat Dry	2016		2017		2018	
Market Begin Year	Jan 2016		Jan 2017		Jan 2018	
Russia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	9	9	9	9	0	12
Production	63	63	65	72	0	68
Other Imports	128	129	130	125	0	125
Total Imports	128	129	130	125	0	125
Total Supply	200	201	204	206	0	205
Other Exports	1	1	1	1	0	2
Total Exports	1	1	1	1	0	2
Human Dom. Consumption	190	191	194	193	0	193
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	190	191	194	193	0	193
Total Use	191	192	195	194	0	195
Ending Stocks	9	9	9	12	0	10
Total Distribution	200	201	204	206	0	205
(1000 MT)						

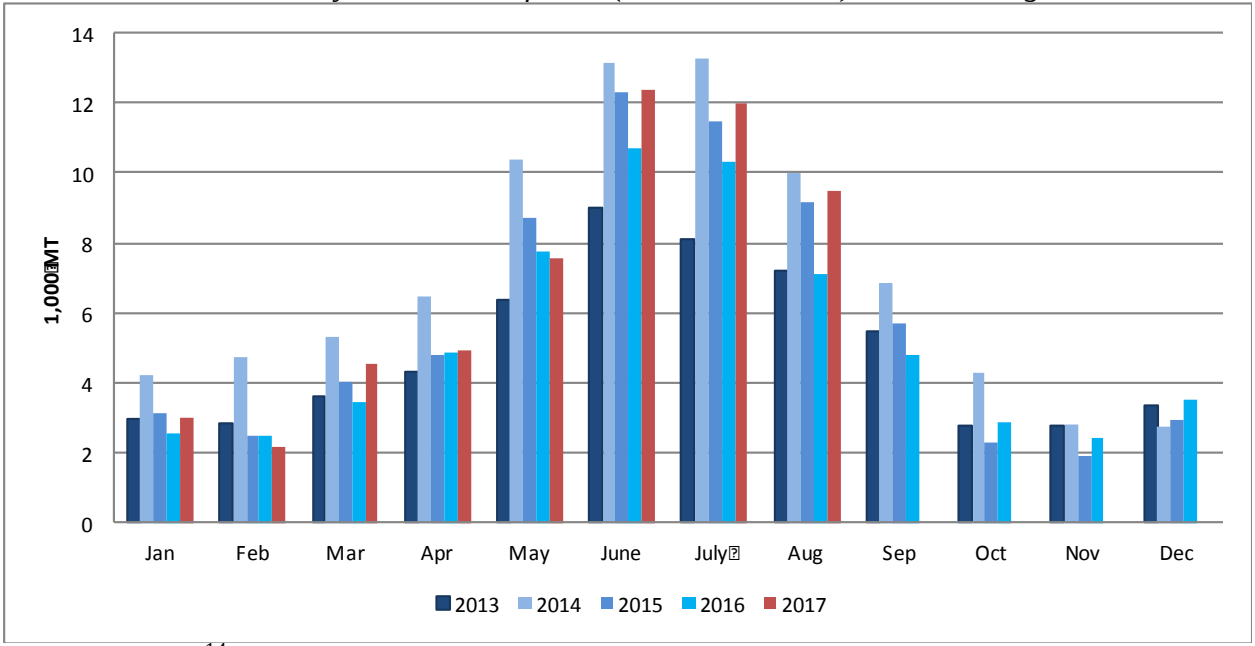
NOTE: Not Official USDA data;
Official USDA data is available at http://apps.fas.usda.gov/psdonline/

Skimmed Milk Powder (SMP) Production

Post forecasts a 5 percent decline of SMP production to 68,000 MT in 2018 from 72,000 MT in 2017. The reduction is correlated mostly to the anticipated decrease of butter production in 2018. Additionally, prices for SMP in Russia are expected to remain low in the midterm, reflecting the world trend of depressed prices on milk protein. Russia accumulated 22,028 MT of the SMP stocks by the end of September, 2017, which is 31 percent higher than the 5-year average. The stocks will be pressing on skimmed milk powder prices inside Russia and contribute to the anticipated decline of production.

Skimmed milk powder is produced by many dairy plants offering assorted dairy products such as butter, cheese, and traditional dairy products ("kefir", "smetana", etc.). Skimmed Milk powders output always increases in Russia along with butter production between May and September each year, when raw milk prices decline. Processors add the powders to their summer assortment, store it and use between October and March to reduce expenses during the "low milk season". Some unused capacity at drying facilities exists, and dryers may increase the output of powders when the immediate market promises profits. Considering the flexibility of the industry to reduce or increase powder production, the annual output in 2018 will be strongly influenced by pricing policies of the the major exporter, Belarus.

Chart 10. Russian Monthly Production of SMP (HS Code 040210) in 2013 – Aug 2017



Source: Rosstat[14]

SMP Consumption

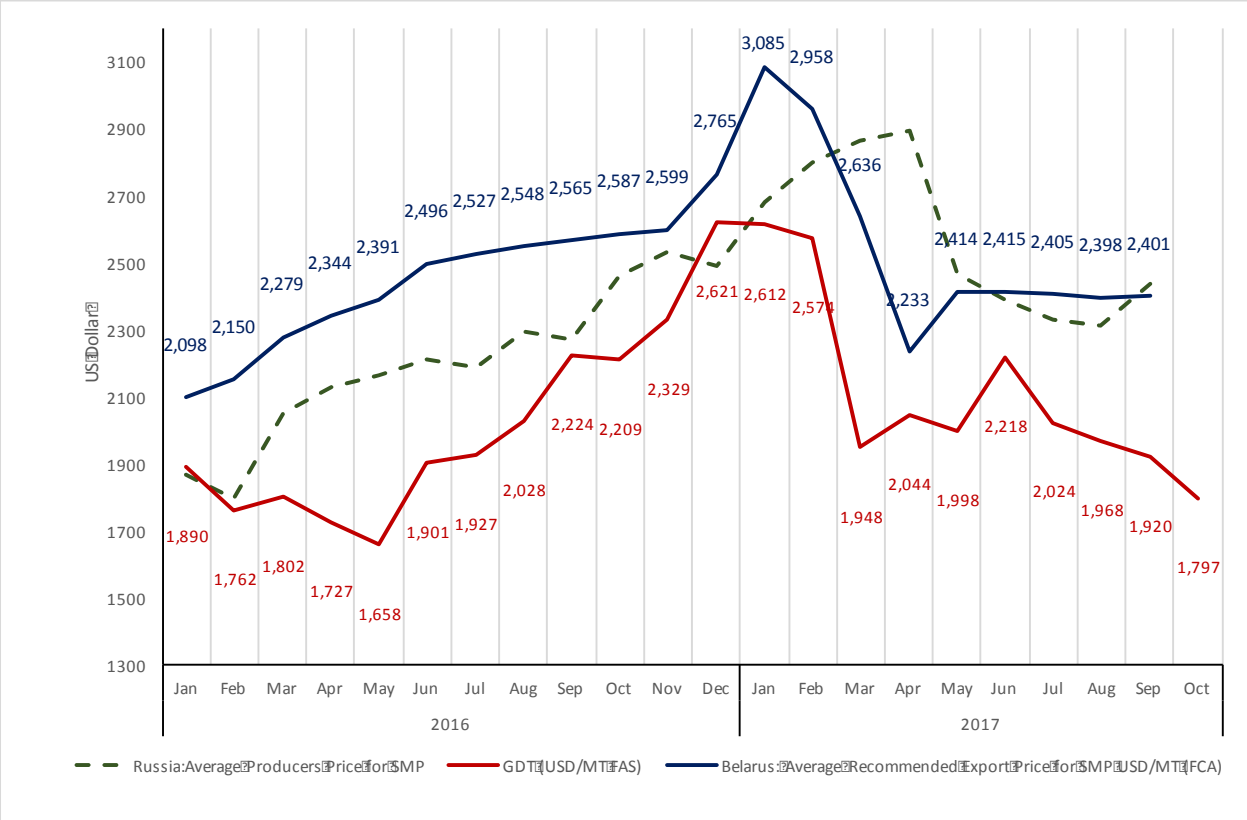
Skimmed milk powder is used in Russia in industrial food processing as an ingredient for "Whole Milk Dairy Products"[15]. The use of SMP for traditional non fat kefirs and popular modern yogurts supports steady demand for SMP. Post anticipates 193,000 MT SMP consumption in 2018, the same level as expected in 2017.

SMP Trade

Anticipating the decline of SMP prices in Belarus, FAS/Moscow forecasts 125,000 SMP imports in Russia in 2018, unchanged from the tonnage in 2017. Russia has imported on average 65 percent of its annual SMP consumption since 2010[16] because of the high cost of domestic raw milk. The total share of imports is estimated at 64.7 percent in 2017, and is anticipated to remain at the same level in the next season. Declining world prices on SMP and high stocks of milk powders accumulated in Belarus discourage internal SMP production in Russia, and support stable flow of imports. Russia's SMP exports will remain insignificant due to the comparatively high price and inconsistent quality of SMP produced in Russia.

[15] Please refer to "Fluid milk consumption" part of the report for details.
[16] Source: *http://apps.fas.usda.gov/psdonline/*

Chart 11. Comparison of Producer prices for SMP in Russia with Recommended Export Prices in Belarus and GTD in Jan-Sep 2017 (US dollars per MT).



Data Sources: Central Bank of Russia, Rosstat, Ministry of Agriculture and Food of Belarus, GDT

Dairy powder production in Belarus is export oriented; Belarus reportedly consumed only 8,000 MT of SMP out of 127,000 MT it produced in 2016. Average monthly SMP stocks in Belarus are approximately 90 percent of its average monthly production. Demand for Belarusian butter remains strong in Russia and motivates its production, consequently SMP output also grows in 2017. Reportedly, butter production increased 6 percent year-on-year in Belarus by the end of the third quarter in 2017; consequently, the SMP stocks ready for shipment to Russia also increased.

Belarus exported 61,937 MT of SMP to Russia in January-August 2017, a 12 percent decline in absolute numbers and in value. If Belarus reduces SMP export prices following the global trend, it will have downward pressure on Russian SMP production. At the same time, stable demand for SMP in Russia promises recovery of imports from Belarus in the next season.

The share of Belarus in Russia's SMP imports reduced from 95 percent in 2015 to 79 percent in January-July 2017. Russia opened its market for dairy products from Turkey in 2016 and shipped 9,266 MT of SMP last year. SMP shipments from Turkey to Russia further increased by 166 percent in January-July 2017. In January-July 2017 Russia also imported SMP from Iran (also a new supplier since 2016), Switzerland, New Zealand, Uruguay, Argentina, Kyrgyzstan, Moldova, Serbia, and Germany. These countries together accounted for 10 percent of SMP imports.

Dry Milk Powders: WMP (HS Codes 040221, 040229)

Table 5. Russia: Whole Milk Powder Supply and Distribution, 1,000 MT

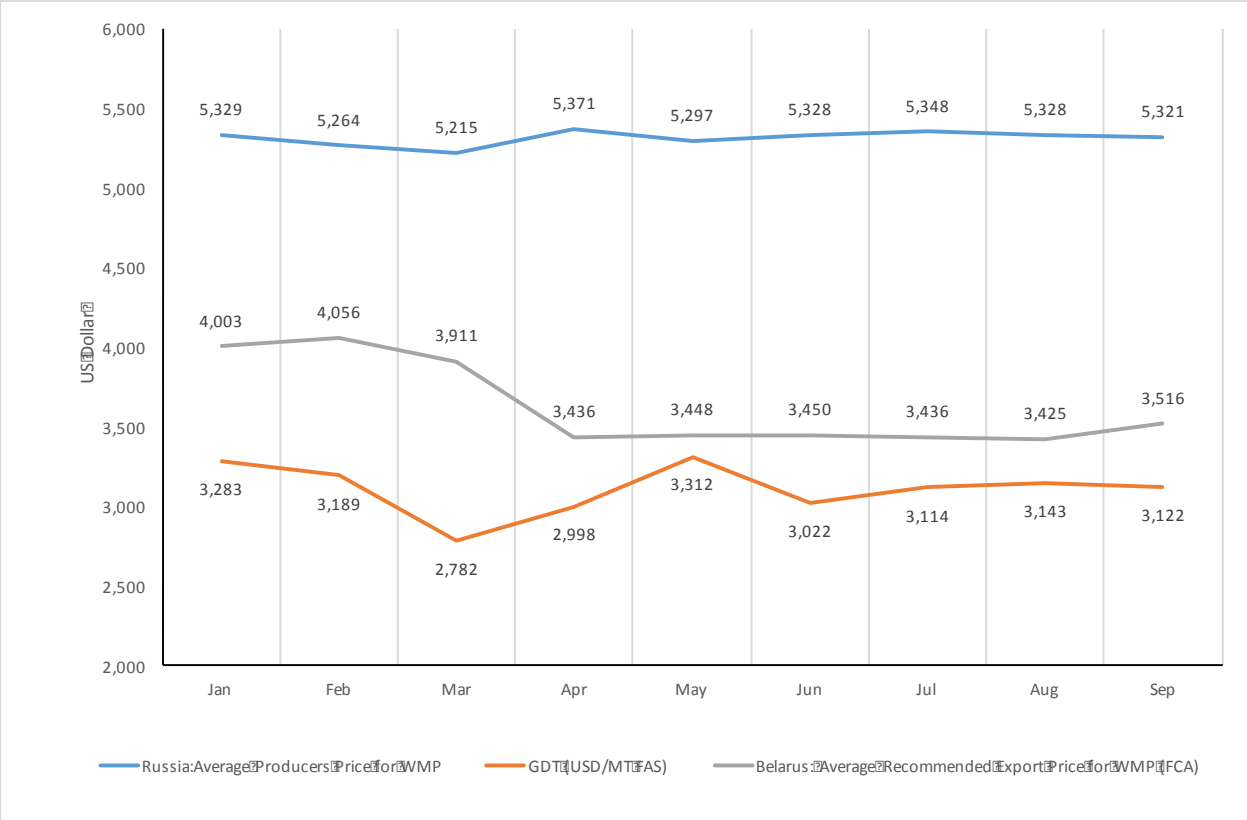
Dairy, Dry Whole Milk Powder	2016		2017		2018	
Market Begin Year	Jan 2016		Jan 2017		Jan 2018	
Russia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	5	5	4	4	0	10
Production	42	42	40	61	0	60
Other Imports	48	48	50	52	0	50
Total Imports	48	48	50	52	0	50
Total Supply	95	95	94	117	0	120
Other Exports	1	1	1	1	0	2
Total Exports	1	1	1	1	0	2
Human Dom. Consumption	90	90	90	106	0	110
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	90	90	90	106	0	110
Total Use	91	91	91	107	0	112
Ending Stocks	4	4	3	10	0	8
Total Distribution	95	95	94	117	0	120
(1000 MT)						

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

Whole Milk Powder (WMP) Production

FAS/Moscow forecasts WMP production in 2018 at 60,000 MT, which will account for 54.5 percent of the total consumption. The forecast is based on assumptions that world WMP prices stabilize after a moderate rise, and commercial dairies increase supply of raw milk for processing in Russia. Local industry has sufficient processing capacity, but is constrained by high prices on raw milk during the "low milk season" between September and April. As a result local products are less price competitive compared to imported equivalents during most of the year. The share of WMP supply from Russian plants in total consumption varied from 47 to 87 percent over the last decade. When average world prices for WMP were high, local products became more competitive, and production increased. When world prices declined, local producers decreased output under pressure from the flow of lower priced imports. Unlike SMP, which is produced at every butter production plant, there are only few companies specializing in whole milk powder production.

Chart 12. Comparison of Producer prices for WMP in Russia with Recommended Export Prices in Belarus and Global Dairy Trade (GDT) in Jan-Sep 2017 (US dollars per MT).



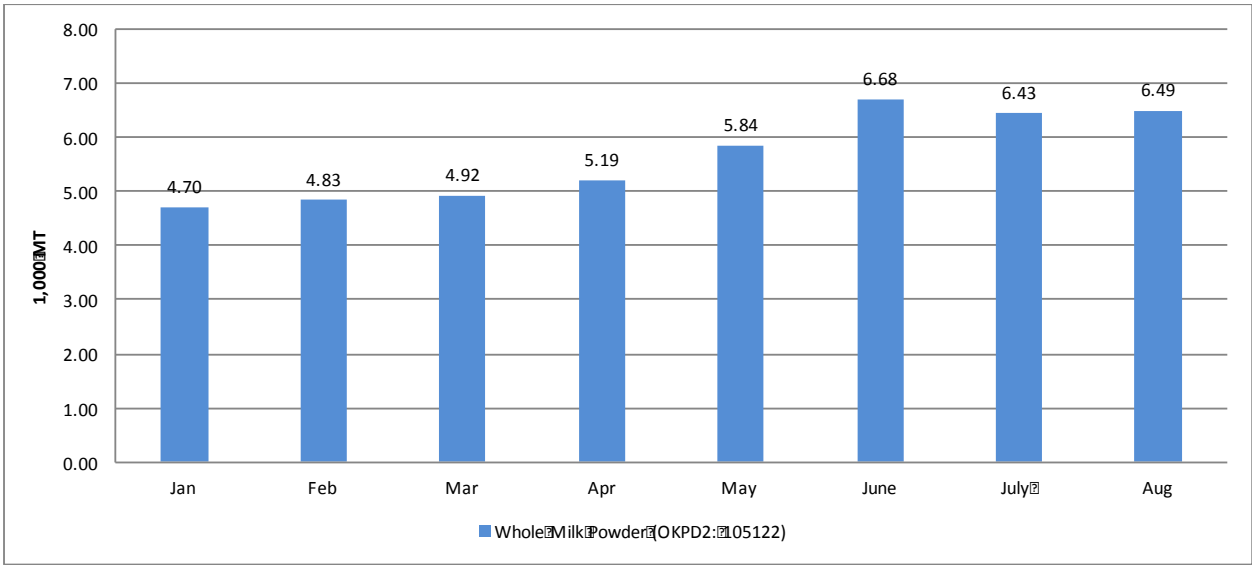
Data Sources: Central Bank of Russia, Rosstat, Ministry of Agriculture and Food of Belarus, GDT

Post increased the estimate of WMP production in 2017 by 11,000 MT to 61,000 MT based on the available official statistics. Rosstat reports 45,071 MT of WMP production in January-August 2017. The market was favorable for WMP producers in the course of the year, because high world prices stimulated domestic growth, but the year-on-year spike in production in 2017 may be partially attributed to the change of statistical methodology[17].

Post anticipates an increase of WMP stocks in the beginning of 2018, as market is struggling to absorb the 15,030 MT of unsold WMP accumulated by the end of the third quarter in 2017. The anticipated 10,000 MT stocks will be pressing on prices in the beginning of 2018, so the start of the next year looks less promising for WMP compared to the strong start of 2017[18].

*Chart 13. Russian Monthly Production of WMP (HS Codes 040221, 040229) in 2017**

[17] Please refer to *Table 6* for details.
[18] Please Refer to RS1731 2017 Dairy and Products Semi-annual Report



Source: Rosstat; *Please also refer to Table 6 for information*

WMP Consumption

The anticipated 2.1 percent annual economic growth may stimulate demand for WMP from its consumers – confectionaries, bakeries, ice cream makers, producers of the processed meat products and other processed foods. FAS/Moscow forecasts of 110,000 MT of WMP consumption in 2018.

WMP Trade

FAS/Moscow forecasts a decline of WMP imports to 50,000 MT in 2018 from 52,000 MT in 2017. The forecast is based on the assumption that the moderate increase of world WMP prices and stable supply of raw milk in Russia will motivate domestic industry to maintain the WMP production at 2017 level. Considering the high WPM stocks in Russia, there will be no need in increased imports from Belarus and other non-restricted suppliers. Despite the decline of tonnage, the total share of WMP imports is anticipated to remain above 40 percent of consumption. Belarus remains the major supplier of WMP to Russia, but New Zealand, Uruguay, and Argentina challenge Belarussian domination in its key export market.

Russia imported 25,895 MT of WMP (HS Codes 040221, 040229) in January-July 2017. Belarus, New Zealand, Uruguay and Argentina together accounted for 90 percent of this trade. Belarus shipped 11,298 MT, 36 percent decline from comparable months in 2016. In spite of this, shipments from Belarus accounted for 43.6 percent of the total WMP imports. Russian importers significantly increased shipments of WMP from New Zealand (to 5,617 MT from 0), and Uruguay (to 4,372 MT from 1,613). Argentina increased shipments of WMP to Russia by seven percent to 3,891 MT.

The strong ruble and very competitive prices contributed to growth of imports from New Zealand, and Latin America at the expense of Belarus. Belarus has lost a third of its WMP exports to Russia, but started shipments to 18 new countries in Asia and Middle East (including China and Egypt). Thanks to diversification of its export markets, Belarus did not accumulated much of WMP stocks, which may

strengthen the rising price trend in the midterm. Despite the reduced share in the trade, Belarus will remain the key player in Russia's milk powders market due to its proximity to Russia and trade preferences within the EAEU.

Table 6. Correspondence Table PSD Dairy Product – OKPD 2007 –OKPD2

PSD Reportable Commodity	PSD Commodity Definition	HTS Code	OKPD (2010-2016)	OKPD2(starting 01.01.2017)	Comments
Cheese	A product obtained from the coagulation of milk which has been cultured and often aged. It is typically produced from whole, lowfat, skim, buttermilk, cream, whey, and nonfat dry milk or a combination of these products. It includes fresh cheeses.	0406 "Cheese and Curd"	15.51.4 "Cheese, cheese products and tvorog" minus 15.51.40.310 "Cheese products" minus 15.51.40.130 "Dairy products from tvorog"	10.51.40.110 "Cheese" plus 10.51.40.300 "Tvorog"	10.51.40.110 "Cheese" is a new product category, reported by Rosstat, starting on 01.01.2017. Change in annual production in 2017 is attributed to the change of product classification.
Butter	A dairy product containing not less than 78 percent of milk fat. Includes anhydrous milk fat (AMF).	040510; 040590	15.51.30 "Dairy Butter and Spreads" minus spreads: (15.51.30.210; 15.51.30220; 15.51.30230)	10.51.30.100 "Dairy Butter"	10.51.40.100 "Dairy butter" is a new product category, reported by Rosstat, starting on 01.01.2017. Change in annual production in 2017 may be attributed to the change of product classification.

Full Fat Dry Milk	Milk powder obtained by the removal of water from milk, containing more than 1,5 percent fat, and no more than 5 percent of moisture.	040229; 040221	15.51.20.112 "Dry milk powder milkfat content 2 - 18 %" plus 15.51.20.113 "Dry milk powder milkfat content more than 20% "	10.51.22 "Dry milk and cream powders, including whole milk powder."	10.51.22 "Dry milk and cream powder including whole milk" is a new product category, reported by Rosstat, starting on 01.01.2017. Change in annual production in 2017 is attributed to the change of product classification.

Source: Ministry of Economic Development of the Russian Federation (www.gov.ru/minec/activity/sections/classificators)

Trade Tables

Table 7. Russian Imports of Cheese and Curd (HS Code 0406) Annual Series: 2013 - 2016 & YTD 07/2016 -07/2017; Quantity (MT); Major Suppliers

Partner Country	Calendar Year				YTD Jan-Jul 2016	YTD Jan-Jul 2017	Change %
	2013	2014	2015	2016			
World	**465,861**	**349,416**	**220,968**	**230,313**	**133,335**	**122,881**	**-7.84%**
Belarus*	136,187	164,025	180,321	200,503	116,868	102,733	**-12.10%**
Serbia	5,055	7,453	8,077	9,024	4,807	5,176	**7.68.7%**
Argentina	7,372	18,562	10,254	8,889	5,062	4,256	**-15.92%**
Armenia	1,576	1,535	7,943	2,417	1,947	3,923	**101.47%**
Uruguay	345	5,144	2,619	3,222	1,842	1,606	**-12.80%**
Switzerland	462	1,371	1,471	1,547	756	1,210	**59.94%**
Chile	25	92	1,444	386	269	1,088	**304.61%**
Kazakhstan	419	583	1,409	1,450	564	992	**75.93%**
Kyrgyzstan	0	0	0	1,389	697	373	**-46.49**
Moldova	0	0	0	503	0	598	**N/A**
EU-28	261,504	137,117	4,314	0	0	0	**0%**
Ukraine	50,055	11,334	2,767	0	0	0	**0.00%**
Others	2,861	2,200	349	983	523	926	**77%**

*Source: Federal Customs Service of Russia; *Belstat*

Table 8. Russian Imports of Butter (HS Codes 040510; 040590) Annual Series: 2013 - 2016 & YTD 07/2016 -07/2017 Quantity (MT Butter Equivalent); Major Suppliers

Partner Country	Calendar Year				YTD$an(Jul$ 2016	YTD$an(Jul$ 2017	YTD 2017/2016% Change
	2013	2014	2015	2016			
World	**142,739**	**137,709**	**90,836**	**103,150**	**55,001**	**67,340**	**22.4%**
Belarus*	46,068	53,642	68,194	74,022	43,749	43,062	**-1.6%**
New Zealand	27,058	19,892	7,090	15,881	4,793	17,339	**261.8%**
Kyrgyzstan	0	0	0	1,447	108	1,562	**1346.3%**
Uruguay	16,505	18,198	9,875	7,930	4,280	1,475	**-65.5%**
Argentina	11,314	11,270	3,556	1,887	1,312	1,512	**15.2%**
Azerbaijan	0	0	0	151	4	542	**13450.0%**
Turkey	0	6	0	7	0	427	**n/a**
Kazakhstan	152	228	1,278	654	159	413	**159.7%**
Moldova	320	140	325	1,080	560	340	**-39.3%**
Chile	400	250	25	0	0	200	**n/a**
Australia	10,052	14,746	0	0	0	0	**0.0%**
EU-28	30,267	17,849	0	0	0	0	**0.0%**
Others	603	1,488	493	91	36	468	**1200.0%**

*Source: Federal Customs Service of Russia; *Belstat*

Table 9. Russian Imports of SMP (HS 040210) Annual Series: 2013 – 2016 & YTD 07/2016 -07/2017 Quantity (MT); Major Suppliers.

Partner Country	Calendar Year				Jan-Jul 2016	Jan-Jul 2017	YTD% Change
	2013	2014	2015	2016			
World	**131,390**	**102,952**	**120,562**	**129,135**	**80,068**	**76,583**	**-4.35%**
Belarus*	92,125	87,106	114,504	105,540	69,119	60,592	**-12.34%**
Turkey	0	0	0	9,266	3,311	8,829	**166.66%**
Iran	0	0	0	381	40	2,702	**6655.00%**
Switzerlan	705	1,707	1,459	4,836	2,676	2,422	**-9.49%**
New Zealand	0	0	1,713	322	216	813	**276.39%**
Uruguay	4,050	2,325	948	975	925	503	**-45.62%**
Argentina	8,313	2,692	1,658	6,403	3,239	302	**-90.68%**
EU-28	20,136	6,813	0	0	0	0	**0.00%**
Ukraine	5,619	1,710	20	0	0	0	**0.00%**
Others	442	599	260	1,412	542	420	**-22.51%**

*Source: Source: Federal Customs Service of Russia; *Belstat*

Table 10. Russian Imports of WMP (HS Codes 040221, 040229) Annual Series: 2013 - 2016 & YTD 07/2016 -07/2017Quantity (MT); Major Suppliers

Partner Country	Calendar Year				Jan-Jul 2016	Jan-Jul 2017	YTD% Change
	2013	2014	2015	2016			
World	**43,599**	**36,386**	**38,758**	**48,229**	**23,769**	**25,895**	**8.94%**
Belarus*	39,987	29,702	37,232	27,600	17,898	11,298	**-36.88%**
New Zealand	78	0	182	4,213	0	5,167	**n/a**
Uruguay	0	598	550	3,413	1,613	4,372	**171.05%**
Argentina	503	3,488	550	10,227	3,633	3,891	**7.10%**
Costa Rica	0	0	0	2,044	0	322	**n/a**
Kazakhstan	417	94	223	708	0	315	**n/a**
Ukraine	807	138	0	0	599	220	**-63.27%**
EU-28	583	2,366	0	0	0	0	**0.00%**
Others	1,224	0	21	24	26	310	**1092.31%**

*Source: Source: Federal Customs Service of Russia; *Belstat*

Attachment	Attachment Link
File Attachment	Download