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Milkfat Prices Rise as Consumption Stagnates

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Report Highlights:
FAS/Moscow increased the production forecast for milk to 30.6 MMT, butter to 0.25 MMT, and WMP to 0.04 MMT. The forecasts for cheese and SMP production are unchanged at 0.235 MMT and 0.65 MMT, respectively. Improved margins from milk sales to butter manufacturers have mitigated the negative impacts of stagnating consumer demand and uncertainty related to major changes in the distribution of subsidies. A stronger ruble encourages imports from non-banned countries, while Russia's dairy exports to new markets are limited. Belarus remains the key supplier, despite on-going quality disputes with Russian food safety authorities. Commercial farms grow and improve yields, while household farms are shrinking.

Executive Summary

Production forecasts increased for fluid milk to 30.6 MMT, butter to 0.25 MMT, WMP to 0.04 MMT. Forecasts of cheese and SMP production remain unchanged at 0.235 MMT and 0.65 MMT correspondently. Better results are anticipated after the strong start of 2017, when high prices for milkfat motivated commercial milk farms and butter producers to increase output.

Improved margins from milk sales to butter manufacturers have mitigated the negative impacts of stagnating demand and uncertainty related to major changes in the distribution system of state agricultural subsidies. Commercial farms increased milk production 3.67 percent in the first quarter of 2017: per cow yields in the subsector grew five percent.

The average commodity price for butter in Russia peaked in January 2017 at 21 percent annual growth, stemming from increased world prices for butter and import restrictions on Belarus by Rosselkhoznadzor (VPSS). The milkfat supply will likely stabilize in 2017, but only a moderate annual increase of butter output is anticipated due to soft domestic demand, weak potential for exports growth, and strong competition from imports supported by a stronger ruble.

Stable demand for traditional inexpensive cheeses and tvorog suggests cheese production will be equal to that of 2016. Growth is limited by low demand for premium cheese varieties produced in Russia.

FAS/Moscow forecasts 4 percent reduction of WMP production due to increased competition from less expensive imports. Similar to butter, a reduction of supply from Belarus increased WMP prices in Russia in the second half of 2016, encouraging domestic production. SMP production will likely grow to 65,000 MT as a byproduct of the anticipated increase of butter production.

In forecasting for this report, in particular for processed dairy production, FAS/Moscow relies on the anticipation of continued slow recovery of consumer demand in the second half of 2017 and continued enhanced veterinary control of the flow of dairy imports from non-banned exporters, primarily Belarus.

General Information

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.

Notes on Methodology and Policy Relevant to all PSD Reportable Dairy Products

Rosstat 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 delays in publication of some statistical data, including the detailed monthly production data for cheese, curd, WMP, and SMP. The change also impacted the historical price data series for some dairy products. It is not clear as of the date of the report if the dairy production numbers Rosstat reported in 2017 are exclusive of items not reportable in PSD. Production data, in particular of cheese and curd, are subject to future revision based on the availability of the official statistical data.
Trade restrictions: The counter-sanctions food import ban will continue to influence trade on a variety 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 a number of western countries. The Russian government has extended the trade restrictions until the end of 2017. Please refer to GAIN reports RSATO017, RS1455, RFATO038 and RS1540 for detailed information.

Fluid Cow Milk (HS Code 0401)

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

Dairy, Milk, Fluid	2015		2016		2017	
Market Begin Year	Jan 2015		Jan 2016		Jan 2017	
Russia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Cows In Milk	7,750	7,750	7,550	7,550	7,320	7,290
Cows Milk Production	30,560	30,548	30,350	30,470	30,195	30,600
Other Milk Production	0	0	0	0	0	0
Total Production	30,560	30,548	30,350	30,470	30,195	30,600
Other Imports	328	328	345	326	345	300
Total Imports	328	328	345	326	345	300
Total Supply	30,888	30,876	30,695	30,796	30,540	30,900
Other Exports	42	42	45	48	40	50
Total Exports	42	42	45	48	40	50
Fluid Use Dom. Consum.	9,500	9,500	9,250	9,150	9,085	8,900
Factory Use Consum.	19,146	19,134	19,350	19,550	19,450	20,000
Feed Use Dom. Consum.	2,200	2,200	2,050	2,048	1,965	1,950
Total Dom. Consumption	30,846	30,834	30,650	30,748	30,500	30,850
Total Distribution	30,888	30,876	30,695	30,796	30,540	30,900

(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 has changed its cows-in-milk inventories estimate to 7.29 million head based on Rosstat cattle inventories in the beginning of 2017[1]. Previously, FAS/Moscow increased the beef cow estimate to reflect the developments of major beef projects, which necessitates a corresponding adjustment to the estimates of dairy cows and cows in milk.

Dairy herds are declining at commercial dairies and household farms because of two trends, both of which are expected to continue in 2017-2018. Industrialized commercial farms reduce their milking herds as they improve livestock genetics and farm management practices. The commercial sector managed to increase per cow yields by 5 percent in the first quarter of 2017 and is capable of further improvements to productivity. Non-commercial farms are shrinking as a result of low economic incentives for old-fashioned homestead farms, including the continued negative demographic trend in rural areas[2]. On April 1, 2017, Rosstat reported 3.702 million cows at backyard farms, or 3.6 percent fewer than on the same date in 2016. Agricultural organizations maintained cow inventories of 3.335 million head, a slight 0.95 percent decline from the previous year.

On small peasant farms, cow numbers grew 5.4 percent to 1.212 million head in the first quarter of 2017. The trend is anticipated to continue because authorities encourage viable homestead farmers to register as legal, commercial entities, moving those farms into the small peasant farm category. In addition, many pork farmers are switching to dairy and other types of operations in response to strict veterinary surveillance to control the spread of African Swine Fever (ASF) in the country.

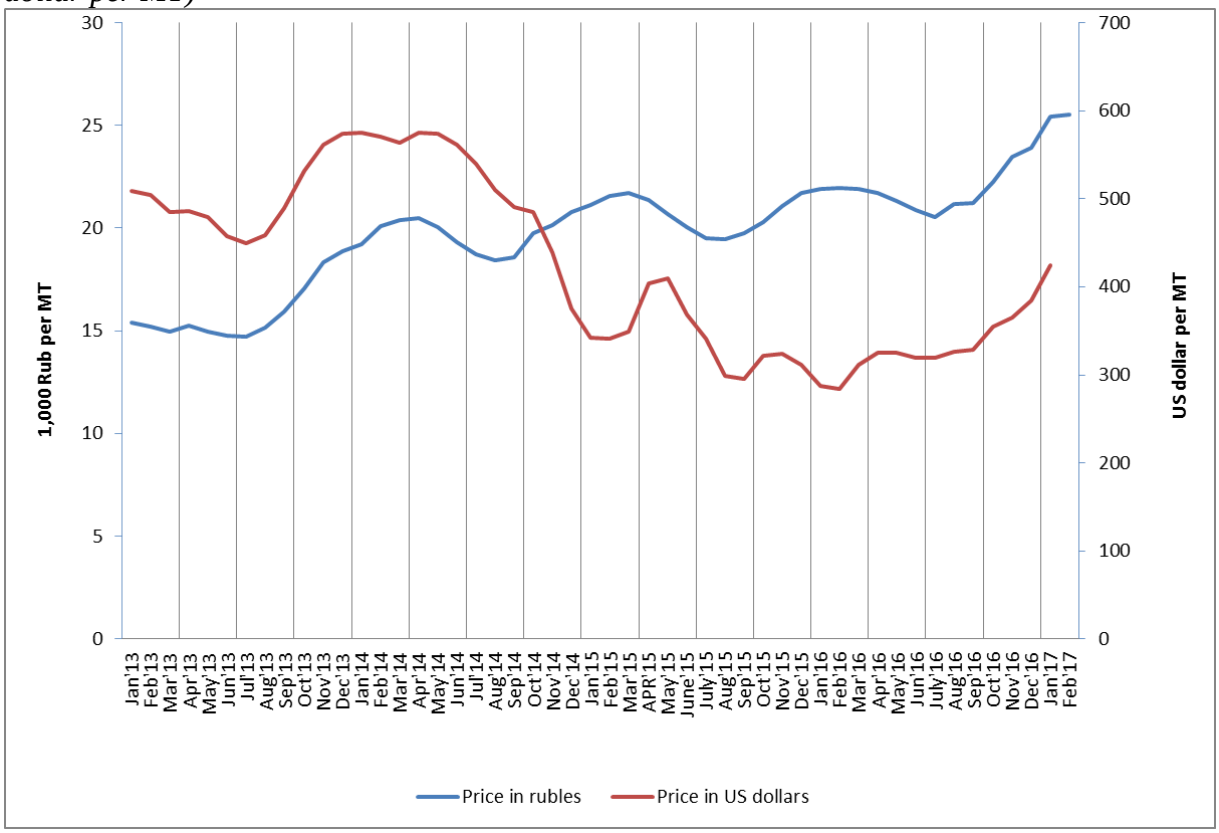
Milk Production

FAS/Moscow has revised 2017 fluid milk production forecast to 30.6 million MT, 0.4 percent annual increase from the previously anticipated 0.5 percent annual decline. The seasonal increase of raw milk prices in the third quarter of 2016 and the first quarter of 2017 was stronger than previously anticipated, mostly due to a spike in world dairy prices. Feed prices were favorable because of the record crops of 2016 and declining costs for imported feed components as the ruble appreciated against the US dollar[3]. In these ways, improved margins from raw milk sales have mitigated the negative impacts of weak domestic demand and uncertainty related to major changes in the distribution system of state agricultural subsidies. The realization of the forecast will depend on anticipated slow recovery of consumer demand, and continued enhanced control of the flow of dairy imports from Belarus.

Milk production in 2016 numbers has been revised based on final official Rosstat production data. The changes are minor.

[1] Rosstat "cows" number includes all beef and dairy cows. For details on beef cattle inventories please refer to RS1713 Livestock and Products Semi-annual.
[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.
[3] Official Rub to Dollar Exchange rate peaked on January 22, 2016, at 83.59 Rub per USD. Official exchange rate as of May 12, 2017 is 57.1 Rub per USD.

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



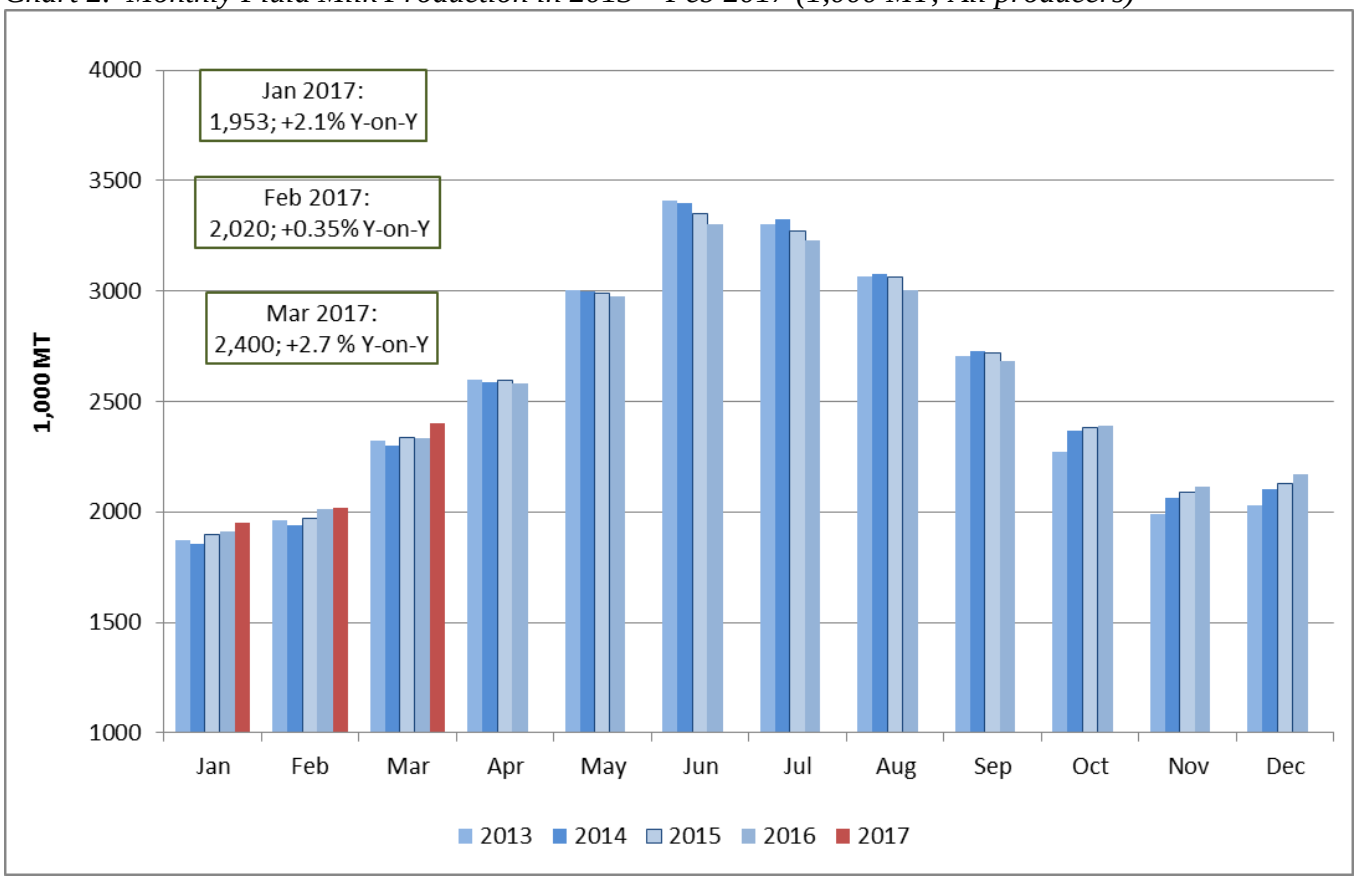
Source: Rosstat; Central Bank of Russia

The Ministry of Agriculture reported [4] that 236 new milk farms were built or modernized in 2016. New and modernized dairies are improving herd management practices and genetics, thereby increasing yields, while old, soviet style commercial farms with inefficient herds and equipment are closing or selling nonproductive cattle for slaughter. As modern farms gradually replace the less efficient operations, the average performance indicators improve. Commercial farms[5] increased milk production 3.67 percent in the first quarter of 2017: per cow yields in the subsector grew five percent, which reflects the long term trend of improving efficiency. Large and small commercial dairies together produced 4.161 MMT of milk In January-March of 2017, and milk supply from Russian farms to processing plants increased by 150,000 MT. The strong start of the year will allow leading producers to maintain milking herds at the level comparable to 2016 and continue herd enhancement projects during the usual summer decline of milk prices due to "high milk season" in April-September 2017. If no major economic or environmental shocks occur, 2017 will be the fifth year of milk production growth at industrialized farms, which currently have an estimated capacity to increase supply of milk for processing by more than 550,000 MT by the end of the year.

[4] Source: National Report on the Implementation and Results of the State Program of Agriculture Development and Food Market Regulation 2013-2020. http://mcx.ru/activity/state-support/programs/program-2013-2020/

[5] Source Rosstat: Agricultural enterprises produced 3.726 MMT of milk in January-March 2017, a 3.03 percent increase compared to the same months of 2016. Peasant (private) farms produced 1.212 MMT, 9.49 percent growth year-on-year. Please refer to Production Tables for more information.

Chart 2. Monthly Fluid Milk Production in 2013 – Feb 2017 (1,000 MT; All producers)



Source: Rosstat

While industrial milk production progresses, the output at household farms declined 2.59 percent in the first quarter of 2017 and will likely decline still more by the end of the year. According to Rosstat, household farms produced 13.3 MMT of milk and accounted for 44 percent of all milk produced in the country in 2016. Although not considered commercial usage, cow inventories and milk production by household farms is included in the FAS/Moscow PSD because Rosstat incorporates it into all official statistical data on agricultural production[6].

[6] The methodology may change after the 2016 All-Russian Agricultural Census and the recent Rosstat subordination to the Minister of Economic Development. The census was conducted in July-November 2016, preliminary results will be released in the fourth quarter of 2017, and the publication of final data is scheduled for the fourth quarter of 2018. Interviewers collected data from 45,000 agricultural enterprises (including 21,000 micro enterprises). Participation in the Census was obligatory for registered agricultural businesses. Interviewers reached out to 219,000 peasant (private) farms and individual entrepreneurs registered in Russia. Sample statistic methods will be used to survey 23 million backyard farms. The Survey contained questions about land size, types of crops, yields, fertilizers, use of borrowed funds, state subsidies, innovative operations methods, livestock inventories, productivity, and more. The previous census (the first in the history of modern Russia) was conducted in July 2006. For more information please refer to http://www.vshp2016.ru/news/8072/ and RS1593 Classification of Agricultural Producers in Russia . Subordination of Rosstat to the Ministry of Economic Development: President Vladimir Putin signed a decree on April 4, 2017, immediately transferring the function of Rosstat to the Ministry of Economic Development (MED). Previously, Rosstat was an independent agency reporting directly to the Presidential Administration, although its administrative status has changed several times during the past 15 years. The last change occurred in 2012, when Rosstat was made independent from MED pursuant to the recommendation of the OCED.

The official approach to calculating cows and milk production numbers and the national milk price indicators has been a subject for constant critique from the leaders of the industry. The need for accurate dairy statistics became particularly urgent in recent years, when the share of dairy imports from Belarus grew to a level that significantly increased the neighbor country's influence on Russia's dairy market[7].

The Belarus government regulates dairy exports by setting its "minimum recommended export prices for selected dairy products". According to industry contacts the export prices determined by the government of Belarus are much closer to real market prices that those average prices reported by Rosstat. Milk producers are seeking private investments and need reliable and accurate data, realistic price indicators and better market transparency to determine the fair market price and enhance financial planning. Industry groups introduced their alternative milk market monitoring indexes in 2016-2017 [8].

Total Milk Consumption

FAS/Moscow increased 2017 milk consumption forecast to 30.850 MMT, which is a minor 0.03 percent increase from 30.748 MMT consumed in 2016. Factory use consumption is anticipated to grow 2.3 percent to 20.00 MMT, while consumption of fluid milk at backyard farms will decline 2.7 percent to 8.90 MMT. Milk producers together sold industrial processors only 62.4 percent of milk they produced in 2016 because household farms are excluded from the industrial supply chain.

Several of Russia's major milk producing regions do not have sufficient capacity to process all milk they produce, which often results in additional costs for transportation and veterinary control. For example, the Republic of Tatarstan, the second largest milk producer, has enough capacity to process only two thirds of its milk. At the same time, there are regions that have excess processing capacity and import raw milk from other regions; for example, the dairy plants of Moscow and Moscow Region buy over 600,000 MT of raw milk from other regions. Russia's largest cheese producing region, Altayskii Krai, buys over 300,000 MT of raw milk from other regions. According to expert estimates major milk processing plants are located in ten Russian regions[9], which process 45 percent of all industrially produced milk in the country. The share of milk which will be sold to processors is anticipated to increase to 63.8 percent, as leading milk processors continue to develop and encourage their suppliers of raw milk to increase production. This may result in uneven distribution of support programs and depressed motivation to develop farms.

Milk Trade

FAS/Moscow revised its forecast of 2017 imports of fluid milk to 300,000 MT, an 8 percent decline from the revised estimate of imports in 2016. Belarus accounted for 95 percent of fluid milk imports to

[7] Article:"Dramatic Decrease of Minimum Recommended Export Prices by Belarus " published by milknews.ru on Apr. 26, 2017. Interview in Russian: Andrey Yarovoy "We lost the market of WMP and SMP the day before yesterday" published by milknews.ru on April 26, 2017 .

[8] Milk price monitoring alternatives: Specialized Center for Agricultural Monitoring of the Ministry of Agriculture publishes monthly milk price date at http://www.specagro.ru . National Union of Milk Producers "Souzmoloko" introduced RSMI Index (Russian Milk Cost Index) http://milknews.ru/img/index-RMCI.pdf ; Center of Dairy Research started publishing RDRC Index http://www.dairynews.ru/news/dairy-index-rdrc-sostavil-25-00-rub-kg-.html

[9] **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/

Russia in 2016, and will likely remain the only major exporter of fluid milk to Russia in 2017. Taking into consideration that over 98 percent of Belarusian exports of fluid milk is shipped to Russia, exporters will continue offering favorable prices, but the volume of the exports of fluid milk from Belarus is anticipated to continue decline because Russian commercial dairies are increasing milk production while Belarusian exporters will more likely increase shipments of processed dairy products rather than raw milk.

Policy

Subsidies

The Government of Russia redesigned the distribution of agricultural subsidies in 2017. The Federal Government previously distributed subsidies to the regions under 54 budget lines, which have now been merged into seven. Regions now receive funds from the federal budget as "unified agricultural subsidies", from which the regional authorities identify projects to support.

Among the seven programs that remain in the federal budget, there is one left specifically for the dairy sector – "subsidies for increase of dairy cattle productivity" – which replaced "subsidies per one kg. of milk sold for processing"[10]. The federal government allocated 7,964 million rubles specifically for dairy sector under this program, but the rules for the farms to qualify for the subsidies have been changed.

State support remains focused on reducing the cost of capital and creating incentives for private investments in the agricultural sector. Most of the funds for agriculture, 91.7 billion rubles out of the 214 billion agricultural budget, are allocated under program "Encouragement of Investment in Agriculture", which includes 58.8 billion for investment credits, 11.5 billion CAPEX reimbursement for pre-selected projects, and 21.3 billion for subsidized loans for agricultural producers – the new tool to facilitate access to subsidized loans at 5 percent interest rate. Subsidized loans at 5 percent and CAPEX reimbursement are welcomed by the milk producers, but the consensus opinion is that total funds are not sufficient for all sectors, which now compete for funds from one source. In addition, the changes to the available financial instruments have added uncertainty to the financial planning of dairy farms, and will constrain development in the regions where the dairy sector was not among the priorities for regional authorities in the past[11].

[10] Please refer to Federal Law # 415-FZ "On Federal Budget for 2017 -2019." Article 25. "State Program of development of agriculture and regulation the market of agricultural products, commodities and food in 2013-2020". And GAIN Report RS1708 "2017 Poultry and Products Semi-Annual Report" for more detailed information.

[11] Please refer to "Declaration of Priority Goals and Tasks of the Ministry of Agriculture of Russian Federation in 2017" for additional information (in Russian). Source: http://mcx.ru.

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. Agriculture Minister Alexander Tkachyov stated that GOR may spend approximately one billion rubles (17 million US dollars) to stabilize prices for raw milk during the seasonal price drop in summer of 2017 by purchasing butter, WMP, and SMP in the major milk producing regions. 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 defines a commodity price of 24,000 Rub per MT of raw milk, which shall be used for the purposes of interventions contracts. The ministry selected 11 regions[12] 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 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. In the past, the GOR had planned dairy intervention purchases, but never implemented the program, most likely due to issues with budget allocations in 2016. Producers have expressed concerns that this year's interventions may also be postponed.

Some milk processors and authorities of several regions[13] are not supportive of dairy interventions program in the market, which suffers from a deficit of quality milk and milkfat in particular. The major concern of the opponents is negative impact from reduced supply and higher prices on consumption. As of the date of the report it is unclear if dairy interventions will start in 2017 due to conflicting views on possible effects on producers' margins and consumption of dairy products.[14]

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

[13] For example, Republic of Udmurtia was selected as one of the participating regions, but milk producers located in the region refused to participate. Source Interfax: http://www.interfax-russia.ru/Povoljie/main.asp?id=827166

[14] Please refer to articles on the dairy interventions issue (in Russian) : ; Source: Milknews.ru: http://milknews.ru/analitika-rinka-moloka/rinok-moloka-v-Rossii/rinok-moloka-v-Rossii_10643.html,; Source: Dairynews.ru: http://www.dairynews.ru/news/prizrak-interventsii.html

Butter and Anhydrous Milkfat (HS Codes 040510, 040590)

Table 2. Russia: Butter and Anhydrous Milkfat Supply and Distribution, 1,000 MT Butter

Dairy, Butter	2015		2016		2017	
Market Begin Year	Jan 2015		Jan 2016		Jan 2017	
Russia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	19	19	16	16	10	11
Production	260	260	245	246	245	250
Other Imports	90	90	90	100	90	100
Total Imports	90	90	90	100	90	100
Total Supply	369	369	351	362	345	361
Other Exports	3	3	4	4	3	3
Total Exports	3	3	4	4	3	3
Domestic Consumption	350	350	337	347	332	348
Total Use	353	353	341	351	335	351
Ending Stocks	16	16	10	11	10	10
Total Distribution	369	369	351	362	345	361
(1000 MT)						

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

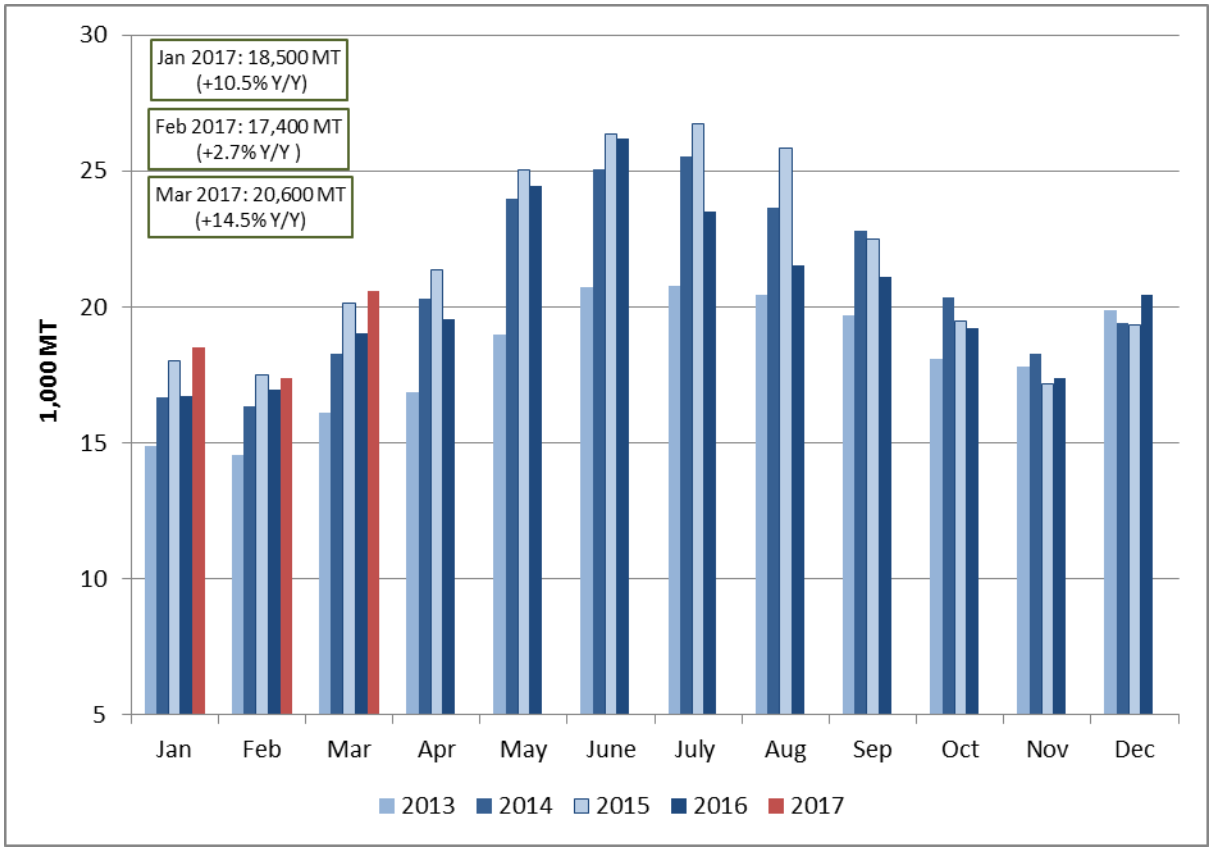
Butter and Anhydrous Milkfat Production

FAS/Moscow increased its 2017 butter production forecast by 5,000 MT to 250,000 MT, which is 1.6 percent annual growth. High world prices for butter in the beginning of the year influenced the Russian market and encouraged the stronger than previously anticipated domestic production. Milkfat supply in the domestic market will likely stabilize in 2017, but only a moderate annual increase of butter output is anticipated due to soft domestic demand, weak prospective for exports growth, and strong competition from imports supported by a stronger ruble.

Rosstat[15] reported 18,500 MT butter production in January 2017, 10.5 percent more than in the same month of 2016. February production was 17,000 MT this year, which exceeded the 2016 amount by 2.7 percent. With 20,600 MT, March saw a 14.5 percent growth compared to March 2016. The strong start to the current year followed a production growth trend that began in November 2016. Prices for milkfat – and consequently producers' margins from butter sales – started to grow in the last quarter of 2016 after a combination of a spike in world prices and abnormally low stocks by the end of the high-milk season last September. Improved margins encouraged dairy processors to partially redirect the flow of raw milk from cheese to butter production. However, the increase in the end of the year did not offset the weak output of January-September 2016. Total butter production in 2016 declined 5.3 percent year-on-year to 246,000 MT, mostly due to weak demand and low wholesale butter prices in the first half of the year.

[15] http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/publications/catalog/doc_1140086922125

Chart 3. Russian Monthly Production of Butter (HS Codes 040510, 040590) in 2013–Mar 2017



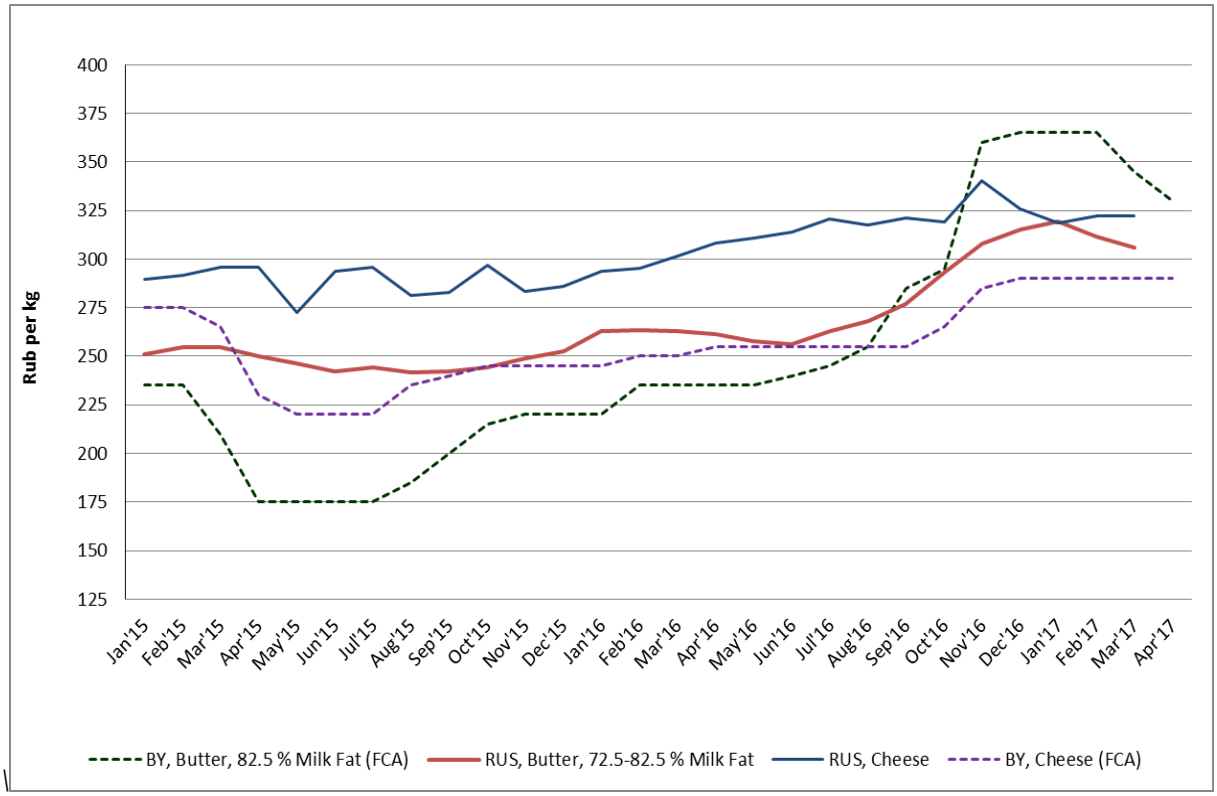
Source: Rosstat

Major world exporters decreased the output of fluid milk in 2016, which resulted in a shortage of milkfat in the international market. Appetite for dairy products with higher milkfat content appears to be growing: world butter prices increased 86 percent from 2,733 US dollars per MT in March 2016 to 4,910 US dollars per MT in March 2017[16]. World prices influence the Russian market via the pricing policies of non-banned exporters[17], in particular Belarus, which accounted for 73 percent of Russia's butter imports in 2016.

Belarusian exporters followed global trends and increased the "minimum recommended export prices". For example, the price for 82.5 percent fat content butter grew 50 percent from 245 rubles per kg. in July 2016 to 365 rubles per kg. in December 2016[18]. Growth of prices for imported milkfat motivated local producers in Russia to increase wholesale prices on their products. The average commodity price for butter in Russia peaked at 320 ruble per kg[19] in January 2017, showing 21 percent annual growth.

Chart 4. Comparison of Russian Producer Prices for Cheese and Butter with Belarus Minimum Recommended Export prices in 2015-Mar/Apr 2017.

[16] Source: GlobalDairyTrade https://www.globaldairytrade.info/en/product-results/butter/
[17] Please Refer to "Notes. Trade Restrictions" , pg. 2 of this Report for detailed information.
[18] Source: http://www.mshp.gov.by/
[19] Source: https://www.fedstat.ru



Sources (as available): Rosstat; Ministry of Agriculture and Food of Belarus

While the wholesale butter prices have been on average 15 percent higher year-on-year over the last ten months, butter stocks have been lower than 5 year average. Stocks were 11,481 MT[20] on December 31, 2016, which is 31 percent lower than year ago and 61 percent lower than the five year average.

According to industry contacts, butter stocks in Belarus also were at historically low levels in the end of December 2016. After turbulent months in the end of 2016 and the beginning 2017, butter prices likely have hit a maximum, and the market is slowly returning to its balance. Belarus has responded to a weakening demand by decreasing the export prices for butter since February 2017[21].

Butter and Anhydrous Milkfat Consumption

FAS/Moscow has increased its 2017 butter consumption forecast to 348,000 MT, anticipating minor 0.3 percent recovery from 2016, when consumption declined almost one percent due to significant price increases. The correction is based on expectation that sufficient supply of milkfat from imports and increased domestic production will likely reduce prices for butter in the second and third quarter of 2017.

The demand for butter from food industries that consume it as an ingredient for processed food products, for example confectionary, will not likely grow significantly by the end of 2017. Soft domestic demand

[20] Source: https://www.fedstat.ru

[21] Reportedly unsold butter stocks in Belarus in February 2017 were 4,100 MT, 46.7 percent of the average monthly output. Article in Russian: "Belarus has increased production of non-fat dairy products." Source: argonews.by

made the food processing industry more dependent on export development, but the strong ruble[22] is restraining the expansion into new markets.

Noteworthy to the Russian Dairy market, palm oil imports declined in the first quarter of 2017. The federal agency "Specialized Center of Agroindustrial Monitoring" (www.specagro.ru) reported that imports of palm oil, which is used to substitute of milkfat by dairy processors, fell to 196,200 MT in January-March 2017, 16.3 percent behind comparable period of the prior year. Reduced interest in purchasing palm oil by Russian dairy processors may be attributed to increased world prices for the commodity[23] and joint efforts of Russian authorities and milk producers to enhance control over improper use of milkfat substitutes[24]. According to a recent report on the results of food quality audits in the first quarter 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 7.5 percent from 10-11 percent in 2016; vegetable oil products labeled as dairy butter accounted for 65 percent of the falsified dairy that Rospotrebnadzor detected[25].

Butter and Anhydrous Milkfat Trade

FAS/Moscow increased the 2017 forecast of butter and anhydrous milkfat imports to 100,000 MT, the same quantity as shipped in 2016. As mentioned earlier in the report, trade restrictions on several Belarusian plants and a decline in domestic production in the second and third quarters of 2016 resulted in 25 percent annual growth of consumer milkfat prices last year. However, the high prices resulted in only minor reduction of butter consumption. Shipments from non-restricted suppliers, in particular New Zealand, increased in the last quarter of 2016 and filled in the gap in supply.

Imports of butter and milkfat grew to 100,387 MT in 2016, a 12 percent annual increase in absolute numbers, and the value of these imports increased 28 percent to 395.9 million US dollars. The stronger ruble and low price elasticity of butter in current market will likely contribute to stable demand for milkfat imports in 2017.

According to the Federal Customs Service of Russia, the average contract price for butter in January-February 2017 was 5,412 US dollars per MT, which is on average 78 percent higher than the price in the beginning of 2016. In spite of the higher prices, the quantity of butter imports continued to grow and increased 18 percent year-to-date in February 2017.

New Zealand increased shipments to Russia in 2016: HS Code 040510 "Butter" grew 230 percent to 7,275 MT and HS Code 040590 "Anhydrous Milkfat" increased 76 percent to 6,885 MT. As reported by Federal Custom Service, contract price per metric ton of butter from New Zealand was 4,941 US dollars in February 2017. The price is 24 percent higher than a year ago, but lower than the 5,826 US dollars per metric ton of butter from Belarus. In April 2016 Belarus decreased its exports prices for

[22] Since January 2016 Russian ruble has appreciated 32 percent to US Dollar. The Official Ruble to US Dollar Exchange rate peaked on January 22, 2016, at 83.59 rubles per dollar. The official exchange rate as of May 16, 2017, is 56.52 rubles per dollar

[23] Average price for 1 MT of Palm Oil (HS 5111) in January 2017 was 829 US dollars, 25.8 percent higher than in January 2015. Source: Federal Customs Service of Russia.

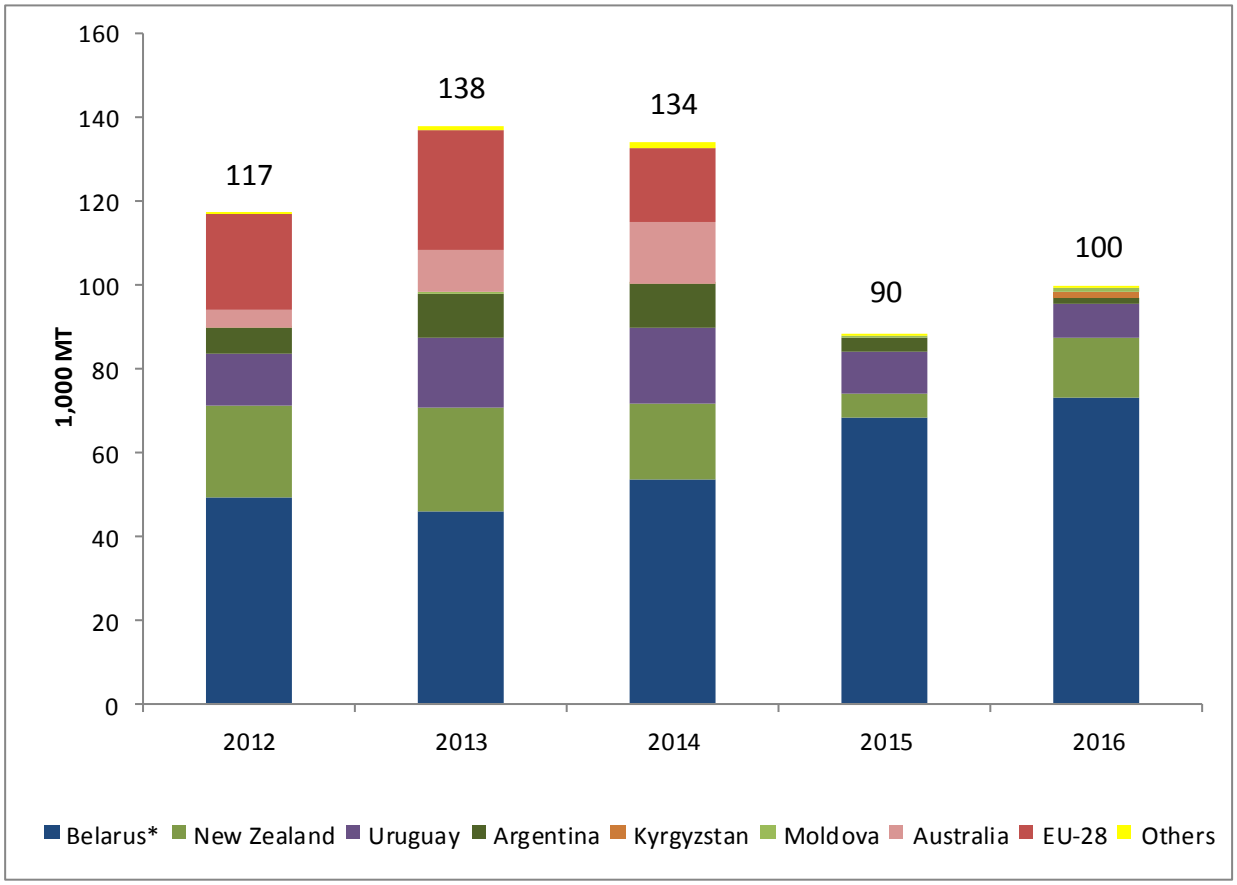
[24] Article in Russian: "Souzmoloko: Labeling won't save the market from counterfeit products " http://tass.ru/ekonomika/3684126

[25] Source: Federal Service for Surveillance on Consumer Rights Protection and Human Wellbeing (Rospotrebnadzor), http://www.rospotrebnadzor.ru/about/info/news/news_details.php?ELEMENT_ID=8177

butter to 300 rub per kg. (5.2 US dollar per kg.[26]), an 18 percent reduction from 365 rub per kg. (6.1 US dollar per kg.)January 2017, which will stimulate imports from Belarus in the following months.

Last year Russia also imported butter from Uruguay (7,930 MT; 19.7 percent decrease in 2016), Argentina (1,650 MT; 50 percent decrease), Kyrgyzstan (1,447 MT; new exporter), Moldova (1,080 MT; 232 percent increase) and Kazakhstan (644 MT; 50 percent decrease).

Chart 5. Russian Imports of Dairy Butter (HS Codes 040510, 040590) Annual Series: 2012 – 2016 Quantity (MT); Major Suppliers



Source : Federal Customs Service of Russia; Belstat

[26] Average Nominal exchange rate was 59.96 rubles per US dollar in January 2017 and 58.21 rubles per one US dollar in April 2017. Source: Central Bank of Russia .

Cheese and Curd (HS Code 0406)

Table 3. Russia: Cheese and Curd Supply and Distribution, 1,000 MT

Dairy, Cheese	2015		2016		2017	
Market Begin Year	Jan 2015		Jan 2016		Jan 2017	
Russia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	30	30	35	35	30	29
Production	861	861	845	865	840	865
Other Imports	216	220	235	230	235	235
Total Imports	216	220	235	230	235	235
Total Supply	1,107	1,111	1,115	1,130	1,105	1,129
Other Exports	24	24	25	25	20	25
Total Exports	24	24	25	25	20	25
Human Dom. Consumption	1,048	1,052	1,060	1,076	1,060	1,079
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	1,048	1,052	1,060	1,076	1,060	1,079
Total Use	1,072	1,076	1,085	1,101	1,080	1,104
Ending Stocks	35	35	30	29	25	25
Total Distribution	1,107	1,111	1,115	1,130	1,105	1,129
(1000 MT)						

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

FAS/Moscow forecasts 865,000 MT of cheese and curd production in 2017, unchanged from 2016. Cheese makers continue to work in the market with limited competition due to active trade restrictions. However, the low demand for premium varieties of cheese inhibits Russian production growth in the sector. High prices for raw milk with the fat and protein content required by cheesemakers, additional costs for imported ingredients needed for premium cheese, and high costs of capital in Russia[27] make the cheese prices on retail shelves very uncomfortable for Russian consumers, who continue to economize on food items. Unlike the premium cheese segment, the middle category and market leaders demonstrate stable results. Consumers adjusted to the cheese assortment on the "after embargo" shelf and have chosen their favorite brands from the available options. Both demand and production of traditional fresh cheeses and "tvorog" are expected to remain stable.

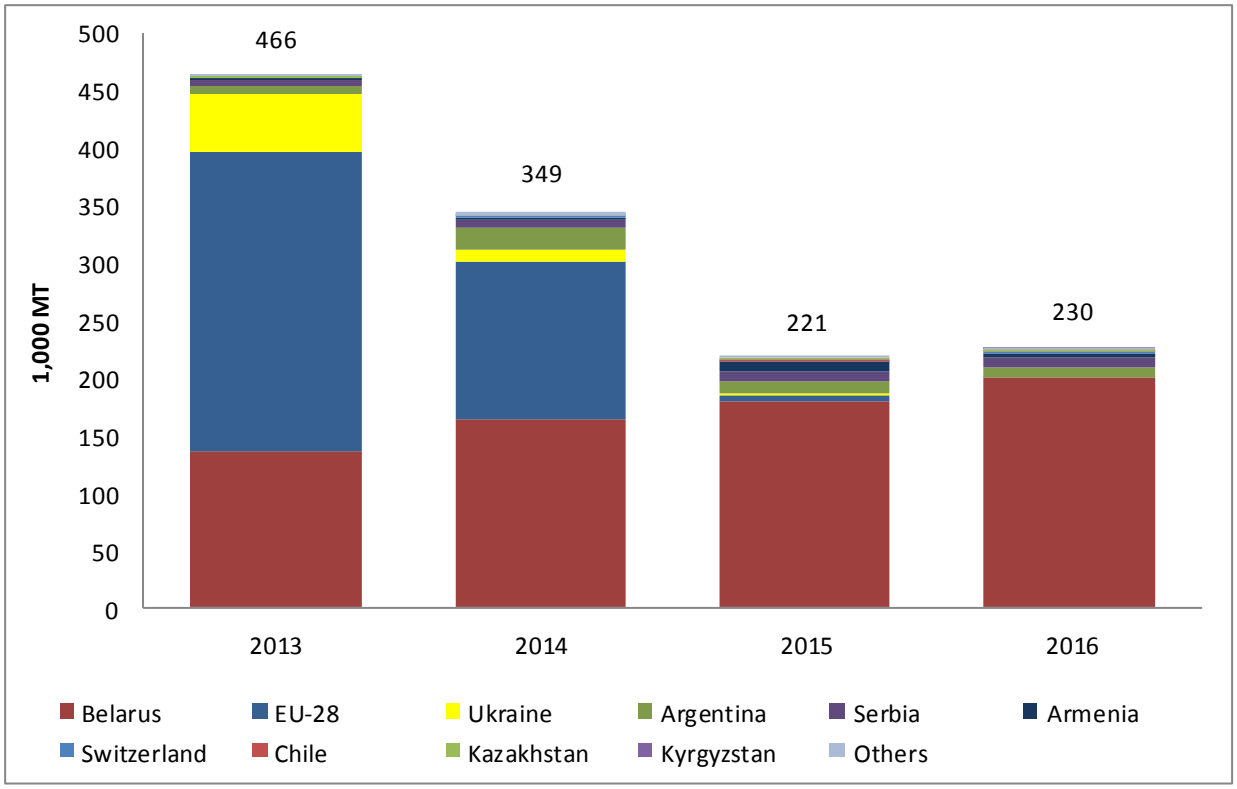
[27] The Central Bank of Russia (CBR) has followed the moderately tight monetary policy with the key rate since last 2014. The key rate as of May 15, 2017 is 9.25 percent, while April 2017 annual inflation was 4.1 percent. Source: CBR http://cbr.ru/eng/.

Cheese and Curd Consumption

Industry contacts expect cheese prices to stabilize, and even decline during the high-milk season because consumers continue to exhibit little interest in premium cheese originating in Russia. In the first half of the year, the purchasing power of Russian consumers continued to decline. Real disposable income contracted 0.2 percent[28] in the first quarter of 2017; retail sales were 1.8 percent lower than in the first quarter of 2016. An average consumer is still under pressure from shrinking budgets and not willing to pay premium prices for products not truly of premium quality. At the same time sales of "tvorog" and fresh cheeses will likely remain stable due to the continued absence of better imported products in the market. FAS/Moscow changed its 2017 cheese and curd consumption forecast to 1,079 MT based of an expectation of stable demand for cheese and curd in the "economy" product segment.

Cheese and Curd Trade (HS Code 0406)

Chart 6. Russian Imports of Cheese and Curd (HS Code 0406) Annual Series: 2012 - 2015 & Year to Date: 07/2015 & 07/2016 Quantity (MT); Major Suppliers



Source: Federal Customs Service of Russia; Belstat

FAS/Moscow continues to forecast 235,000 MT of cheese and curd imports in 2017, which is a 2 percent increase from the 230,000 MT of HS 0406 imported in 2016. Imports accounted for 21 percent of all cheese and curd consumed last year. The strengthening ruble and comparatively high prices for raw milk in Russia are the factors favoring continued trade with non-banned exporters, in particular

[28] Source: Rosstat. Income grew 8.1 percent in January 2017, when government paid one-time allowance of 5,000 ruble to each pensioner, but achieved no sustainable effects; the incomes continued falling, 4.1 percent in February 2017.

Belarus. The expected minor increase in trade corresponds with the anticipated minor recovery of consumer demand in the second half of 2017.

Belarus supplied 200,503 MT, or 87 percent, of the cheese and curd Russia imported last year. In the first quarter of 2017 cheese and curd imports from Belarus were approximately 5 percent lower than in the same period of 2016 due to increased prices and after the decision of the Russian Sanitary-Phytosanitary Service (VPSS) to close export access for several cheese plants in Belarus[29]. The trade is anticipated to recover after the decline of the minimum export prices in April 2017, and as a result of the efforts the government of Belarus has taken to address the quality concerns[30].

Cheese and curd export forecast for 2017 is revised to 25,000 MT, which shows no change from 2016.

Dry Milk Powders: WMP (HS Codes 040221, 040229) and SMP (HS Code 040210)

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

Dairy, Dry Whole Milk Powder	2015		2016		2017	
Market Begin Year	Jan 2015		Jan 2016		Jan 2017	
Russia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	5	5	4	5	5	4
Production	42	42	38	42	38	40
Other Imports	38	38	44	48	44	50
Total Imports	38	38	44	48	44	50
Total Supply	85	85	86	95	87	94
Other Exports	2	2	1	1	2	1
Total Exports	2	2	1	1	2	1
Human Dom. Consumption	79	78	80	90	80	90
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	79	78	80	90	80	90
Total Use	81	80	81	91	82	91
Ending Stocks	4	5	5	4	5	3
Total Distribution	85	85	86	95	87	95
(1000 MT)						

[29]Bilateral relations between Russia and Belarus have worsened since the summer of 2016. In the beginning of May 2017, VPSS banned twelve dairy plants in Belarus were for exports to Russia due to findings of restricted substances or hazardous bacteria. VPSS has also recalled 56 Declarations of Conformity from 20 Belarusian dairy processing plants between January 1, 2016 and April 2017:https://www.fsvps.ru/fsvps/news/20681.html. A complete list of Belarussian plants approved for exports to EAEU countries is available at http://www.dvpn.gov.by/uploads/download/reestr-ts6.htm

[30]Article in Russian: "VPSS inspectors audit over ten dairy plants in Belarus before May 12". Source: http://www.milknews.ru/index/novosti-moloko_11086.html

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

Following a strong start to 2017, FAS/Moscow changed its previous WMP production forecast in 2017 up slightly to 40,000 MT, expecting a small, 4 percent reduction from 42,000 MT produced in 2016. After VPSS restricted some imports from Belarus, the resultant higher prices drove up WMP production in the last quarter of 2016 and the first quarter of 2017
FAS/Moscow revised 2016 production and stocks based on the official Rosstat data.

Russian milk processors will likely reduce WMP output in the second half of 2017 because the key export partner has significantly decreased its prices. Belarus reduced the minimum export price for WMP 16 percent from 240 rubles per kg. in January 2017 to 200 rubles per kg. in May. WMP shipments from Belarus and other non-banned exporters are anticipated to stabilize in the second part of the year.

Table 5. Russia: Skimmed Milk Powder (SMP) Supply and Distribution, 1,000 MT

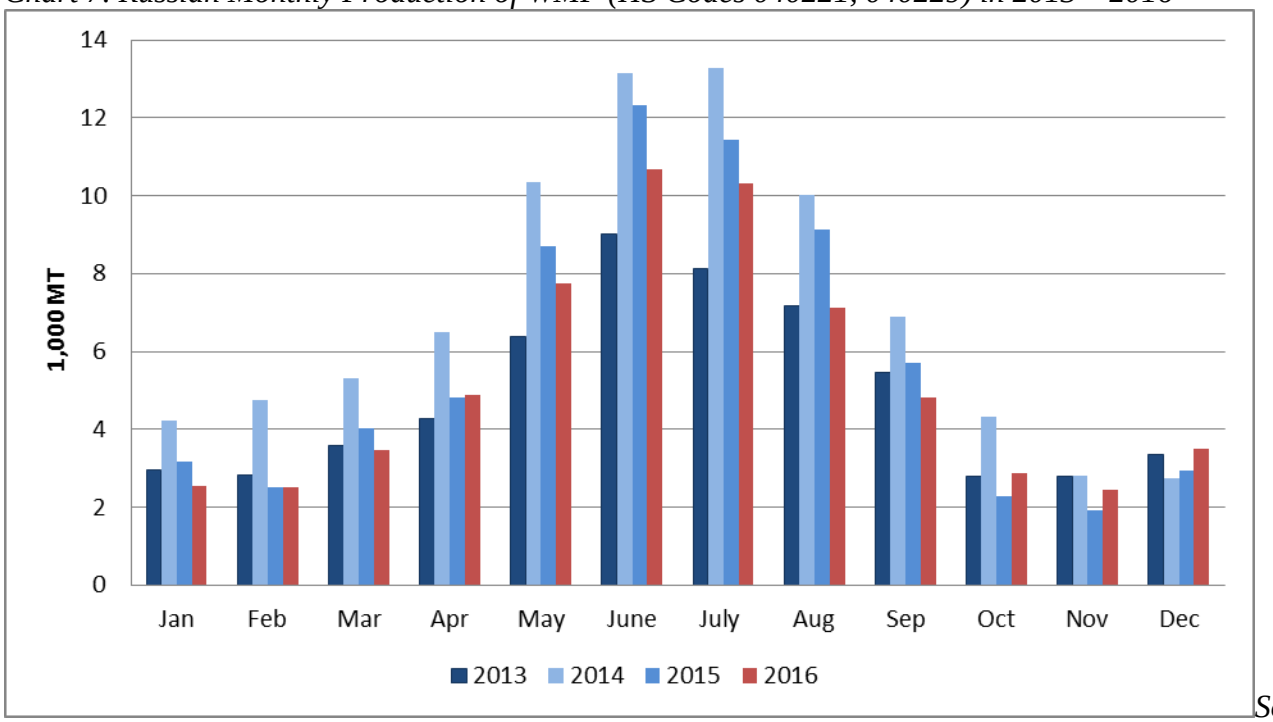
Dairy, Milk, Nonfat Dry	**2015**		**2016**		**2017**	
Market Begin Year	**Jan 2015**		**Jan 2016**		**Jan 2017**	
Russia	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Beginning Stocks	8	8	9	9	8	9
Production	69	69	65	63	65	65
Other Imports	120	120	120	128	120	126
Total Imports	120	120	120	128	120	126
Total Supply	197	197	194	200	193	200
Other Exports	2	2	1	1	2	1
Total Exports	2	2	1	1	2	1
Human Dom. Consumption	186	186	185	190	185	190
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	186	186	185	190	185	190
Total Use	188	188	186	191	187	191
Ending Stocks	9	9	8	9	6	9
Total Distribution	197	197	194	200	193	200
(1000 MT)						

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

The forecast for SMP production remains at 65,000 MT, a 3 percent growth from 63,000 MT produced in 2016, which can be attributed mostly to the anticipated increase of butter production in 2017. Prices

for SMP in Russia are expected to remain low, following world-wide trends, because non-banned exporters offer very attractive prices for the commodity.

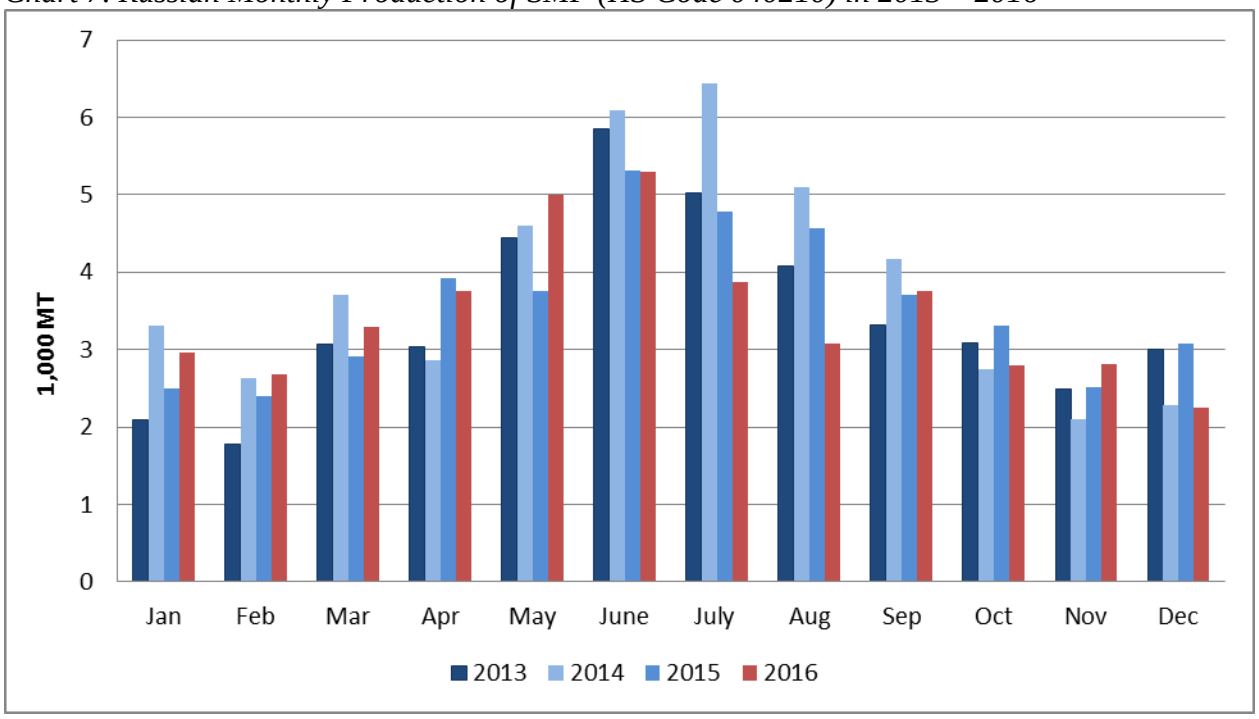
Chart 7. Russian Monthly Production of WMP (HS Codes 040221, 040229) in 2013 – 2016



Source : Rosstat

Raw milk remains more expensive in Russia compared to other major milk producing countries, in particular Belarus. Only few companies in Russia specialize exclusively in whole milk powder production, while skimmed milk powder is a byproduct in plants offering assorted high-fat dairy products such as butter, cheese, and traditional dairy products. Milk powders output always increases in Russia between May and September each year, when raw milk prices usually decline. Processors add the powders to their summer assortment, store it and use between November and March to reduce expenses during the "low milk season". Some unused capacity at drying facilities exists, and dryers may increase the output of powders when the immediate market promises profits. Considering the flexibility of the industry to reduce or increase powder production, the annual output in 2017 will be strongly influenced by pricing policies of the government of Belarus and decisions of the Russian Veterinary Phytosanitary Service.

Chart 7. Russian Monthly Production of SMP (HS Code 040210) in 2013 – 2016



Source: Rosstat

WMP and SMP Consumption

FAS/Moscow changed its forecast of 2017 WMP consumption to 90,000 MT from the previous 80,000. Consumption is anticipated to stabilize at 2016 level. The forecast of SMP consumption in 2017 has been increased by 5,000 MT to 190,000 MT. Consumption of both types of milk powders increased in 2016 compared to 2015; WMP increased 15 percent, or 12,000 MT, and SMP grew 2 percent, or 4,000 MT.

Increased consumption of milk powders is most likely related to positive developments in the production of ice cream, quality milk chocolates and confectionary, in particular for exports. According the Russia's Union of Ice Cream Producers (UICP), country produced 400,000 MT of ice cream in 2016, which was 10 percent annual growth from the crisis year of 2015. Dairy based ice cream is the most popular in Russia ('plombir', 'slivochnoye'). The UICP estimates that ice cream produced from dairy currently accounts for 60 percent of the market, fruit-based sorbets 15 percent and the share of ice cream produced with milkfat substitutes (palm-oil) is estimated at 25 percent. The UICP anticipates the dairy share ice cream to grow because interest in the category is driven by growing demand for natural products and increased interest in natural products.

The UICP also reported 20,000 MT of ice cream exports in 2016, which is a 30 percent annual growth of sales into external markets. The efforts of Russian processed food producers to increase export sales will continue, but no dramatic growth by the end of 2017 is anticipated because the strong ruble and the high cost of capital limit the competitiveness of Russian processed food products in the international market.

WMP and SMP Trade

FAS/Moscow forecasts a minor reduction of SMP imports to 126,000 MT due to the projected slight increase in domestic production. The WMP import forecast is slightly increased to 50,000 MT after a more than 20 percent increase of WMP shipments to Russia from New Zealand and Latin America in the first quarter of 2017. Currently Russia imports 53 percent of its WMP and 67 percent of its SMP because of the high cost of domestic raw milk; the total share of imports is anticipated to remain at the levels comparable to 2016. SMP and WMP exports will remain insignificant for the same reason.

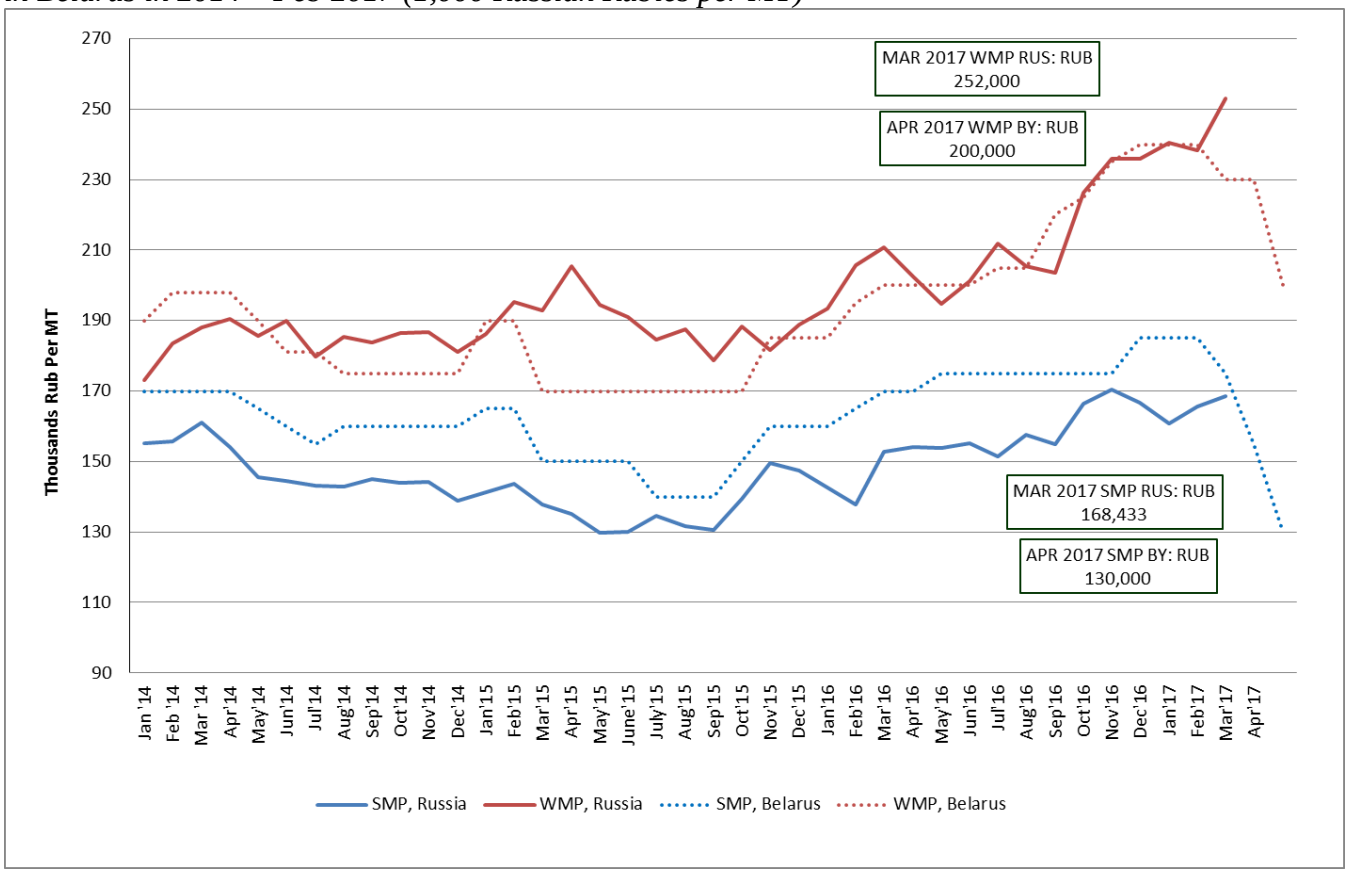
The total supply of WMP both from exports and domestic producers increased in 2016, responding to the increased demand for WMP in the market, which faced a deficit of milkfat. Imports of WMP grew 28.4 percent in 2016, and continued to grow in the first quarter of 2017. FAS/Moscow estimates growth of SMP imports in 2016 at approximately 7 percent, while domestic production of the commodity declined along with fall of butter production in January to September 2016.

Russian importers significantly increased shipments of WMP from Argentina (10,227 MT; 1,759 percent annual growth in 2016), New Zealand (4,213 MT; 2,225 percent growth), Uruguay (3,413 MT; 520 percent growth), and Costa Rica (2,044 MT; new exporter) in 2016. According to Federal Customs Service of Russian Federation, average price per MT of WMP imported from New Zealand and Latin America in 2016 was 2,406 US dollars, compare with 2,925 US dollars per MT imported from Belarus. Belarus accounted for 57 percent of WMP imports in 2016. The share of whole milk powder imported from Belarus decreased from 95 percent in 2015 to 57 percent in 2016. Belarus accounted only for 29 percent of WMP shipments to Russia in January-February 2017.

Belarus exported 105,000 MT of SMP to Russia in 2016, and accounted for 82 of SMP imports, the share reduced from 95 percent in 2015. Russia opened its market for dairy products from Turkey in 2016 and shipped 9,266 MT of SMP. Turkey became the biggest non-EAEU supplier of non fat dry milk to Russia last year, and accounted for 6.8 percent of the total imports. In January-February 2017, Turkey increased its share in Russia's SMP imports to 15 percent. Russia imports SMP from Argentina, Switzerland, Uruguay, Moldova, New Zealand and Iran these countries altogether accounted for less than 10 percent of SMP imports in 2016.

Despite the reduced share in the trade in the beginning of 2017, Belarus will likely regain its exports in the second part of 2017 and remain the key player in Russia's milk powders market due to its proximity to Russia and trade preferences within the EAEU.

Chart 8. Wholesale Prices for Dry Milk Powders in Russia and Minimum Recommended Export Prices in Belarus in 2014 – Feb 2017 (1,000 Russian Rubles per MT)



Sources (as available): Rosstat, Ministry of Agriculture and Food of the Republic of Belarus

Production Tables

Table 6. 2015- 2016 Russian Fluid Milk Production, by Region, 1,000MT

	All Types of Farms			Agricultural Enterprises		
	2015	2016	2015/2016 Percent Difference	2015	2016	2015/2016 Percent Difference
RUSSIAN FEDERATION	**30,548.8**	**30,470.7**	**-0.26%**	**14,699**	**15,001**	**2.06%**
CENTRAL DISTRICT	**5,406.3**	**5,424.6**	**0.03%**	**3,828.2**	**3,958.6**	**3.4%**
Belgorod region	531.5	542.4	**2.00 %**	376.4	388.4	**3.2%**
Bryansk region	291.1	293.3	**0.8%**	173.3	180.6	**4.2%**
Vladimir region	354.7	369.0	**4.0%**	327.4	341.5	**4.3%**
Voronezh region	807.7	828.5	**2.6%**	476.7	538.2	**12.9%**
Ivanovo region	154.5	159.8	**3.4%**	116.3	121.1	**4.1%**
Kaluga region	253.8	269.1	**6.0%**	209.5	225.2	**7.5%**
Kostroma region	108.1	108.0	**-0.12%**	79.3	80.5	**1.5%**
Kursk region	310.0	294.1	**-5.1%**	160.4	164.2	**2.4%**
Lipetsk region	254.6	254.7	**0.0%**	175.6	177.6	**1.1%**
Moscow region	631.1	627.5	**-0.6%**	567.4	561.0	**-0.6%**
Orel region	183.9	176.9	**-3.8%**	115.6	113.2	**-2.0%**
Ryazan region	374.9	381.1	**1.7%**	318.7	325.4	**2.1%**
Smolensk region	218.1	206.5	**-5.3%**	124.9	124.3	**-0.5%**
Tambov region	220.3	200.2	**-9.1%**	59.7	64.1	**7.2%**
Tver region	213.5	205.6	**-3.7%**	138.9	134.7	**-3.0%**
Tula region	187.3	185.8	**-0.8%**	129.3	127.5	**-1.3%**
Yaroslavl region	280.7	292.3	**4.1%**	249.8	262.2	**5.0%**
City of Moscow	30.5	30.0	**-1.4%**	28.9	28.7	**-0.7%**
NORTHWEST DISTRICT	**1,775.6**	**1,819.7**	**2.5%**	**1,483.3**	**1,531.5**	**3.3%**
The Republic of Karelia	68.3	68.2	**-0.2%**	61.4	61.6	**0.4%**
The Republic of Komi	56.5	54.3	**-3.9%**	36.2	36.2	**0.2%**
Arkhangelsk region	121.3	125.8	**3.7%**	88.1	93.8	**6.5%**
Nenets Autonomous District	3.2	3.5	**8.8%**	3.1	3.3	**5.5%**
Vologda region	469.6	488.0	**3.9%**	434.0	451.2	**4.0%**
Kaliningrad region	170.3	174.4	**2.4%**	101.3	105.2	**3.8%**
Leningrad Region	592.5	611.6	**3.2%**	547.4	566.1	**3.4%**
Murmansk region	18.8	15.4	**-18.2%**	17.4	14.0	**-19.2%**
Novgorod region	79.4	79.8	**0.6%**	46.7	46.8	**0.4%**
Pskov region	199.0	202.3	**1.7%**	150.9	156.5	**3.7%**
SOUTHERN DISTRICT	**3,289.2**	**3314.6**	**0.7%**	**1,007.2**	**1,028.6**	**2.1%**

The Republic of Adygea	117.9	120.3	**2.0%**	…	…	**…**
The Republic of Kalmykia	78.9	74.2	**-5.9%**	0.2	0.2	**-22.3%**
Krasnodar region	1,327.6	1,341.9	**1.1**	850.3	872.1	**2.6%**
Astrakhan region	172.9	173.0	**0.1%**	1.0	0.8	**-17.2%**
Volgograd region	511.3	517.1	**1.1%**	41.8	37.2	**-11.0%**
Rostov region	1080.6	1088.1	**0.7%**	108.2	112.7	**4.2%**
NORTH-CAUCUS FEDERAL DISTRICT	**2,754.6**	**2,783.4**	**1.1%**	**358.6**	**354.7**	**-1.1%**
The Republic of Dagestan	820.2	845.3	**3.1%**	127.3	132.3	**3.9%**
The Republic of Ingushetia	74.4	88.1	**18.5%**	2.3	6.1	**260.2%**
Kabardino-Balkaria	469.6	479.5	**2.1%**	56.1	51.4	**-8.4%**
Karachay-Cherkessia	231.3	231.3	**100.0**	11.2	10.5	**-6.2%**
Republic of North Ossetia-Alania	205.7	192.2	**-6.6%**	21.8	15.5	**-28.9%**
Chechen Republic	266.0	266.8	**0.3%**	2.6	3.3	**29.5%**
Stavropol region	687.4	680.2	**-1.0%**	137.4	135.7	**-1.2%**
VOLGA FEDERAL DISTRICT	**9,492.6**	**9,411.8**	**-0.9%**	**4,723.1**	**4,828.5**	**2.2%**
The Republic of Bashkortostan	1,812.3	1,730.8	**-4.5%**	543.8	557.0	**2.4%**
The Republic of Mari El	186.5	181.5	**-2.7%**	96.6	98.5	**2.0%**
The Republic of Mordovia	404.3	408.7	**1.1%**	299.9	311.7	**3.9%**
The Republic of Tatarstan	1,753.7	1,770.4	**1.0%**	1,032.0	1,066.2	**3.3%**
Udmurt Republic	720.6	738.9	**2.5%**	589.4	614.0	**4.2%**
Chuvash Republic	424.2	424.3	**00.0%**	123.9	126.8	**2.3%**
Perm	482.3	483.5	**0.3%**	369.7	375.6	**1.6%**
Kirov region	579.5	608.6	**5.0%**	526.6	559.9	**6.3%**
Nizhny Novgorod region	619.8	602.7	**-2.8%**	447.0	442.0	**-1.1%**
Orenburg region	797.5	756.1	**-5.2%**	198.4	187.3	**5.6%**
Penza region	331.8	334.9	**0.9%**	155.4	155.6	**0.1%**
Samara region	440.6	447.7	**1.6%**	146.2	144.6	**-1.1%**
Saratov region	728.3	707.6	**-2.8%**	116.5	111.1	**-4.7%**
Ulyanovsk region	211.1	216.1	**2.4%**	78.0	78.4	**0.5%**
URAL FEDERAL DISTRICT	**1,906.7**	**1,899.8**	**-0.4%**	**990.9**	**1,014.5**	**2.4%**
Kurgan region	234.2	226.3	**-3.6%**	63.9	65.3	**2.1%**
Sverdlovsk region	654.0	676.2	**3.4%**	495.8	514.2	**3.7%**
Tyumen Region	552.0	542.1	**-1.8%**	275.4	278.7	**1.2%**
Khanty-Mansi Autonomous District Yugra	27.5	27.6	**0.3%**	4.4	4.6	**3.0%**
Yamal-Nenets Autonomous District	2.0	2.0	**-1.4%**	1.7	1.7	**-0.4%**
Chelyabinsk region	522.5	512.6	**-1.9%**	269.2	272.4	**1.2%**
SIBERIAN FEDERAL DISTRICT	**5,386.5**	**5,285.2**	**-1.9%**	**2,159.0**	**2,135.2**	**-1.1%**
Altai Republic	89.7	88.7	**-1.1%**	9.0	8.3	**-8.2%**
The Republic of Buryatia	205.6	200.5	**-2.5%**	12.0	12.0	**0.2%**

The Republic of Tuva	62.4	62.8	**0.6%**	4.2	4.0	**-3.6%**
The Republic of Khakassia	188.4	183.1	**-2.8%**	32.6	28.7	**-12%**
Altayskii Krai	1414.9	1400.2	**-1%**	529.6	532.4	**0.5%**
Trans-Baikal Territory	340.9	333.4	**-2.2%**	5.2	4.6	**-10.2%**
Krasnoyarsk Territory	739.8	732.6	**-1%**	374.4	366.5	**-2.1%**
Irkutsk Region	460.1	449.4	**-2.3%**	133.0	127.7	**-4.0%**
Kemerovo region	380.1	383.4	**0.9%**	153.9	153.9	**00.0%**
Novosibirsk region	661.5	666.2	**0.7%**	494.8	499.4	**0.9%**
Omsk region	702.7	639.3	**-9.0%**	340.3	324.7	**-4.6%**
Tomsk region	140.3	145.6	**3.7%**	70.1	73.0	**4.1%**
FAR EAST FEDERAL DISTRICT	**537.2**	**531.6**	**-1.1%**	**149.0**	**150.2**	**0.8%**
The Republic of Sakha (Yakutia)	164.6	164.1	**-0.3%**	34.5	34.5	**00.0**
Kamchatka	18.0	18.4	**2.7%**	8.1	8.5	**5.1%**
Primorsky Krai	123.5	124.7	**1.0%**	35.5	35.4	**0.3%**
Khabarovsk Krai	39.1	37.7	**-3.4%**	19.9	19.0	**-4.5%**
Amur Region	148.6	142.8	**-3.9%**	36.4	38.1	**4.7%**
Magadan region	6.0	5.7	**-3.5%**			
Sakhalin Region	27.9	28.5	**2.3%**	13.8	13.9	**0.7%**
Jewish Autonomous Region	9.6	9.5	**-1.2%**	0.7	0.7	**4.8**
Chukotka Autonomous District	0.02	0.02	**-11.0%**	0.01	0.01	**-5.5%**

Source: Rosstat

Trade Tables

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

Partner Country	Calendar Year				2015/2016; Change %
	2013	2014	2015	2016	
World	**465,861**	**349,416**	**220,968**	**230,313**	**4.2%**
Belarus	136,187	164,025	180,321	200,503	**11.2%**
Argentina	7,372	18,562	10,254	8,889	**-13.3%**
Serbia	5,055	7,453	8,077	9,024	**11.7%**
Armenia	1,576	1,535	7,943	2,417	**-69.6%**
Ukraine	50,055	11,334	2,767	0	**-100.0%**
Uruguay	345	5,144	2,619	3,222	**23.0%**
Switzerland	462	1,371	1,471	1,547	**5.2%**
Chile	25	92	1,444	386	**-73.3%**
Kazakhstan	419	583	1,409	1,450	**2.9%**
Kyrgyzstan	0	0	0	1,389	**N/A**

Moldova	0	0	0	503	**N/A**
EU-28	261,504	137,117	4,314	0	**-100.0%**
Others	2,861	2,200	349	983	

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

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

Partner Country	Calendar Year				2016/2015% Change
	2013	2014	2015	2016	
World	**138,173**	**134,407**	**89,593**	**100,387**	**12.0%**
Belarus*	46,068	53,642	68,134	73,286	**7.6%**
New Zealand	24,824	18,115	6,113	14,160	**131.6%**
Uruguay	16,505	18,198	9,875	7,930	**-19.7%**
Argentina	10,656	10,402	3,341	1,650	**-50.6%**
Kyrgyzstan	0	0	0	1,447	
Brazil	0	445	365	36	**-90.1%**
Kazakhstan	152	228	1,338	594	**-55.6%**
Moldova	320	140	325	1,080	**232.3%**
Chile	400	250	25	0	**-100.0%**
Australia	9,821	14,588	0	0	**0.0%**
EU-28	28,932	17,440	0	0	**0.0%**
Others	495	959	77	1,651	**2044.2%**

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

Table 9. Russian Imports of SMP (HS 040210) Annual Series: 2013 – 2016 Quantity (MT); Major Suppliers.

Partner Country					
	2013	2014	2015	2016	YTD% Change
World	**131,390**	**102,952**	**120,562**	**128,595**	**6.7%**
Belarus*	92,125	87,106	114,504	105,000	**-8.3%**
Turkey	0	0	0	9,266	**N/A**
Argentina	8,313	2,692	1,658	6,403	**286.2%**
Switzerland	705	1,707	1,459	4,836	**231.5%**
Uruguay	4,050	2,325	948	975	**2.8%**
Ukraine	5,619	1,710	20	0	**-100.0%**
New Zealand	0	0	1,713	322	**-81.2%**

EU-28	20,136	6,813	0	0	**0.0%**
Others	442	599	260	1,793	**589.6%**

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

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

Partner Country	Calendar Year				YTD% Change
	2013	2014	2015	2016	
World	**27,315**	**36,386**	**38,757**	**48,177**	**24.3%**
Belarus*	25,005	29,702	37,232	27,548	**-26.0%**
Argentina	503	3,488	550	10,227	**1759.5%**
New Zealand		0	182	4,213	**2214.8%**
Uruguay	0	598	550	3,413	**520.5%**
Costa Rica		0	0	2,044	**N/A**
Kazakhstan	417	94	223	708	**0.0%**
Ukraine	807	138	0	0	**0.0%**
EU-28	583	2,366	0	0	**0.0%**
Others	0	0	20	24	**20.0%**

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