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## **Russian Federation**

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### **Minimum Price Set for Raw Milk**

**Report Categories:**

Dairy and Products

Policy and Program Announcements

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**Report Highlights:**

At the end of March 2010, milk producers and processors agreed to set a minimum price for raw milk at no less than RuR11/kg (\$0.37/kg) (excluding VAT) in 2010. Sixty five percent of cheese producers, 40 percent of dry milk producers, and 50 percent of butter producers signed the agreement. The current average purchase price for raw milk in the country is about RuR12/kg, but it historically falls sharply in the spring and summer when milk yields improve. Russia also noted it would continue to regulate dairy trade levels with Belarus and limit imports if domestic producers say imports from Belarus become excessive. Government purchases of dairy products in 2010 remain a possibility.

**General Information:**

At the end of March 2010, milk producers and processors agreed to set a minimum price for raw milk at no less than RuR11/kg (\$0.37/kg) (excluding VAT) in 2010. Sixty five percent of cheese producers, 40 percent of dry milk producers, and 50 percent of butter producers signed the agreement. The current average purchase price for raw milk in the country is about RuR12/kg, but it historically falls sharply in the spring and summer when milk yields improve. Russia also noted it would continue to regulate dairy trade levels with Belarus and limit imports if domestic producers say imports from Belarus become excessive. Government purchases of dairy products in 2010 remain a possibility.

The Ministry of Agriculture originally planned to sign this agreement on March 3, 2010, during the first annual meeting of the National Union of Milk Producers, but milk processors did not agree with the price at that time. Afterward, milk producers called the Ministry of Agriculture to exclude processors from the list of investment projects which the government supports through subsidized credits and instead redirect investment into cooperative milk processing facilities. Milk producers continue to negotiate with all processors.

Another effective measure of milk producers' support in addition to the established raw milk price is the coordination of food balances with Belarus. Russia has already twice reduced supply of milk from Belarus in 2010. Minister Skrynnik noted that if the National Union of Milk Producers signals that dry milk imports from Belarus are higher than Russia needs, then the Ministry will reduce its imports from Belarus and increase the volume of those dairy products which Russia needs. Russia and Belarus signed an agreement in 2009 on this same issue.

The Russian Government also promises to support domestic milk producers by means of procurement interventions in 2010. In 2009 it amended a list of agricultural commodities for which state procurement and commodity interventions may be implemented to include the following dairy products: butter, sterilized drinking milk and three types of cheeses. The Ministry of Agriculture stated earlier this year that procurement prices for milk and dairy products would be published by March 31, 2010, but such action remains outstanding. The list of approved dairy products for interventions originally included only dry milk for 2009 but no purchases or sales have yet been made.

*Unofficial Embassy translation of the press release (<http://www.mcx.ru/news/news/show/3864.178.htm>):*

E. Skrynnik: Almost half of Russian milk processors are ready to sign an agreement to purchase milk from producers at a price not lower than 11 rubles per kilogram.

The State and business have taken another step towards building a constructive dialogue. Minister of Agriculture of Russia Elena Skrynnik met March 30 with regional producers and processors of milk, having learned first hand about their concerns and plans.

Participants of the meeting were representatives from 40 enterprises of the dairy processing industry, which are members of the National Union of Milk Producers. They all were added to the list of those who signed an agreement on general principles of cooperation between producers and processors of milk within the National Union of Milk Producers aimed at stabilizing and developing the dairy industry of Russia. One of the main points of this document is to

establish the base price of one kilogram of first category raw milk at no less than RuR11/kg (excluding VAT) in 2010. Now, the average purchase price for raw milk in the country is at about RuR12/kg. "Today, almost half of all milk processors supported the initiative of the Ministry and the National Union of Milk Producers, which was approved by First Deputy Prime Minister Viktor A. Zubkov, and the signing of the agreement provides that the purchase of milk will be at a price not lower than RuR11/kg, regardless of the season," informed Elena Skrynnik. "It is very important for us," stressed the Minister.

According to Elena Skrynnik, agreement, together with the state support measures for the market, will stabilize and maintain the retail prices of manufactured dairy products. The Minister called adherence to the forecast food balance with the Republic of Belarus also an effective measure to support the dairy industry. "As you recall, last year in the season when milk yields were high (II and III quarters), we stopped shipments of dry milk from Belarus and increased import volumes of Belarusian cheese and cottage cheese," said Skrynnik. This year, Russia has twice reduced the supply of milk from the Belarus. "Moreover, if we get the signal from the National Union of producers of milk that the volume of dry milk imported from Belarus is more than we need, we will reduce supplies and increase imports of the milk products which we need," noted the Minister. "We have a written agreement with Belarusian colleagues regarding this issue," specified Elena Skrynnik.

Speaking about the current situation in the industry, the Chairman of the Board of the National Union of Milk Producers Andrei Danilenko said that "as a result of active support by the Ministry and the Government, implementing measures to protect the dairy market and coordinated actions with dairies, we managed to avoid a sharp drop in prices for raw milk which we faced last year." "We believe that the situation will be more stable this summer," summarized Danilenko. The Chairman of the Board the National Union of Milk Producers thus stressed that "there is no conflict between producers and processors of milk in the country. We have full understanding and a desire to ensure stability. We continue to negotiate with all processors. We are open to those who are willing to join the Agreement and the National Union of Milk Producers."

An agreement was reached at the meeting on the conclusion of the General Agreement on Cooperation between the Ministry of Agriculture and the National Union of Milk Producers.

For information: To date, an agreement on the basic price for raw milk was signed by 2,360 milk producers and 123 milk processors. In particular, the document was signed by 65% of the cheese producers, 40% of dry milk producers, and 50% of butter producers.