

MARKET OVERVIEW

DAIRY PRODUCTION

The consumption of cheese and cheese products in 2020 compared to 2019 was driven up by the expansion of the footprint of chains and active demand-boosting promotional events, as well as a change in consumer preferences in favour of home-made consumption and partial refusal from public catering during the pandemic. This ramped up the production volume of this category of products, as well as that of butter, by 5% – up to 758 and 282 thousand tonnes, respectively. The combat of the Government against illegal trafficking of products from vegetable fats, as well as the decline in real household earnings, pushed up the demand for cheese products, while the growth in the production of semi-hard cheese slowed down.

↗ 5%

758

ths tonnes

Cheese production in Russian in 2020 (estimate)

Dairy products production in Russia, ths tonnes¹

Product category	2016	2017	2018	2019	2020
Cheeses and cheese products	605	652	673	721	758
Margarine and spreads	651	697	633	603	595
Butter	251	270	267	269	282
Whole milk power and skimmed milk	88	135	133	155	151

Source: By MilkNews Analytical Centre as per data from the Federal State Statistics Service and analysis by the National Union of Milk Producers (Souzmoloko); data for 2020 are preliminary

Cheese production in Russia by types, ths tonnes

Product category	2016	2017	2018	2019	2020
Semi-hard cheese	126	217	214	238	250
Cheese products	146	184	206	181	192
Processed cheese	102	102	112	133	139
Soft cheese	34	61	64	85	89
Hard cheese	137	56	48	55	58
Others	60	29	29	29	30

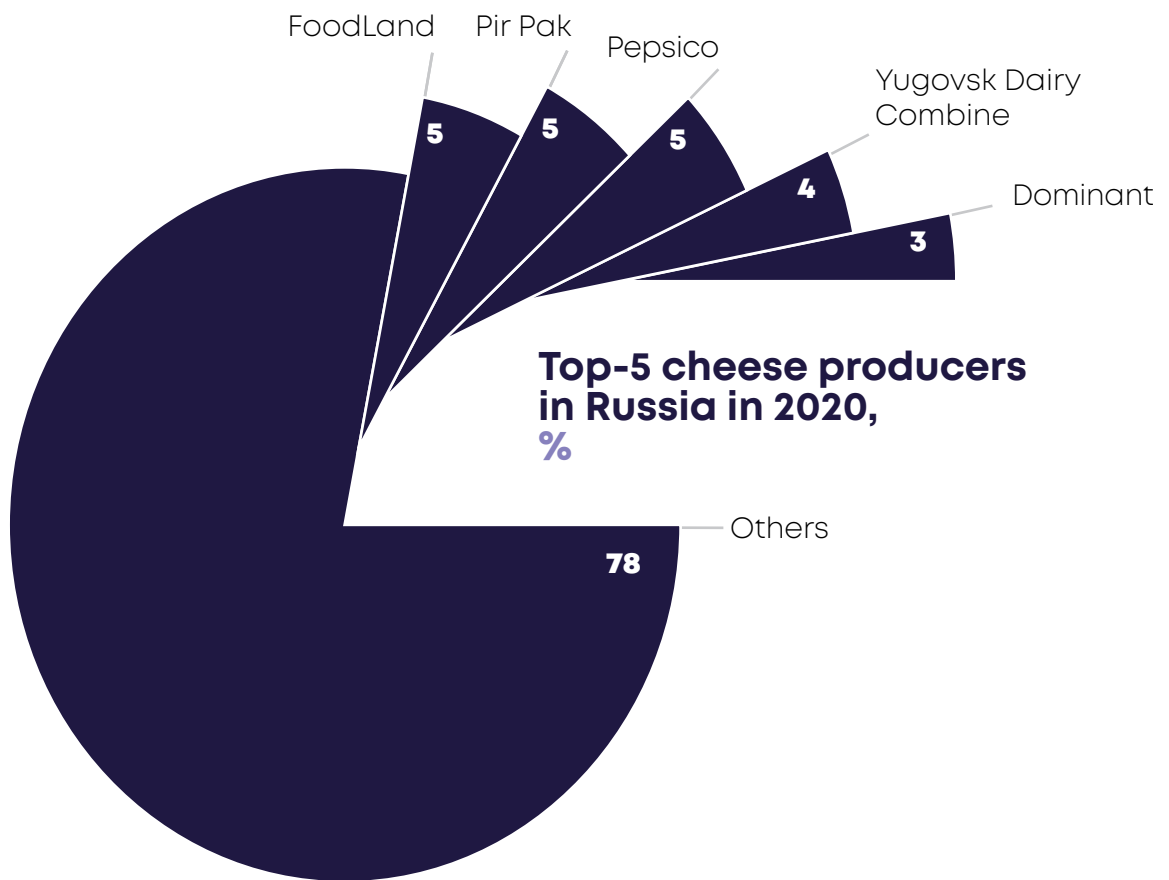
Source: AC MilkNews according to the Federal State Statistics Service, National Union of Milk Producers (Soyuzmoloko); data for 2020 are preliminary

¹ The margarines and spreads category includes monolith margarines

- Agriculture Business
- Oil and Fats Business
- Meat Business
- Sugar Business
- Dairy Products Business

KEY PLAYERS

The dairy products market in Russia is fragmented. Based on preliminary data for 2020, the top-5 cheese producers accounted for 22% of the market. Rusagro's share in the Russian cheese market was 1.8%.



Source: Streda Consulting

EXPORTS AND IMPORTS

In 2020, the exports of margarines and spreads from Russia, including monolith margarines, grew by 10% to 234 thousand tonnes. Supplies of cheese and cheese products increased by 26% to 312 thousand tonnes, which included 50 thousand tonnes of cheese products (+26%). Export sales of Russian butter, whole milk powder and skim milk posted a considerable growth as to relative ratio (94% and 65%), but amounted to only 3 and 2 thousand tonnes, respectively. The development of exports of the product categories under consideration was boosted by higher competitiveness of Russian dairy products amid weakening rouble environment.

↑ 26%

72

ths tonnes

Exports of cheeses and cheese products from Russia in 2020 (forecast)

Exports of dairy products from Russia, ths tonnes¹

Product category	2016	2017	2018	2019	2020
Margarine and spreads	162	182	182	213	234
Cheeses and cheese products	37	43	49	57	72
Butter	4	3	2	2	3
Whole milk power and skimmed milk	3	2	2	2	3
	206	230	235	274	312

Source: By MilkNews Analytical Centre as per data from the Federal State Statistics Service, the National Union of Milk Producers (Souzmoloko); data for 2020 are preliminary

Imports of dairy products in Russia, ths tonnes¹

Product category	2016	2017	2018	2019	2020
Cheeses and cheese products	292	345	329	308	312
Butter	97	91	81	107	111
Whole milk power and skimmed milk	182	168	119	128	89
Margarine and spreads	34	42	50	52	45
	605	646	579	595	557

Source: By MilkNews Analytical Centre as per data from the Federal State Statistics Service, the National Union of Milk Producers (Souzmoloko); data for 2020 are preliminary

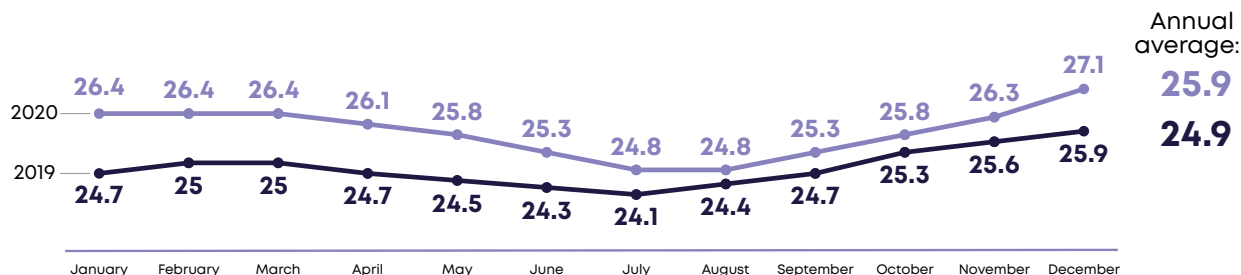
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PRICES

With the rising cost of milk production in 2020, the average annual price of raw milk increased by 4% and stood at RUB 25.9 per kg, excl. of VAT, which is a record high over the last five years.

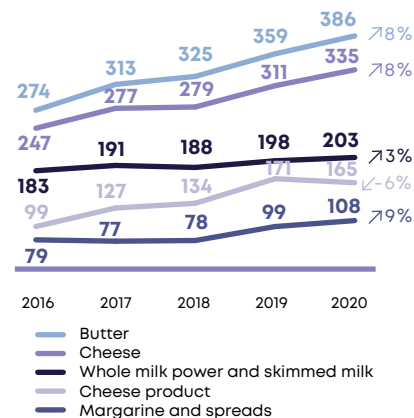
Sales prices of commercial milk in Russia in 2019–2020, RUB/kg, excl. of VAT



Source: AC MilkNews according to the Federal State Statistics Service, Soyuzmoloko

The average annual producer prices for finished dairy products remained above the last year figures across all categories under analysis, other than cheese product category. Thus, with higher prices for milk, prices for cheese and butter rose by 8% – up to RUB 335 per kg exclusive of VAT. Prices for margarines and spreads, including monolith margarines, showed a little more advance – by 9%, due to higher market prices for palm oil.

Selling prices of certain categories of dairy products in Russia, RUB/kg, excl. of VAT¹



Source: By MilkNews Analytical Centre as per data from the Federal State Statistics Service, the National Union of Milk Producers (Souzmoloko); data for 2020 are preliminary

¹ The margarines and spreads category includes monolith margarines