

Attractive dairy opportunity appearing on our doorstep

Will Belarusian producers be able to help neighbours in covering their milk deficit?

By Sergey Novikov

Prices for milk, butter and cheese are soon likely to rise in Russia, by at least 10 percent initially, according to the Ministry of Agriculture and the Branch Association of Milkmen. Lack of state subsidies and reduced numbers of livestock will lead to this price hike and the opportunity for Belarusian milk processing enterprises to increase volumes of deliveries to our neighbour. Of course, Belarus is already considered to be one of the main exporters of milk and cheese to Russia.

Every June and July, the months of milk abundance, Russian dairy prices usually fall by about 20 percent. This year, the situation is different, due to a lack of milk. Being a 'social product', prices are regulated by the government but are due to rise by 5 percent in August and another 5 percent by the end of the year.

Russia's membership of the World Trade Organisation has brought competition from abroad, with butter imports alone up by 80 percent, as noted by the Federal Customs Service of the Russian Federation, as of 20 June, 2013. Moreover, this excludes imports from the Customs Union and Belarus.



Belarusian milk processing enterprises ready to supply Russian market

The import of cheese has also increased, leaving less room for Russian cheeses. Trading networks, building their relations with importers, have neglected local dairy firms, leading to those producers reducing their volumes of milk by 5 percent (or even 10-15 percent). Once the dairy deficit situation became apparent, it was found that it was no longer possible to ex-

tend domestic sources, leaving only importers to benefit, charging the prices they desire. Russians have already begun to notice that prices for Belarusian products have risen.

Russia's mechanism of state support for the dairy industry previously provided about 30 billion Russian Roubles of subsidy. Now, subsidies are received for each litre

of milk, with requirements attached concerning quality (fat and protein levels). A regulation is also planned concerning calving, making the system of subsidies more complicated. Among the subsidies cut are discounts for mineral fertilisers.

Unlike Russia, whose WTO membership is curbing its ability to subsidise domestic producers, Belarus

is more flexible. At the beginning of this month, our Ministry of Agriculture and Food increased the minimum recommended export prices for dairy products. The Belarusian Universal Commodity Exchange reports that export prices for dairy products continue to rise. However, there is a limit to the volumes our Belarusian farms can produce and it's impossible for them to

completely cover demand on the Russian market: nearly 9 million tonnes of cheese is imported per year. Of this, 4.2-4.5 million tonnes can be covered by Belarus, with the rest coming from further abroad.

Belarus is considered to be the largest exporter of milk to Russia, and the share of our goods accounts for almost 75 percent of total exports from January-May this year. The Finns follow, selling 7.8 percent to Russia. Ukraine, Germany and New Zealand are next in line. Higher added value goods are sold in more modest proportions. Belarus sells about one-third of its cheese to Russia, covering about 15 percent of the market, although Russia certainly takes the lion's share of Belarusian dairy exports over all, with Kazakhstan in second place.

Russia is prepared for rising milk prices exceeding inflation but it's also expected that this will reduce demand, leading to suppliers of raw materials having to reduce their prices, bringing no long-term benefits. Our consumer market aspires to parity with our neighbours in terms of pricing but this could actually result in Belarusians paying more on their own domestic market.

Identical price rates simply do not exist

Dialogue between residents of various countries always eventually turns to the subject of food, comparing the price of milk, meat and bread

By Alexander Somov

Even within the European Union, whose markets have already integrated, prices differ drastically. Recently, the main statistical body of the European Union, Eurostat, compared prices for foodstuffs, alcohol and cigarettes across Europe.

Some EU states are very expensive to live in while others are comparatively cheap. High prices in Denmark have led to a rather disturbing trend: Danes driving into neighbouring Germany to do their weekly shop. Their savings even compensate for fuel costs.

Economically developed Great Britain, France and Ger-

many are mid-range in terms of consumer prices within the EU while Serbia, Macedonia, Poland and Romania are considered to be inexpensive. Bulgaria is also among the 'modest' countries, with food prices among the lowest in the European Union. Bulgarians enjoy an average salary of 350-380 Euros, while a loaf of bread costs 0.5 Euros and pork is priced at upwards of 7 Euros per kilogramme; white wine costs 3-5 Euros per bottle while a pack of cigarettes costs 2.5 Euros. All the same, Bulgarians spend more than half of their salary on food.

Price differences across CIS states are also considerable, and on the rise, with Belarus ranked first within

the CIS for rising consumer prices, according to national statistics. Over the first six months of this year, our prices rose 7 percent, compared to those in Russia increasing 3.5 percent; Armenia and Kazakhstan saw price rises of 2.7 percent, Moldova — 2.3 percent, Tajikistan — 1.6 percent, Kyrgyzstan — 1.5 percent, and Ukraine — 0.2 percent.

Looking at the consumer price ratio for foodstuffs, in May, across CIS capitals, there are some surprising results. The Interstate Statistical Committee of the CIS compares prices as a percentage of the price for beef — as a benchmark. As of May of this year, the most expensive butter was found in Yerevan, with



'Own' potatoes cheaper than imported varieties

1kg costing more than 1kg of beef (by 67 percent). In comparison, the Baku price for 1kg of butter was 23 percent less than for 1kg of beef.

Comparing Minsk with other CIS capitals, using 1kg of beef as the benchmark, we have the most expensive bread and the cheapest milk and pasta (the latter being

comparable with Astana). Yerevan has the most expensive eggs, while Baku has the priciest milk. Bishkek has the highest prices for sunflower oil, while Moscow tops the list for potato, fresh cabbage and pasta. Astana food prices are the lowest for beef, sunflower oil, milk, sugar, pasta and onions.

Sales growing, alongside investments resources

From January-June this year, Belneftekhim exported to 113 countries worldwide

The enterprise's export diversification programme has brought in 18 new markets across South America, and South-East and Central Asia, as well as Africa and the Middle East. In the first half of this year, Belarusian oil refineries have refined more than 11 million tonnes of oil.

In addition, the first six months has seen Belneftekhim invest about seven trillion roubles into fixed assets: building a factory to produce NPK-fertilisers at Belaruskali, installing vacuum distillation of black oil at Mozyr oil refinery, and opening a number of sites at Grodno Azot.