

Russia's Milky Way – Producer Strategies

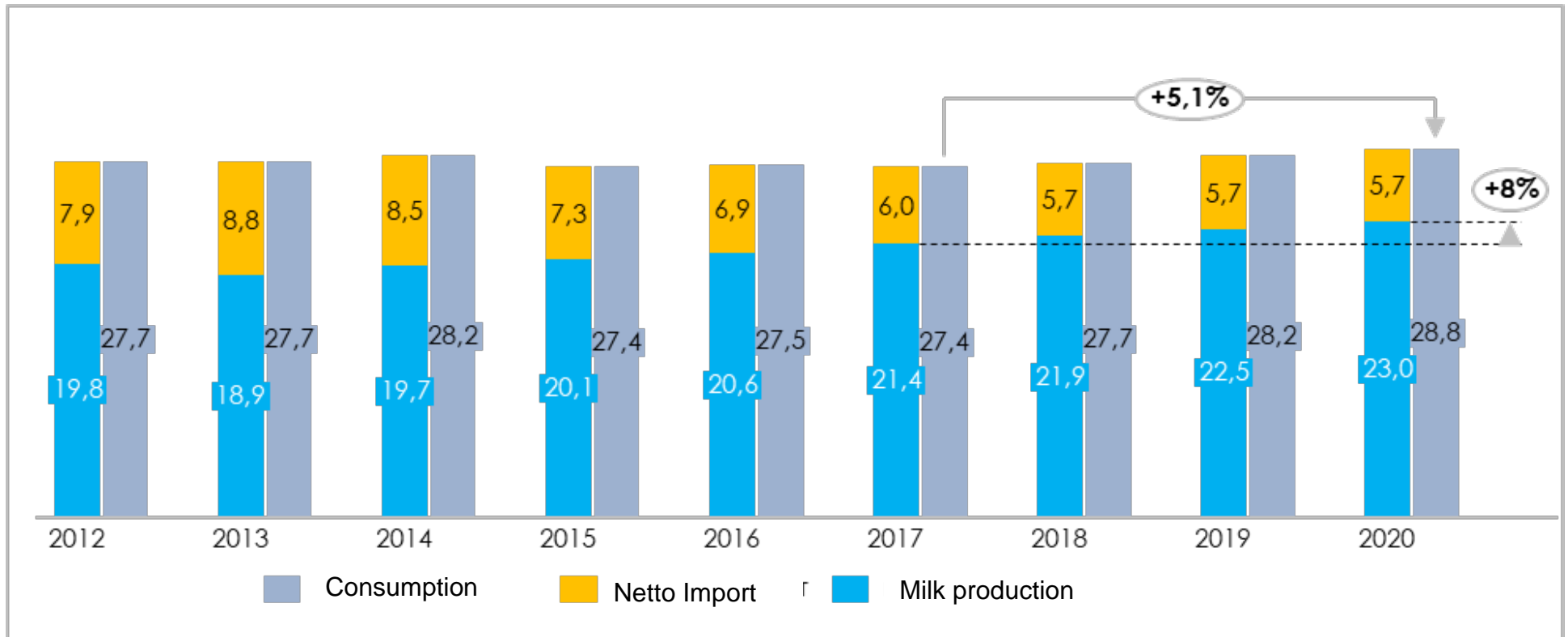
Global trends

- **Stagnating demand on developed markets**
- **Growing demand on developing markets**
- **Rising milk production**
- **Growth in world trade**
- **Rising world prices for raw materials**
- **Vegetarian and vegan substitutes**
- **Organic products**
- **Functional foods and ingredients**

Trends in Russia

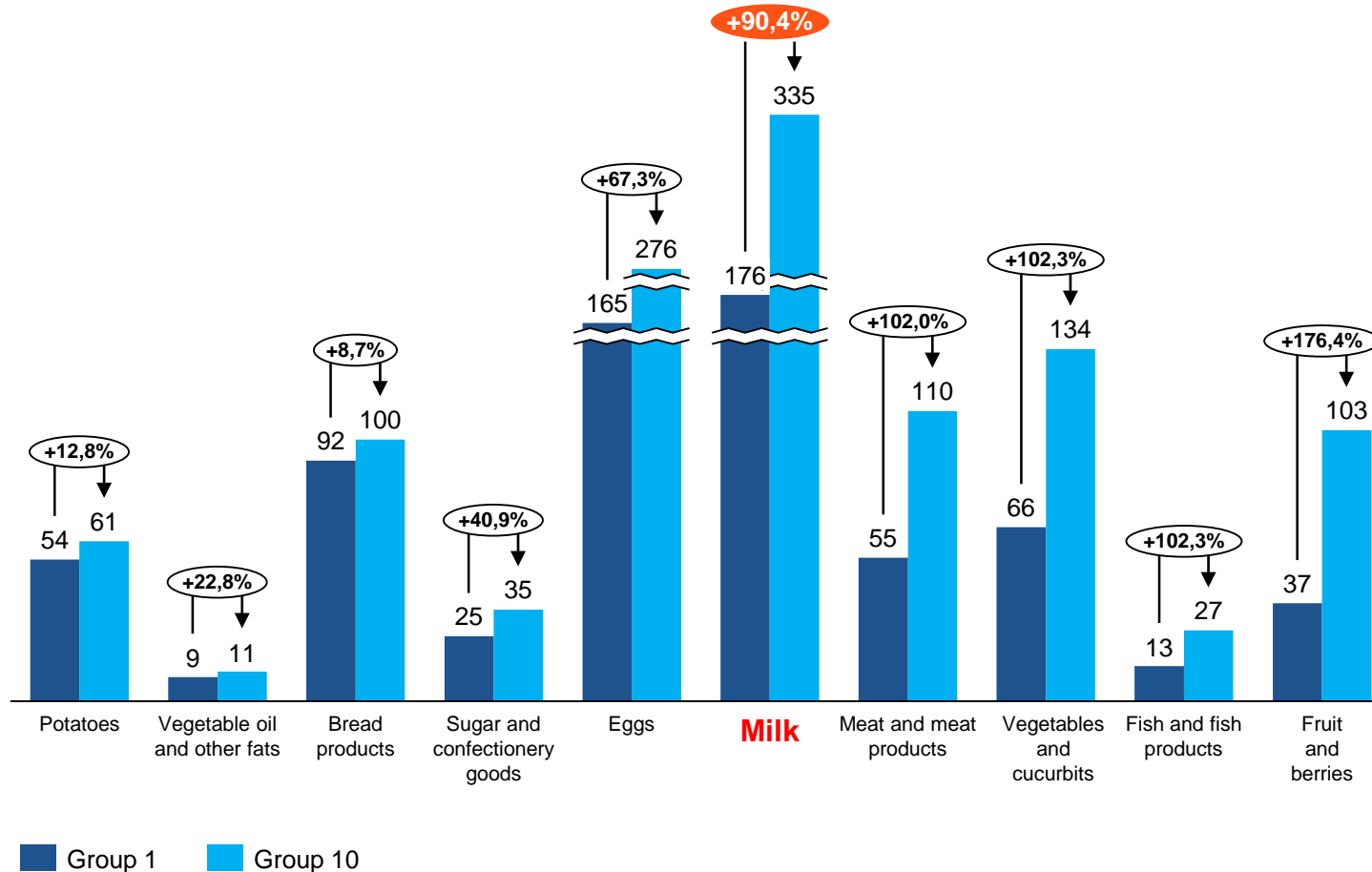
- **Exhaustion of devaluation effect**
- **Uncertainty over demand patterns**
- **Volatility on raw materials market**
- **Weakening of the ruble**
- **Growing activity of foreign investors**
- **Increasing competition**

Russian Federation: Milk production and consumption balance in 2018-2020

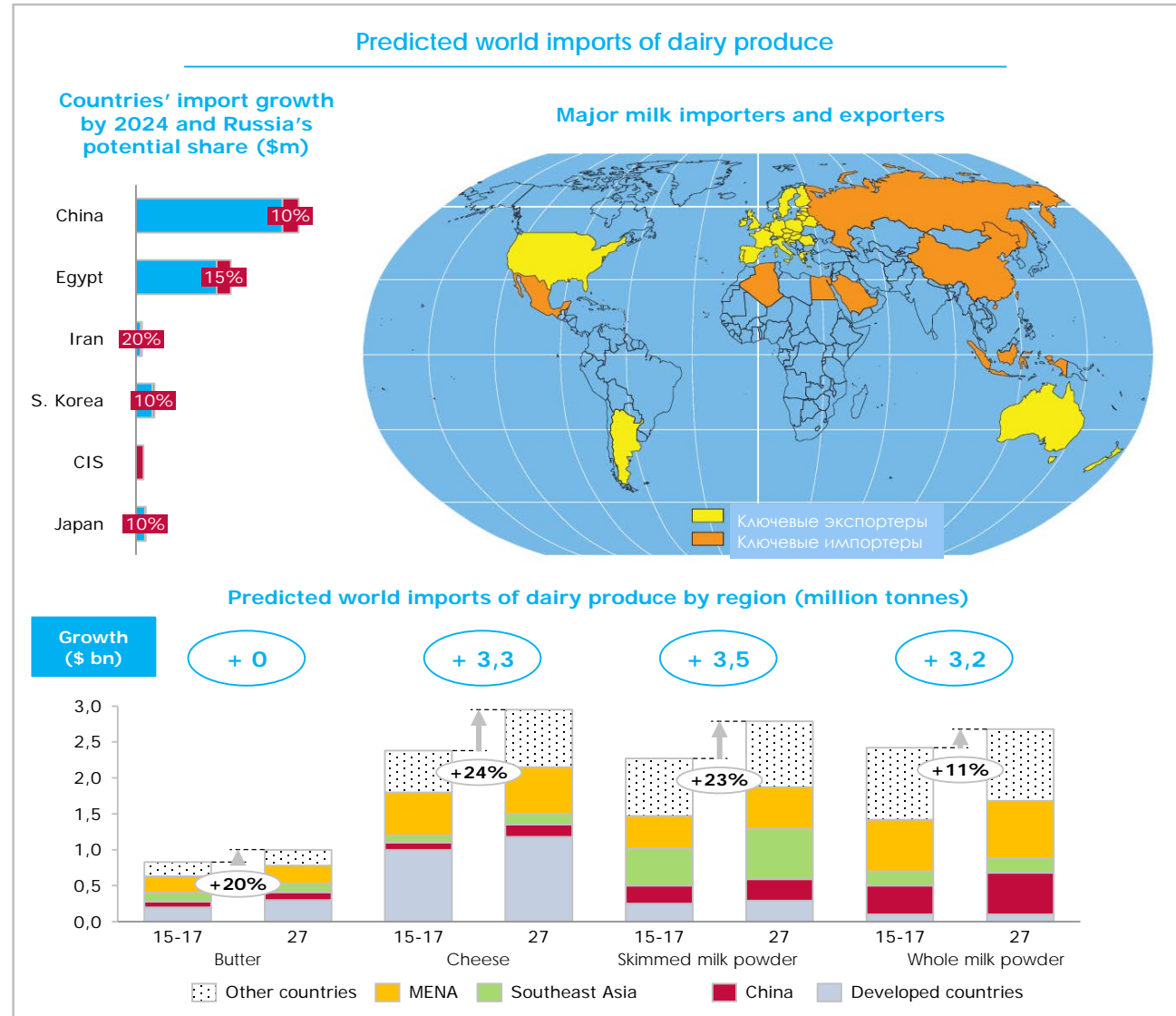
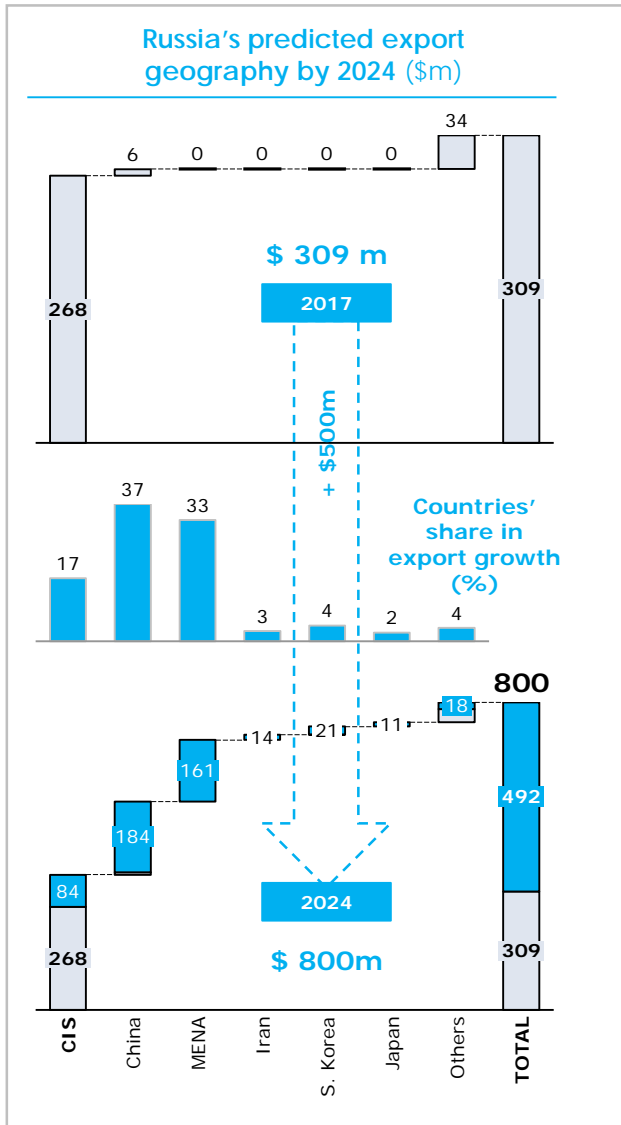


Domestic consumption has considerable growth potential

Average milk consumption by households (ranked in ascending order of income) in 2016
 (Group 1 = bottom 10% of households by income, Group 10 = top 10%)

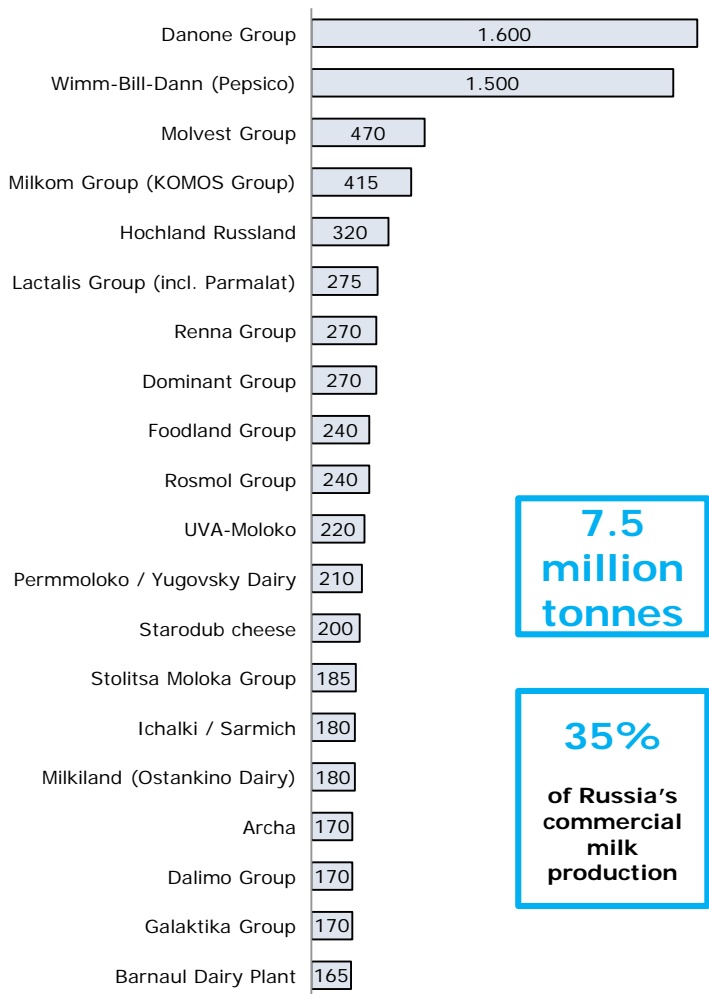


Exports set to become one of the growth drivers for Russia's dairy industry



Russia's largest dairy producers: awaiting amalgamation?

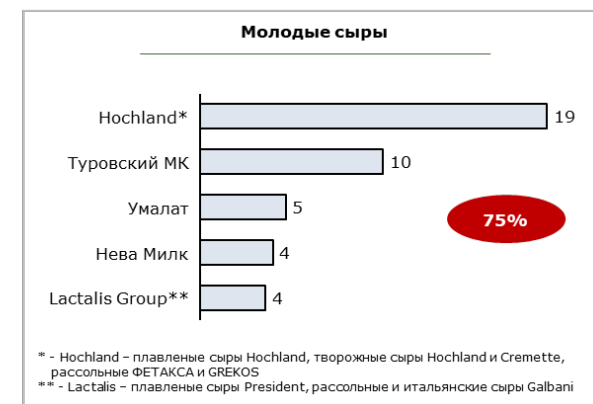
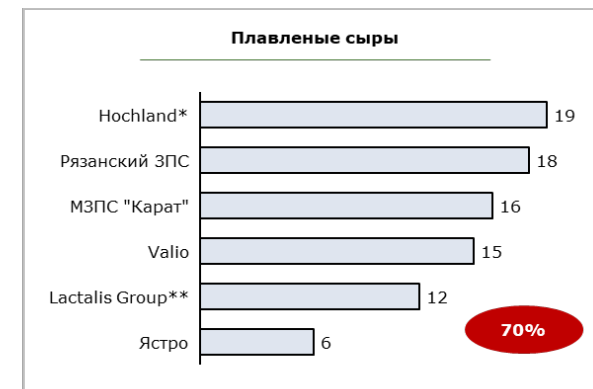
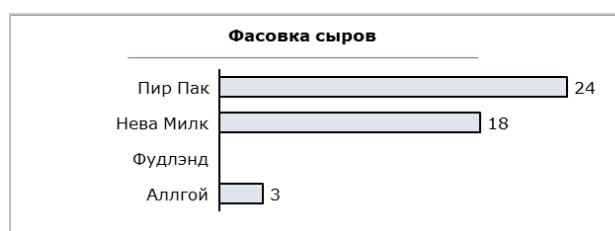
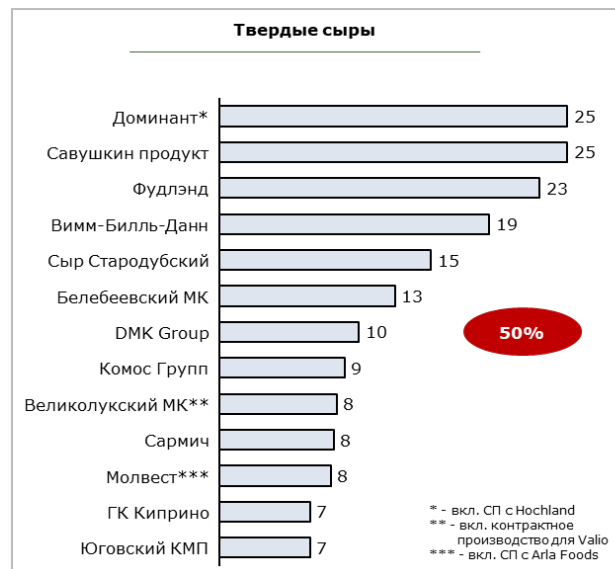
Largest dairy companies (000 tonnes ME, 2017)



7.5 million tonnes

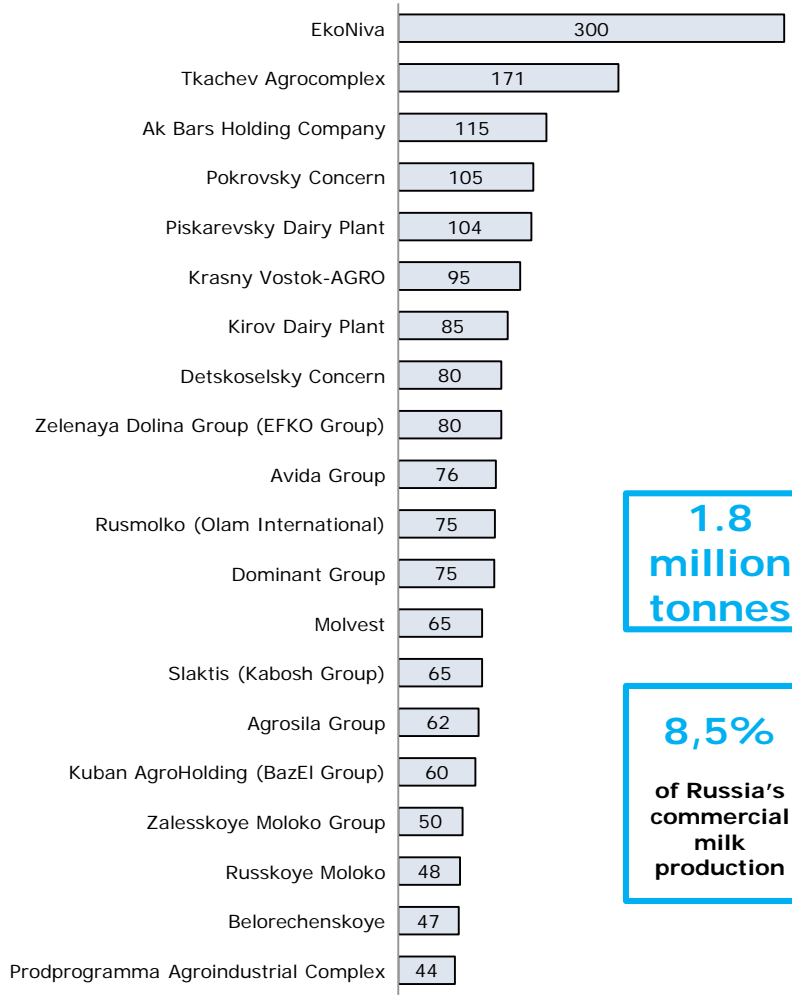
35% of Russia's commercial milk production

Largest cheese producers (000 tonnes, 2017)



Raw milk production in Russia – quest for balance and to maintain the multi-structured status quo?

Largest raw milk producers (000 tonnes, 2017)



1.8 million tonnes

8,5% of Russia's commercial milk production

Largest investors



What factors will affect the development of Russia's dairy market and dairy companies?

- **Rising personal incomes**
- **Weak ruble / global economics / sanctions**
- **Agreements with Belarus Republic**
- **Opening up of export markets**
- **Serious effort to combat fake products**
- **Raising awareness / stimulating consumption**
- **Long-term game rules in the dairy industry**
- **Amalgamation in raw materials & processing**

Thank you!

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