

We've plenty of money. And milk too!



 **Russia.** Kaliningrad is a Russian exclave with 950,000 inhabitants. Of all Russia's regions, this is probably the one hardest hit by embargoes. But for its farmers the situation represents a great, and unexpected, opportunity.

 **Russland.** Das Kaliningrader Gebiet ist eine russische Exklave mit 950.000 Einwohnern. Es ist wohl die Region Russlands, die am härtesten vom Embargo betroffen ist, doch für die Landwirte ist das eine große, unerwartete Chance.

 **Russie.** La région de Kaliningrad est une enclave russe de 950 000 habitants entre la Pologne et la Lituanie. C'est peut-être la région de Russie qui est la plus touchée par l'embargo. Mais pour l'agriculture locale, c'est une grande chance inespérée.

 **Россия.** Калининградская область – эксклав России с населением в 950 тысяч человек. Это тот регион России, который больше всего страдает от эмбарго на ввоз импортных продуктов, но для аграриев эта ситуация неожиданно стала большим шансом.

Nowadays, there's plenty of milk produced in Kaliningrad, more than enough to cover local demand, climbing from 146,000 t (2011) to 170,000 t in 2015. For the region's population this is particularly positive because it means

more chance of there being the real thing in retailed milk bottles – and not just a mix of milk powder and water. The sour milk products so popular in Russia such as kefir, sour cream and quark are also available in good quality. There's a big »but«

here, though: the further away consumers find themselves from a population centre, the more likely that such products, as well as any tasty cheese, are all sold out.

Left on the cheese shelves of village stores are rubbery and bland tasting products. And this is not because good cheese cannot be made in Russia. One of the most recent winners at an international competition for top cheeses held in Paris was a Russian cheese maker.

Stanislaw Grubinow, director of the Neschinskaja dairy in Gusev, details two reasons for the cheese misery: the Belarus Cheese Exchange and the fact that decent cheese has to mature, thus preventing a quick turnover and return. Belarus has been an important cheese supplier to Russia for a long time. But now the country has massively increased its cheese exports, selling very cheap ware with doubtful constituents. Russia's markets are flooded with cheeses, many of them processed in the country with substitute ingredients. Palm oil replacing milk fat, for instance. At first, this was because of milk shortage, but

also to keep prices down as much as possible. Those wanting to sell cheese now in Russia have to compete with Belarus Cheese Exchange prices. However, there are customers in the big cities still ready to pay good money for quality cheese. And in such population centres good products can indeed be found on the shelves.

Neschinskaja dairy nestles in the centre of the small town Gusev, occupying a warren of streets with old and new buildings surrounded by a wall and barbed wire. The foundations were laid when this area belonged to Germany back in 1935. Interested passers-by can look straight into one of the processing areas through a large window. Western advisers have helped to partly modernise the plant, which belongs to the Dolgov Group that has its office 25 km away in Nesterov. The 100 t milk processed daily all come from the firm's own 3,400 cows. Actual processing capacity is nearer 280 to 300 t per day.

Stanislaw Grubinow, 60 years old, has worked for the firm over 25 years and is now director. As he shows us around he talks of the future. »We sell 45 to 50 t of dairy produce daily in the Kaliningrad region with around 7 t exported in refrigeration trucks. We've exported some 15% of our output for the last two years to central Russia, St. Petersburg and Moscow. We want to expand this trade. Only then will we need more milk. We modernise almost continually. An important improvement: rationalisation and reducing labour input with some of our processes.« Grubinow claims he's a »hard boss« who admonishes staff members for any carelessness, demanding immediate improvement.

Of the many products leaving this dairy the most important is quark followed, for instance, by yogurt, sour cream, single cream, drinking milk, kefir and milk puddings. The sour milk products taste deliciously fresh and natural. Russian quark is produced with large curds giving it the consistency of cottage cheese. As for conventional cheeses, this dairy produces five different types, mainly in summer when there's more milk available. Very tasty Maasdam is created, although only in small amounts. This has to mature, and that means lost money. At any rate, this is the impression one gets when tasting »normal« cheese. The ware is shipped for retail after a short storage period with no time for any characteristic flavour to develop.

However, there are plans to renovate the old cheese cellar and then to produce more quality cheese.

The dairy buys its milk for 25 roubles per litre (RUB/l) from the Dolgov Group cows that average 3.8 to 4.0% fat and 3.2% protein. »The protein content is too low for us«, says Grubinow. »Sometimes we inform them and discuss the feeding used.«

The 31,000 l milk tanker arrives several times daily in Neschinskaja village to collect milk. Housing for the 3,400 milkers comprises 11 barns forming a half circle. When you've just come through typical Russian villages with scraping hens and gardens with blossoming apple trees, this complex seems unreal: appearing like a huge UFO that's just landed. Neither humans nor animals are to be seen, except guards at the farm gates where all incoming vehicles pass through a disinfectant bath. Behind the barns is a huge slurry lagoon featuring equipment from Austria for pumping the slurry up to 11 km out onto the surrounding fields. Perhaps the complex seems unnatural because it's over-dimensional. There's actually room for 9000 cattle. To date, however, there's not the demand for the amount of milk that would come from such a herd. Sales have to be increased in the face of competition from other big units in Kaliningrad. The best known is Novoe Vysokovskoe near Tschernachowsk, a dairy farm with its own processing plant. Result: the market for milk is currently saturated.

At Neschinskaja, dairy cows are loose housed in six barns with another five for followers. In the latter there are also pens for sick cows and calvers. Newborn calves are housed in blue igloos sited between the barns. Manager here is zoologist Elena Schabko who, together with another zoologist Tamara Sokopova, the liaison lady with the Dolgov Group, manages the dairy cow business. First, the manager shows off the impressive 84 milking point parlour. Fresh calved cows are milked thrice daily, the rest twice. Milking continues around the clock.

The herd's oldest cow currently is six years old. Average production lifetime on this farm is 2.8 lactations averaging 9500 l/year. Cows are grouped according to performance and fed homegrown TMR. Last year 420 Holstein-Friesian heifers were bought-in from the Netherlands and Germany, although the aim is to stop such imports because there are now enough followers available for replacements. Still imported is AI semen.

Elena Schabko says calf mortality is 5%. One problem can be diarrhoea, especially at changeover from colostrum to heated cow's milk. Milk substitute is not used. The calves are kept two to three weeks in their igloos and then grouped according to age in surrounding barns with outdoor access. Between occupancy, the igloos are disinfected and rested.

Currently 2300 bulls, including those from the dairy herd, are fed to slaughter.



The brothers Dmitrij and Alexandr Dolgov are founders and owners of the Dolgov Group.



On another location, a 700-head suckler herd with followers is the main enterprise with all finished animals slaughtered and processed at a Dolgov Group facility.

The dairy farm buildings were erected about six years ago, designed to international standards. If it wasn't for the Russian being spoken, you wouldn't know which land you were in. The only difference is the sawn-off horns of some cows that gives them a different look. »But we'll sort that out too«, says farm manager Schabko, obviously proud of her work.

And this impression of pride, although displayed with a more reticent and stress-

ful air, is given by the brothers Alexandr and Dmitrij Dolgov, founders and owners of the Dolgov Group. Alexandr (48 years old) trained as a radio engineer, his twin brother Dmitrij studied forestry. It's actually a coincidence that they now keep cows. The original aim was amassing land. They expanded their farm hectare by hectare and worked the fields they'd bought. That cultivation took place is not always typical for the Kaliningrad region, long known for its huge fallow areas. The brothers, who kicked off their business with a garage saleroom for crop protection sprays, now have 50,000 ha owned land and 20,000

rented hectares for grain and oilseed rape production. Gradually, there came also a rapeseed crushing mill for production of specialised oil, pig breeding, poultry and egg production, a meat processing plant and a slaughterhouse. Also traded in large amounts by the group are crop sprays and other farm inputs as well as feed grain.

And why cows? »We took over a former collective farm with 5600 Russian-bred cows but didn't have enough staff for the herd«, recalls Alexandr Dolgov. The brothers got hold of specialists from Lithuania and Germany as well as touring farms

Milk production after the embargo

The Russian Statistics Office has given annual national milk production as over 30 m t for the past 20 years. However, according to the Russian Dairy Association (Sojuzmoloko), this figure should only be around 20 m t.

Milk output in Russia over the period appears to have stayed constant. What has changed is the number of cows involved, production per cow and size of farms. Today, around 8.5 m cows produce the republic's milk.

Twenty years ago there were 17 m cattle in the milking sheds. The greatest challenge faced by dairy farms now is controlling feed costs and finding well-trained, honest and motivated staff. Subsistence-scale farming continues to decrease with bigger units taking over production. In 2013, Russia had a milk self-sufficiency of 85% against Belarus' 220%.



In 2015, Russia imported 207,800 t of cheese including 167,000 t from Belarus. The largest dairy processors are Danone and PepsiCo. But even in the shadow of such big players, smaller dairies still survive. Each morning, the milk trucks drive out to the villages and collect milk left for them in plastic containers. A repeated occurrence is watering of milk by producers.

It is hard to say how cheese imports will develop once the embargo is lifted. Russian consumers are very unhappy with the quality of cheese available presently. In fact, those with enough cash bring cheese back with them from foreign visits. This dissatisfaction also applies to imported fruit and vegetables, although currently Russians save by cutting back on all purchases. The economic situation will first have to change before Russians can spend more on groceries.



*From left:
Calves are kept for two to three weeks in igloos.
Company logo for the Neschinskaja cheese plant and products from Gusev Dairy, both of which belong to the Dolgov Group.
The zoology technicians Tamara Sokopova and Elena Schabko. Behind is the 84-cow milking parlour.*

worldwide to learn about modern cow housing. They have many tales to tell about secret farm visits where photography was not allowed, over cows that gave 50 l per day, about special breeds, and of American workers expected to carry out their duties on the run for the entire day. »This doesn't happen here«, they both agree. They selected management strategies they thought acceptable. Buildings were than renovated and, in 2011, new barns added. In the milk production sector (including guards and drivers) a total 86 people are now employed.

With dairying, their target was production at reasonable cost. Present costs are reckoned at the equivalent of 29.2 euro-cents per litre with milk sales earning 33.8c/l.

But everything that sounds simple here is, in fact, not so easy. Dealing with com-

petitors, those jealous of success, critical officials and others who see themselves as protectors of the environment, demands special skills. The bosses don't wish to speak about turnover and profit. »We've succeeded on our own«, they summarise. »The only help we've received, and still receive, is lower interest credit.« Total investment in the dairy farm and purchase and modernisation of the processing plant is put at 3.5 billion roubles, equivalent to 47.3 m € at today's exchange rate, although when the investment was made the rate was much lower.

Nowadays, Russian farmers have very much better opportunities for getting capital. Long term credit is available at reasonable interest rates.

»We have enough money here«, is an often-repeated phrase from the Dolgov

brothers. Those with land, or other forms of security, have no problem. For example, the state pays 12% of a 13.5% interest charge on borrowings for agricultural machinery. Also subsidised by the state this year with a payment of 2.00 to 2.70 c/l milk produced, is new housing. There's also a programme to help young farmers. The Dolgov twins indicate that such schemes are already solid reality, not merely political promises.

What's the future like for milk production? »Momentarily, increasing stocking doesn't make sense because we have enough milk already«, say the brothers. »Right now, we want to establish our niche and then build up exports to central Russia. Five more years of embargo. That would be good!«

Astrid Thomsen, Kiel, Germany



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