

Russian Buyers Likely in U.S. Dairy Heifer Market by Mid-2008

by Pete Hardin

Hold on your dairy heifers! By mid-2008, we may see a new demand force in the U.S. dairy heifer market: Russians.

Two months ago, *The Milkweed* reported that Russians were engaged in discussions with the U.S. State Department about gaining approval for a program involving massive purchases of dairy heifers from this nation's livestock industry. Now our source is reporting that approval for a "Russian Heifer Deal" will likely take place by July 2008, give or take. If the Russians enter the U.S. heifer market, prices for young dairy stock will soar.

Russia is flush with cash from oil and natural gas sales. The Russian government is strategically planning to upgrade the volume of its food supply and modernity of its food systems. For nearly a century in Russia—both during the Soviet period and the post-Communist government's evolution into a "klepto-tatorship"—food has been scarce and the nation's food system has become increasingly inefficient. (No help that "Uncle Joe" Stalin killed off hundreds of thousands of *Kulaks*—wealthier peasant farmers—to enforce his dictates upon those independent-spirited, productive souls.)

Russian economic planners hope to build up their nation's dairy industry with a multi-year plan to import about half a million dairy heifers. Like China, Russia wants to improve the quality of its citizens' diets. And dairy is perceived as a key ingredient in nations' diet-building to boost health and quality of life for citizens.

This new set of buyers isn't all "peaches and cream." Financial dealing with Russian buyers is not for novices. The Russian economy is best described as mafia-like extortion racket overseen by government goon squads. Financial deals with Russian firms can backfire. If deals for simple food products (like butter) can be broken when the shipments are in transit, imagine the terminal case of "scours" that would afflict owners of a boatload of Holstein heifers when Russian buyers reneged on a

contracted deal while the boat was in mid-ocean!

So ... in mid-2008, look for a new factor in the U.S. heifer market to add propulsion to heifer prices: Russians. Obviously, Russians will work through some established buyers and perhaps even breed organizations. When and how this information about the U.S. government approving heifer sales to Russia becomes public is cause for concern. Owners of dairy animals should not forget the infamous "Russian Wheat Deal" from the early 1970s. Back then,

USDA senior officials negotiated a massive sale of U.S. wheat (and other grains) to the starving Russians ... without ever informing U.S. grain farmers. The Russians swooped in and bought up a lot of the U.S. grain crop (with the help of multinational grain companies) before U.S. sellers realized what was happening.

The Russians are coming. The Russians are coming ... to buy U.S. heifers. You read it first in *The Milkweed*.