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INTERNATIONAL BUSINESS

With Imports Banned, Russian Cheese Fills the Need for Brie

By ANDREW E. KRAMER MAY 6, 2015

GOLOVKOVO-MARINO, Russia — The creamy goat cheese produced at Koza Nostra, a 12-acre farm in this village 75 miles north of Moscow, had largely been a labor of love. The farm had been losing more than \$5,000 a month.

Then Russia was hit by Western sanctions over the Ukraine crisis, and Moscow retaliated by banning European cheese and other agricultural products.

Practically overnight, the farm's phones started ringing with orders. Restaurant chefs and grocery store managers were clamoring, "We want cheese, we want cheese," said Daniel G. Sokolov, who manages the farm with his wife, Maria V. Sokolova.

The farm now churns out up to 140 pounds of goat cheese a day, some selling for as much as \$14 a pound.

"The sanctions really made us happy," said Mr. Sokolov, who recalled jumping up and cheering when he saw news of the ban on television last year.

Across the country, dairy farms suddenly have a new purpose: keeping Russia in Brie, Camembert, mozzarella and ricotta through these geopolitically difficult times.

In Moscow, the cheese counter at the hip, locavore grocery store LavkaLavka groans under the weight of rounds of specialty cheese from half a dozen local farmers. One small dairy, Mosmedyn, says it is doing well focusing just on mozzarella, which it sells into the tight Moscow cheese market.

On a national scale, investments in Russian farms by the American snack and beverage giant PepsiCo are paying off because of the ban on imports. The company owns the largest dairy in Russia.

“We can’t keep Camembert on the shelf,” said Olga Makarova, a saleswoman at LavkaLavka, which sells Koza Nostra cheese among others. “People buy it. Then they come back for more and more.”

It is the rare bright spot in Russia’s economy.

Financial firms have been ravaged by Western sanctions, which limit banks’ borrowing in the foreign markets to short-term loans. Oil giants are facing the additional headwind of low oil prices. And consumer-oriented businesses, like retailers, are suffering from the general economic malaise.

But cheese makers and other agricultural producers are thriving. Even as the Russian economy is shrinking over all, cheese and curd production by volume was up 16 percent in the first quarter compared to a year earlier, according to the federal state statistical agency. Their success largely comes at the expense of European players that have been heavily dependent on Russian agriculture exports like Finnish dairy producers.

“Any established food processor should be in a rather supportive position right now because of sanctions,” said Vladimir Tikhomirov, chief economist at BCS Financial Group in Moscow.

Cheese is an unlikely success story in Russia.

As the oil boom bolstered the country’s economy over the last decade, the emerging middle class increasingly had a taste for European cheeses. Products from France, Italy and the Netherlands flooded the Russian market.

“Cheese is just like oil; if you produce a lot of it, the price will fall,” said Dmitry A. Markitan, the master cheese maker at Koza Nostra farm. “It became cheaper to buy it in Europe than make it in Russia.”

Russia just couldn’t compete.

The country has its own specialties. Farmers in the mountainous Altai province of Siberia traditionally made an Emmental cheese, which is paler, with smaller eyes, than Swiss varieties. Traditional sheep cheeses are found in the Northern Caucasus.

But domestic dairies largely churned out a standardized product, often sold under the brand Friendship Cheese. It is basically the Kraft Singles of Russia. Based on a recipe from the Vologda region, the cheese, which is slightly tangy and medium hard in yellow and white hues, is usually inferior to imports and struggled to compete.

In recent years, smaller farms have been trying to improve their quality, aiming

to create European-style fine cheeses for the budding Russian artisanal food movement. When sanctions were imposed, they were well positioned.

“We feel the demand,” said Lyudmila Presnyakova, who runs a dairy south of Moscow that makes blue cheese varieties, called Lyudmila. “There are no imports but people want to eat cheese. People call. They ask us for cheese. I understand. I’m a lover of French cheese myself.”

Mark i Lev, a farm-to-table restaurant in the Tula farming region outside Moscow, says interest has increased in a young cheese it serves called Five Minutes.

“We want to make Tula famous for cheese,” said Anna Bogomolova, director of development for the restaurant. “Farmers see the demand and raise output.”

The newfound success is evident at Koza Nostra, whose name is a play on the Russian word for goat, koza, and the term for Italian organized crime, Cosa Nostra. The barns are freshly painted. The farm bought a new billy this year, a purebred Anglo-Nubian goat, increasing the herd to 154.

The cheese — the farm makes a crème de chèvre, a ricotta, a bûche de chèvre and a Camembert, among other varieties — is rolling out the doors to grocery stores and upscale restaurants in the capital. The farm sells out of each cheese run.

But Koza Nostra is feeling the bite from sanctions. With banks constrained by the bans, the interest rates on small-business loans are running at 20 percent and higher. So the farm cannot get financing to expand operations significantly.

Without financing, the Russian cheese boom could reach a limit. “After they introduced these sanctions, they realized our agriculture was flat on its back,” Mr. Sokolov said, referring to Russian officials who banned imports. Government-subsidized loans are just now becoming available.

Since the import ban, Koza Nostra has mainly focused on improving quality. It has invested in European stainless steel equipment for the cheese kitchen. Last August, the farm hired Mr. Markitan, a former high school biology teacher turned cheese maker.

“They said they needed a man who could make ricotta,” and fast, Mr. Markitan said of the urgent phone call that led to his employment.

Inside the heart of the cheese kitchen, laboratory precision prevails.

Mr. Markitan gently stirred a simmering caldron of whey. He checked the temperature, added salt and vinegar. Soon, the milky elixir was passing through colanders into plastic forms. Round after round of ricotta took its place on the

cooling rack.

“Making cheese is a very difficult and a very capricious process,” Mr. Markitan said. “People who don’t understand it run into problems.”

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