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## **Russian Federation**

### **Exporter Guide**

### **Opportunities for Future Growth**

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**Report Highlights:**

In 2011, the Russian economy returned to its pre-crisis level, buoyed by domestic demand and as always heavily influenced by the price of oil. Russia remains highly dependent on food imports and the U.S. was the fifth largest supplier to Russia last year by value of agricultural, fish and forestry products. The consumer oriented sector, including red meats, poultry, fruit, tree nuts, etc., accounted for 71 percent of total agricultural imports from the United States, worth more than \$1 billion according to Russian customs statistics. With growing demand, Russia is increasingly dependent on imports of retail and packaged food products, and this presents opportunities for U.S. suppliers, particularly suppliers of red meats, poultry, fish and seafood products, tree nuts, fresh and dried fruits, food preparations/ingredients and pet foods. Russia remains a complicated market in terms of regulatory environment, financial structure, and in terms of its market size and diversity. Post recommends that U.S. Exporters review this guide and other reports, e.g. FAIRS Report, from FAS Russia prior to entering the market.

**Post:**

Moscow ATO

**Author Defined:**

## SECTION I. MARKET OVERVIEW

Russia is one of the fastest growing economies in Europe with approximately 143 million consumers who have developed a strong appetite for quality, Western food products in recent years. Rising incomes and a growing middle class have particularly fueled demand for packaged food, as well as more casual dining options in the foodservice industry. These trends ultimately present great opportunities for U.S. food and beverage exporters looking to enter the large and increasingly advantageous Russian marketplace.

After the notable slowdown in 2009, in 2011 the Russian economy finally reached its pre-crisis level. Gross domestic product (GDP) in 2011 totaled \$1,860 billion. This is 4.3 percent growth from 2010 and 0.3 percent growth compared to pre-crisis 2008. The main economic driver for GDP growth in 2011 was increased domestic demand. For example, consumer expenditure per capita totaled \$6,447 in 2011 and is forecast to grow by 5 percent in 2012. According to the Ministry of Economic Development (MED), the GDP is forecast to grow by 3.7 percent in 2012, by 4 percent in 2013, and by 4.6 percent in 2014.

While macroeconomic and consumer expenditure indicators are positive, the indicators for average income are less glowing, and thus presents a challenge to businesses trying to sell to middle-income consumers. In 2011, retail sales amounted to \$654 billion or up 7 percent year-on-year, according to the Russian Federal Statistics Service (Rosstat). Food service sales grew by 6.2 percent and totaled \$31 bn. The share of food products in total retail sales in 2011 was 47.8 percent versus 48.6 percent in 2010. Meanwhile real disposable income growth was a mere 0.8 percent despite an increase in real wages of 3.5 percent. Disposable income per capita totaled \$7,273 in 2011 and is forecast to rise by 4.4 percent in 2012, according to Euromonitor International. The minimum monthly wage in 2011 stood at US\$148 (RUB 4,330). The poverty rate in Russia increased by 0.2 percent and amounted to 12.8 percent of the total population. Although the middle-class has grown substantially, the number is still matched by those living in poverty (please see Appendix Statistics, Table A). The income differentiation gap between the top 10 percent and bottom 10 percent of earners at the end of 2011 was estimated to be approximately 16 times. Unemployment was 6.6 percent in 2011, slightly higher than during the pre-crisis period when unemployment was 5.7 percent (2007). In addition, Russia's savings ratio has been falling in recent years. In 2011, savings amounted to 10.4 percent of disposable income but that is expected to fall to 9.9 percent in 2012.

The Russian government continues to focus on fundamental changes in the country's economic structure over the long term. The economy remains heavily dependent on oil and natural gas exports, which account for two-thirds of export revenues. Their goal is to reduce the economy's dependence on the energy sector.

Russia is also taking a huge step toward joining the global economic trading community. The Russian Federation is due to accede to the World Trade Organization (WTO) in 2012. As part of its WTO accession agreement, Russia has committed to reducing and binding import tariffs to all agricultural goods, thereby providing more predictability on its duties once Russia joins WTO. The average tariff for agricultural products will be reduced from current 13.2 percent to 10.8 percent. For more information on market opportunities please see the following report:

<http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Market%20Opportunities%20for%20Key%20U.S.%20Products%20in%20>

European Russia, geographically west of the Urals, is home to over 75 percent of the total population (143 million people). 74 percent of Russians in 2011 lived in urban areas and over 8 percent of the total population lived in either Moscow (11.6 million people) or St. Petersburg (4.9 million people). There are twelve cities in Russia (e.g. Novosibirsk, Yekaterinburg, Nizhniy Novgorod, etc.) with a population of more than one million people. These Russian metropolitan areas also represent the largest retail and Hotel/Restaurant/Institutional (HRI) markets in the country.

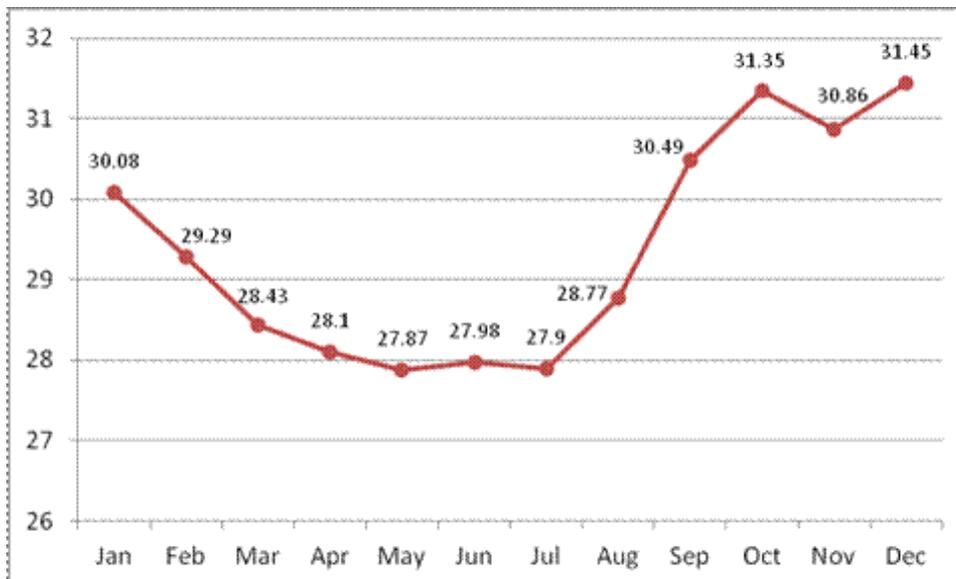
**Table 1. Russia – Economic Activity, 2007-2011**

	2007	2008	2009	2010	2011
Nominal GDP, billion rubles	33,246	41,277	38,807	45,173	54,586
Nominal GDP, billion dollars	1,354	1,410	1,293	1,474	1,860
Real GDP growth, % change y-o-y	8.5	5.2	-7.9	4.0	4.3
GDP per capita, US\$	8,813	11,304	8,682	10,315	16,700
Population, millions	142.1	142	141.9	141.9	142.96
Unemployment, %	5.7	7	8.2	7.5	6.6
Inflation, %	11.9	13.3	8.8	8.8	6.1
Exchange rate (per \$1)	25.58	24.85	31.76	30.36	29.35

Source: Federal State Statistics Service

The Ruble is still weak against the Dollar and Euro compared to pre-crisis exchange rates and imported food prices have risen respectively. The Central Bank of Russia allows the Ruble to float within a certain band to adjust to market conditions. Figure 1 and 2 below show the exchange rate of U.S. Dollar to Russian Ruble in 2011.

**Figure 1. Russia’s Central Bank’s exchange rate of \$1 USD to Ruble from January 2011 to December 2011**

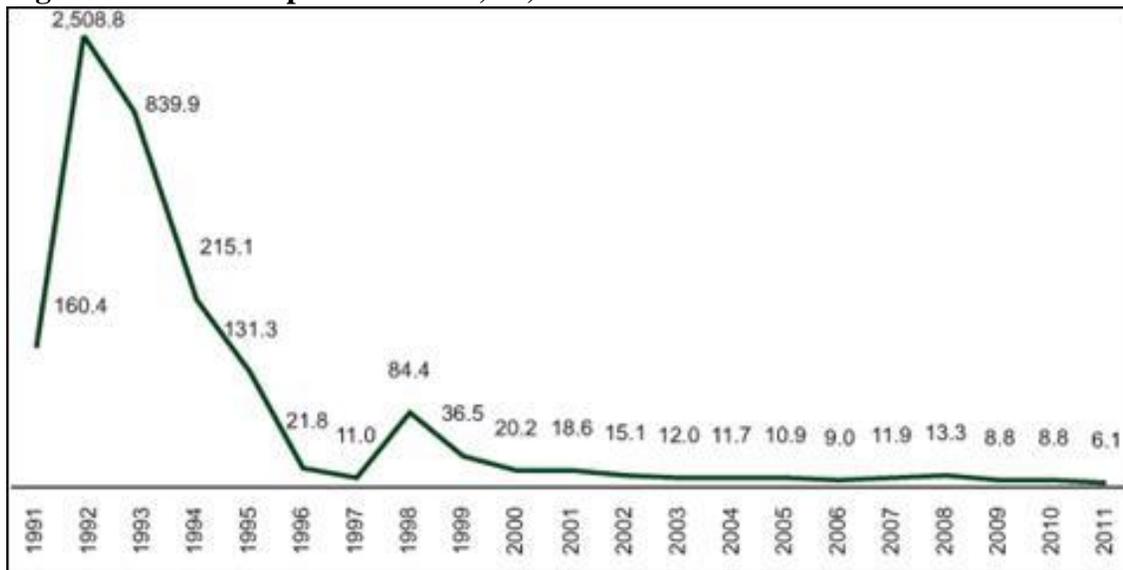


Source: The Central Bank of the Russian Federation

Consumer price inflation was the lowest since 1991 and reached 6.1 percent in 2011 (down from 8.8

percent in 2010). However, during the first two months of 2012 inflation reached 0.9 percent. Russian government estimates are that the rate will reach 5-6 percent by the end of the year.

**Figure 2. Consumer price inflation, %, 1991-2011**

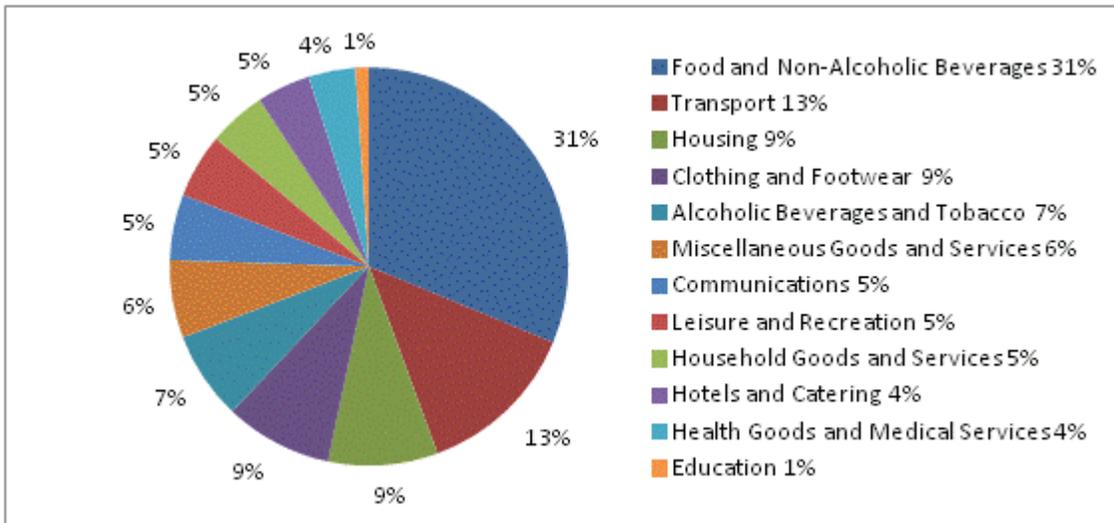


Source: Rosstat

Russia's consumer markets are vast and still fairly undeveloped compared to Western markets, creating numerous opportunities for investors, despite the low disposable incomes and the concentration of wealth in major cities. In the past 15 years, investors in Russia's consumer markets focused almost exclusively on Moscow and St. Petersburg, as the two cities offered a very high concentration of well-off consumers, while the rest of the country was relatively poor. However, as consumer markets in Moscow and St. Petersburg have become increasingly competitive and the population in other important cities, such as Yekaterinburg and Nizhniy Novgorod, has also experienced a notable increase in disposable incomes, more investors are looking into opportunities for investment outside the two main cities.

Consumer spending on food has steadily increased from 2006 through 2011 by 114 percent with an annual growth rate of 17 percent. Approximately 31 percent of consumer expenditure in 2011 was allocated to the purchase of food and non-alcoholic beverages (compared to approximately 12.7% in the United States in 2010), totaling about \$280 billion. Figure 2 shows Russian consumers' expenditures by sector in 2011.

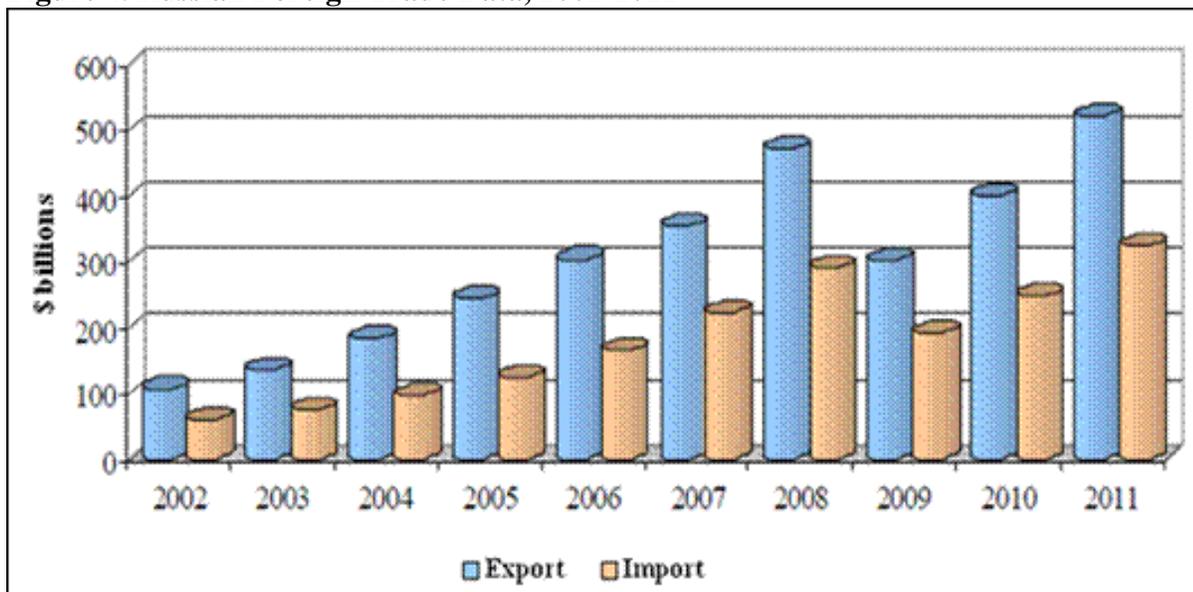
**Figure 3. Russia. Consumer Expenditure by Sector in 2011, %**



Source: Euromonitor International

In 2011, Russian exports and imports reached record volumes which were growing at about the same pace. Export sales increased by 31.5 percent (versus 32.0 percent in 2010) and imports - by 30.0 percent (versus 29.7 percent in 2010).

**Figure 4. Russian Foreign Trade Data, 2002-2011**



Source: Russian Ministry of Economic Development, Rosstat

Imports of agricultural products to Russia increased by 19.6 percent compared to 2010 and totaled \$36.3 billion, according to Rosstat. In total, Russia's imports have grown 148 percent since 2005, and demand for imports exceeded pre-crisis level in 2011. This indicates an opportunity for future growth, suggesting U.S. exporters can benefit from further increasing Russian import demand.

**Table 2. Import of Agricultural, Fish and Forestry Products to Russia, 2007-2011**

	2007	2008	2009	2010	2011
Agricultural Imports, billion dollars	26.6	34.3	28.3	33.7	40.3
Growth Year on Year, %	28.5	28.9	-17.5	19.1	19.6
5-Year Average Annual Growth Rate, %					15.7

Source: Global Trade Atlas

The U.S. and Russia maintain strong trade relations and cooperate through trade and investment, energy, development and governance, and educational and cultural partnerships. The U.S. is Russia's 5<sup>th</sup> largest import source, and its 10<sup>th</sup> largest export market. U.S. - Russia bilateral trade totaled \$35 billion in 2011, a 25 percent increase from the 2010 total of \$21.6 billion.

**Table 3. The U.S. – Russia Bilateral Trade, 2011**

<b>Russian Total Trade</b>	\$822 billion
Exports	\$516 billion
Imports	\$306 billion
Trade Balance	\$210 billion
<b>The U.S.-Russia Trade</b>	\$27 billion
Exports from Russia to U.S.	\$12 billion
Imports to Russia from U.S.	\$15 billion
Trade Balance	\$3 billion
<b>The U.S.-Russia Ag. Trade*</b>	\$1.8 billion
Exports from Russia to U.S.	\$0.2 billion
Imports to Russia from U.S.	\$1.6 billion
Trade Balance	\$1.4 billion

Source: Rosstat, Global Trade Atlas

\*Note: Agricultural, Fish and Forestry Products

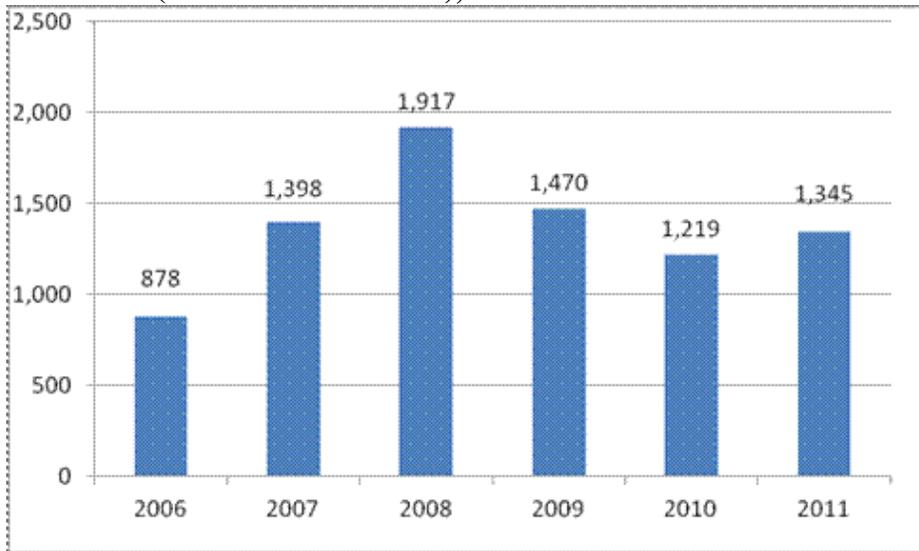
Russia is among the top export destinations for U.S. agricultural products. Based on U.S. official export data, the U.S. share of agricultural, fish and forestry products in 2011 increased by 8 percent and exceeded \$1.3 billion. Note: these figures are understated due to transshipments via Europe.

According to Russian customs statistics U.S. agricultural imports in 2011 accounted for \$1.6 billion – a figure that is up by 23 percent compared to 2010. The U.S. remains the fifth largest supplier to Russia (by value of agricultural, fish and forestry products) with 3.5 percent of Russia's agricultural imports behind Brazil, EU, China, and others (please see Appendix Statistics, Table C). The U.S.'s top agricultural exports to Russia in 2011 include red meat, poultry, food preparations, nuts (almonds and pistachios), prunes, fresh fruit, fish and seafood, and other products.

Total U.S. - Russia agricultural trade, approximately \$1.4 billion, represents about 5 percent of total trade between the two countries.

**Figure 5. Value of U.S. Exports of Agricultural, Fish & Forestry Products to the Russian**

**Federation (in millions of dollars), 2006-2011**



Source: Global Trade Atlas. Note: These figures are based on U.S. Customs export data, and will differ from Global Trade Atlas data on Russian imports from the U.S., which are based on Russian Customs import data.

U.S. suppliers of a wide variety of products and services are active in the Russian market. The Russian chapter of the American Chamber of Commerce includes more than 850 members successfully operating in Russia. Among them are such American companies as Kraft, Mars, DuPont, Wrigley, Cargill, PepsiCo and many others. According to PMR research, a number of leading international brands have entered or returned to the Russian market in 2011, including Berghaus, Diesel, DKNY Jeans, Jaeger, Victoria’s Secret, La Senza, Jimmy Choo and many others.

Moscow has been ranked as the third most attractive city for international retailers after London and Paris, according to a survey of 150 leading international retailers in 55 countries in Europe conducted by Jones Lang LaSalle. Ten retailers are planning to launch in Moscow in 2012 including Debenhams, Noodle House, Seattle’s Best Coffee, MuzzBuzz, Brisket Express, Krispy Kreme, Peek & Cloppenburg and Abercrombie & Fitch.

Successful U.S. businesses operating in Russia should not rest on their laurels. Russian companies are raising their game in order to compete for customers. For many staple products, domestic production meets demand. Certain imported food and agricultural products have difficulty competing with domestic products due to the high cost of foreign exchange, high import duties and/or difficult regulatory framework and generally efficient production of unsophisticated food products. Successful imports tend to be those that add to the variety of foods available on the market and those that are either not grown in the country or for which domestic production is insufficient to meet domestic demand.

Exporters should review some of the advantages and challenges of the Russian market (please see Table 4 below) when considering their marketing strategy.

**Table 4. Russia: Advantages and Challenges for U.S. Exporters**

Advantages	Challenges
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Population of 143 million people who are potential consumers. The U.S. is the fifth largest importer in Russia (by value) of food and agricultural products.	The relatively low purchasing power of many Russian consumers, particularly in the regions and the consequently lower demand for durable goods, premium grocery, and non-grocery goods.
Russia's retail sector is growing, which creates a number of opportunities for prospective U.S. exporters. The ongoing development of the mass grocery retail industry will allow producers to route products to the market more efficiently.	Economic vulnerability, dependence on oil and mineral extraction for most wealth. Substitution of imports for domestic products as part of the Russian Government's policy of self-sufficiency. Distance is one of the major barriers complicating logistics for the retail chains.
In general retailers are open to new products in order to attract customers.	Strong competition with suppliers of similar products from Russia and European Union.
Significant number of consumers can afford purchasing high-quality food products.	Per capita spending in the regions outside Moscow and St. Petersburg remains quite low.
Urban lifestyle changes increase demand for semi-finished and ready-to-cook products.	Rapid development of local manufacturers of ready-to-cook products and Government Strategy to modernize food processing sector creates tough competition for similar imported goods.
American-made food and drinks are still new for the majority of the population, and popular among the younger generation.	Growing number of domestically produced products; lack of knowledge of American products.
Existence of large importers experienced in importing food products to Russia.	Language remains an obvious barrier for many entrepreneurs from both small and large companies. Despite improvements in English language competency of many Russians it's still to be expected that many firms will not communicate effectively in English.
Paying in dollars is advantageous for exporting to Russia compared to Europe due to the lower cost of the dollar relative to the euro.	Russian government bureaucracy and corruption. Contradictory and overlapping regulations. Official government opposition to growth in food imports.
Russian trade and investment policy is converging with international standards.	Current presence of non-tariff barriers such as unscientific sanitary and phytosanitary restrictions.
Investors are building more efficient storage facilities, improve infrastructure and logistics.	Despite huge potential, regional markets require substantial up-front investment in infrastructure and facilities, and transportation infrastructure between cities and regions remains extremely poor.
The Russian government has committed to spending billions on infrastructure over the next 10 years, particularly on railroads and highways, which should translate to better logistics for	Lack of reform in the Russian agricultural sector has led to high raw-material costs and shortages for processors.

expanding retailers.	
Russia's accession to the WTO is expected by the end of 2012. Russia will be obligated to bind its agricultural tariffs, adding more predictability to the trading relationship and opening export opportunities for the U.S. agricultural industry. WTO membership will also require Russia to abide by science-based sanitary and phytosanitary standards that will help facilitate U.S. farmers' access to the market.	Competition with food products imported from EU and other countries may rise.

Russia's proposed accession to World Trade Organization (WTO) is expected to create changes that will provide more obtainable access for foreign companies to the market as well as much healthier competitive environment domestically. Through commitment to WTO rules and norms, the investment in and expansion into the Russian market will become more predictable thus reducing the "risk cost" of the entry ticket onto the market. Russia's accession is expected to take place in 2012.

To get more information on the market access changes for each key food products that will occur with WTO accession for the U.S. suppliers please see the report:

<http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Market%20Opportunities%20for%20Key%20U.S.%20Products%20in%20Russia%20Moscow%20Russian%20Federation%203-20-2012.pdf>

## **SECTION II. EXPORTER BUSINESS TIPS**

### **General Consumer Tastes and Preferences**

As Russian consumers' incomes rise and the country's middle-class gradually expands, demand for better quality food is increasing. There are two distinct trends in Russia in terms of spending on food: a trend towards health-conscious eating and a trend towards convenience foods.

Healthy meals are becoming increasingly popular, particularly among younger consumers who are more conscious of their fitness and appearance and more aware of the risks of heart disease and similar diet-related illnesses. Thus, spending on foods such as yogurt, muesli and low-fat alternatives has grown faster than the overall food category. Overall spending on fish, seafood, poultry products and fresh produce is also increasing. Per capita consumption of fresh fruit and vegetables has risen considerably, largely due to greater availability of such products, as well as public campaigns promoting the benefits of a healthier lifestyle. Russian consumers also generally dislike artificial flavors and additives, and prefer to purchase products with natural colors, flavors and other natural ingredients. Non-GMO products are also becoming more important for the Russian consumer, although understanding of agricultural biotechnology is extremely low.

The demand for eco-brands and organic products is growing, whilst there is a lack of regulation in Russia concerning eco-brands, and any company can name its products "bio" or "eco". This is the reason why Russian consumers do not trust the quality of so-called eco-brands, and they are not ready to pay extra for them. For more information on Russian organic market please see Russian Organic Market report:

<http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Russian%20Organic%20>

Russian consumers are increasingly time-poor and, as a result, they are demanding more convenience products, frozen processed food and ready-to-eat meals. Time dedicated to traditional food preparation and dining at home with family is commonly shifting to consumption of prepared meals or those at restaurants. Busier lifestyles and health-and-wellness trends are expected to boost the development of healthy fast food e.g. fresh fruit and vegetable salads, therefore the consumption of naturally healthy snacks will grow.

In most Russian households, women have the responsibility for grocery shopping. Generally, long-lasting foodstuffs such as rice, pasta, coffee and tea are bought in large quantities a couple of times a month, while fresh products are bought on a daily basis, usually on the way home from work.

When shopping for food, most Russian consumers are looking in three directions. First, they are giving preference to well known brands, rather than experimenting with the new ones. According to “GfK Russia” research, about 40 percent of Russian customers firstly pay attention to their favorite brands’ offers. And about 70 percent believe that branded products are of better quality than others. Therefore they prefer quality brands which offer value-for-money. Secondly, Russian customers are very exposed to various discounts, promotions and sell-offs and as a result don’t like to pay full price when they know they can find a bargain. And thirdly, consumers are looking for colorful, attention-grabbing and more unusual goods. They are open-minded to brands which are novel, provided that the story around them is modern and attractive. This is good opportunity for a wide range of U.S. packaged products.

### **Packaged Food Sales**

Russia’s packaged food market is amongst the fastest growing in the world reaching \$100 billion by some estimates. In 2011 the market was boosted by steady growth in almost all categories of packaged food. Sales in this sector increased by 16 percent in 2011 supported by rising incomes as well as the availability of imported products on the market.

Moscow is a priority market for many packaged food players. Global brands and imported products have a higher share of value sales in Moscow than they do nationally. This is largely due to the city’s higher income level and Muscovites’ Western-looking attitudes being affected by European lifestyle trends and brands. In addition, the higher share of imported products in Moscow is due to generally higher prices in the city. This reduces the price gap between domestic and imported goods. Many products are often launched in Moscow long before they are launched nationwide. As a result, Moscow accounted about 14 percent share of overall packaged food sales in 2011 and saw stronger growth than Russia as a whole (according to Euromonitor).

In 2011, Russian packaged food manufacturers quickly reacted to the healthy eating trend and launched a number of products targeting that niche. Light (or low-fat) products appeared in many categories of packaged food, including low-fat yogurt, sauces, light savory snacks (such as croutons by Kirieshki Light) and frozen yogurt. In sweet and savory snacks, the consumption of naturally healthy nuts and fruit snacks grew 8 and 24 percent respectively in current value terms in 2011. Fruit bars showed the strongest growth rate of 24 percent in the snack bar category.

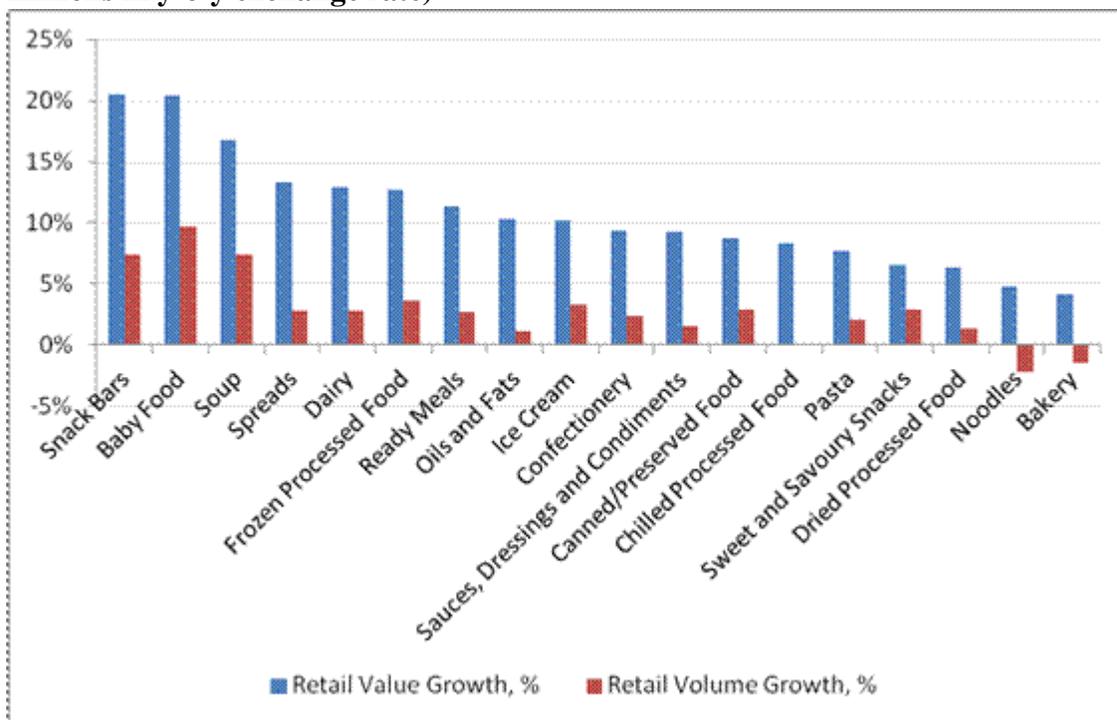
The popularity of fortified products in Russia is also growing. Various types of noodles, dairy products, soup, and baby food products fortified with vitamins (omega 3, vitamins A, B1, B2) were launched in

the market in 2011. Producers emphasize the new health and wellness features of their products (reduced-fat or vitamins added) on the packaging of their products (for more information on food package labeling please see FAIRS report:

[http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative\\_Moscow\\_Russian%20Federation\\_1-17-2012.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative_Moscow_Russian%20Federation_1-17-2012.pdf).

With growing demand, Russia is increasingly dependent on imports of retail and packaged food products, and this presents opportunities for U.S. suppliers. In 2011, the most dynamic growth of U.S. products in the high-value sector was food preparations, pastry and cakes, vinegar and soy sauces, pasta, tomato ketchup and other tomato sauces, mustard, and nonalcoholic beverages such as waters (including mineral).

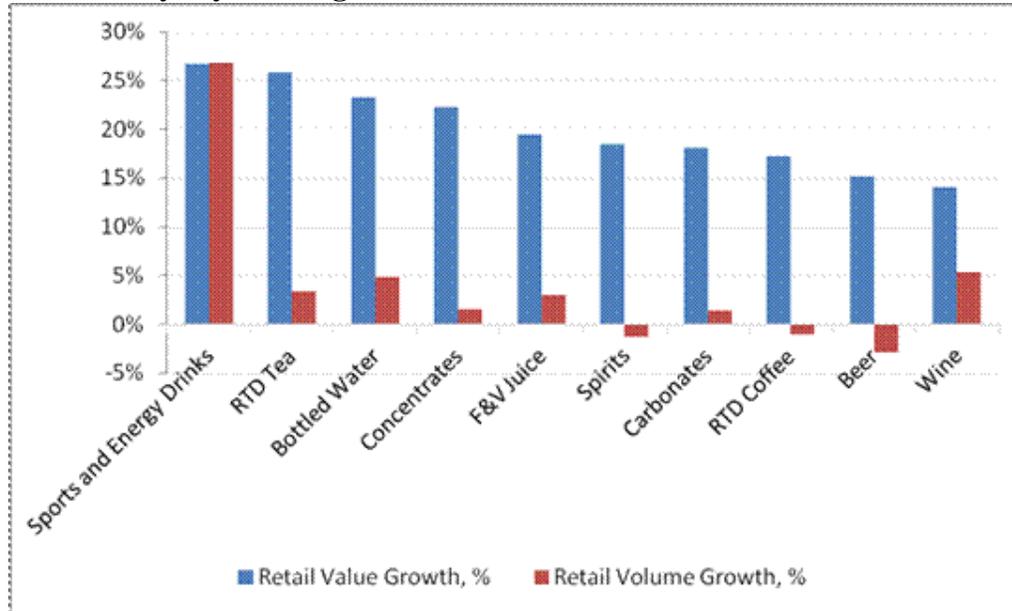
**Figure 6. Packaged Food Sales through Retail Stores in Russia (2010/2011 % growth, \$US millions in y-o-y exchange rate)**



Source: Euromonitor International

Significant market opportunities exist for U.S. exporters of non-alcoholic beverages and many of these are already experiencing strong growth in Russia. According to Euromonitor, in 2011 the sales of sport and energy drinks reached record volumes with 27 percent growth year-on-year. Ready-to-drink tea increased by 26 percent followed by bottled water (23 percent), concentrates (22 percent), and fruit and vegetable juice (nearly 20 percent). Significant growth in sports and energy drinks sales was due to novelty of the products on the market as well as the active promotion in media. In 2010 there was a spike in bottles water sales due to the record-setting temperatures. The habit that was formed that summer has persisted for many Russians.

**Figure 7. Drink & Beverages Sales through Retail Stores in Russia (2010/2011 % growth, \$US millions in y-o-y exchange rate)**



Source: Euromonitor International

\* Note: RTD - ready-to-drink

Table 5 below shows retail value sales of packaged food in 2007-2011.

**Table 5. Packaged Food Sales through Retail Stores in Russia, 2007-2011, \$US millions**

	2007	2008	2009	2010	2011	2010/2011 % Growth
Packaged Food	62,127	74,625	65,313	75,545	87,445	15.8
Baby Food	1,028	1,415	1,349	1,675	2,128	27.0
Bakery	10,097	11,578	9,791	10,762	11,830	9.9
Canned/Preserved Food	3,631	4,384	3,793	4,379	5,021	14.7
Chilled Processed Food	4,659	5,417	4,873	5,552	6,343	14.2
Confectionery	8,783	10,305	8,861	10,195	11,765	15.4
Dairy	12,545	15,724	14,629	17,796	21,192	19.1
Dried Processed Food	2,463	3,127	2,833	3,161	3,544	12.1
Frozen Processed Food	5,514	6,574	5,722	6,680	7,940	18.9
Ice Cream	1,775	1,998	1,767	2,132	2,478	16.2
Noodles	468	555	503	557	616	10.5
Oils and Fats	4,668	5,867	4,757	5,331	6,202	16.3
Pasta	955	1,313	1,211	1,422	1,615	13.6
Ready Meals	3,243	3,740	3,250	3,726	4,373	17.4
Sauces, Dressings and Condiments	3,422	4,082	3,508	4,002	4,612	15.3
Snack Bars	8	10	9	11	14	26.9

Soup	382	462	414	506	624	23.2
Spreads	351	419	370	442	528	19.5
Sweet and Savory Snacks	3,146	3,683	3,018	3,396	3,820	12.5

Source: Euromonitor International

### **Starting Business with Russia**

The World Bank's Ease of Doing Business 2012 report ranked Russia 111<sup>th</sup> out of 183 countries, a measurable improvement compared to the 2011 ranking of 120<sup>th</sup>. However, the conditions for starting a business have deteriorated significantly since 2009 when Russia ranked 88th out of 183 countries. This is due to the lack of reform in terms of the time and number of procedures required for setting up a business in the country. While many countries have simplified and streamlined the process, it takes 9.0 procedures and 30.0 days in Russia to open a business. This compares unfavorably to an OECD (Organization for Economic Co-operation and Development) average of 5.7 procedures and 13.0 days. However, the cost of starting a business in Russia is low: only 2.7 percent of per capita income, compared to an average of 8.3 percent of per capita income in the Eastern Europe and Central Asia region.

Exporters can request a brief market assessment for their products and/or a list of Russian importers from ATO Moscow, St. Petersburg and Vladivostok. Additionally, ATO Moscow offers the following recommendations to help exporters select the best approach for their firm:

- A prospective entrant is advised to estimate market prospects for their product with respect to consumer preferences and incomes, local competition and sales channels (marketing research from a specialized consulting firm may be required). A thorough review of Russian regulations is also advised including a review of any changes to the tariff post WTO-accession.
- Attend Promotional Events: One of the main challenges to exporters entering the Russian market is product promotion. A cost-effective way exporters can promote their products is to participate in one of the largest general food and beverage trade shows in Russia, World Food Moscow, held annually in September. If exporters are targeting specific regions within Russia, the Moscow ATO recommends participating in regional exhibitions. Participation fees for regional exhibitions are lower, and are aimed at local consumers and retail food chains. The Russian retail market is competitive; exporters should allocate time to visit Russia and earmark funds in their sales plans for promotional support.
- Work with a Russian Importer: Selecting the right trade partner is one of the most important decisions for exporters developing their business in Russia. Working with a local partner in Russia significantly expands business opportunities, and minimizes the need for exporters to establish direct contact with multiple retail chains. A local Russian partner familiar with market conditions and the regulatory environment can help exporters navigate the Russian retail market, resolve issues, and increase the likelihood of success.

In order to make the first delivery, usually a large local import company is chosen. The company should have a good reputation and experience in customs clearance, and must have storage facilities and a developed distribution network. Make sure the company has experience working with Western suppliers and has experience in arranging regular supplies of food products. Western companies that strive to supply directly, circumventing Russian middle men, often sustain losses due to lack of local market knowledge. A large domestic import company is usually better adjusted to local conditions, with established trade ties and contacts in state structures.

Exporters representing U.S. companies may contact the Moscow ATO for assistance in locating importer list. Performing due diligence is critically important, such as verifying banking and supplier references of potential importers, and local and U.S.-based organizations in Russia can provide helpful information to exporters. However, credit reporting is a relatively new practice in Russia, and credit-reporting agencies may not have complete information on potential Russian business partners. Retail chains may be another valuable source for exporters collecting information on importers.

- **Provide Sales Support:** Exporters must help market the products they sell in Russia. Russian importers and wholesalers expect exporters to participate in the sales process, either by providing event marketing support, advertising assistance, training, packaging/handling advice, or point of sales materials.
- **Establish a Representative Office:** Once a company has established firm contacts and has a solid prospect for sales, one of the best ways to conduct business in Russia is to open a representative office. Depending on the product and target market, an office might be situated in Moscow, a city that hosts a large concentration of retailers and representative offices; St. Petersburg, the port city through which the largest volume of sea-borne freight passes; or Vladivostok, the principal transpacific gateway to the Russian Far East.

## **Trade Shows in Russia**

Participation in one of several established trade shows in Russia allows exporters to take a first-hand look at the local market, to meet potential importers, and to gauge the competitiveness of their products compared to similar products promoted at the show.

### **World Food Moscow**

Moscow, Expocentre  
September 17-20, 2012  
[www.world-food.ru/eng](http://www.world-food.ru/eng)

World Food Moscow is a USDA-supported show, and is essentially the “main event” for U.S. exporters interested in market opportunities in Russia. ATO Moscow and the Office of Trade Programs (in Washington) organize American pavilions in the grocery, fruit, and seafood sections offering “turn-key” service. USDA industry organizations (aka Cooperators) typically organize a pavilion in the meat hall. In 2011, this 4-day show drew 1,420 exhibitors from 64 countries and attracted more than 26,000 importers, wholesalers, retailers, and processors from all parts of Russia and from many neighboring countries.

### **PIR Hospitality Industry**

Moscow, Crocus Expo Center  
September 25-28, 2012  
<http://www.pir.ru/>

The PIR Hospitality Industry exhibition is the leading show for the hotel, restaurant, and industrial catering sector (HRI) and is affiliated with the Restaurateurs and Hoteliers Federation of Russia. In 2011, more than 600 exhibitors from 24 countries participated in the PIR show. The PIR show attracted approximately 40,000 visitors from the Russian hospitality industry including: 51 percent - restaurants, cafes; 24 percent - trade companies, distributors, producers; 11 percent - hotels; 6 percent -

catering; 4 percent - mass media, regional government, educational centers; 1 percent - others.

### **Ingredients Russia**

Moscow, All-Russian Exhibition Centre (VVC)

March 12-15, 2013

<http://www.ingred.ru/>

Ingredients Russia is a specialized trade show for suppliers and buyers of ingredients worldwide. In 2011, more than 300 companies and organizations from 25 countries exhibited at the show. More than 10,000 specialists visited the show last year searching for new contacts and different kinds of ingredients for food processing (e.g. confectionery, meat, fish, dairy, etc.).

### **Golden Autumn**

Moscow, All-Russian Exhibition Center (VVC)

October, 9-12, 2012

[www.goldenautumn.ru](http://www.goldenautumn.ru)

The Golden Autumn trade show is organized by the Russian Ministry of Agriculture, and is the largest Russian trade show for production agriculture. In 2011, more than 2,500 companies and organizations from 58 Russian regions and 32 foreign countries exhibited at the show. Golden Autumn occupied over 90,000 meters of space, including open grounds, displaying over 700 items of agricultural equipment, both Russian and foreign. More than 100,000 visitors attended the event, most of who are involved in farming and livestock production, food processing, agri-business, research, or business financing. At this annual trade show, the USDA pavilion displays animal and plant genetics, high-grade feeds, animal nutrients, and feed additives.

### **Prodexpo**

Moscow, Expocentre

February 11-15, 2013

<http://prod-expo.ru/en/>

Prodexpo is Moscow's largest international trade show highlighting foodstuffs manufactured in Russia and Eastern Europe. In 2011, Prodexpo hosted more than 2,000 exhibitors from 55 countries and attracted 52,868 visitors.

### **Logistics and Transportation**

Imported products arrive in Russia via land, sea, or air freight into ports or customs warehouses for clearance before proceeding to the next destination. The transportation system for shipping U.S. high value food products into Russia via St. Petersburg and Moscow is well established. Most consumer-oriented food and beverage products including those from the U.S. enter through St. Petersburg or Moscow for customs clearance. Most American products are delivered to the Russian Federation in containers by sea and around 90 percent enter via the Port in St. Petersburg. MAERSK LINE, APL, OOCL, Hapag Lloyd, Evergreen, CMA-CGM shipping lines deliver cargos from the United States to Rotterdam, Hamburg, or Bremerhaven in Northern Europe. The transatlantic shipment can take from 17 to 30 days depending of the departure port and number of ports the vessel calling on the way to Europe. In Northern European ports, the containers are reloaded onto feeder vessels and travel an additional five days to St. Petersburg. It then takes an additional four days shipping time for final delivery by rail or

truck to Moscow.

Outside of Russia, imports are also delivered to Baltic ports and then shipped by truck or rail to St. Petersburg or Moscow. Baltic and Finnish ports had offered greater efficiency, fewer problems with loss or damage, and lower port fees. However, changes in Russian import requirements have largely redirected these shipments to Russian ports: St. Petersburg, Ust-Luga, Vysotsk, Kronshtadt, Novorossiysk and Vladivostok.

The cleared products are then shipped further into the interior via truck or rail to Moscow, Yekaterinburg, Novosibirsk, Rostov-on-Don, Kazan, Samara, Ufa, and other major population centers in Russia, the main markets for the high end products.

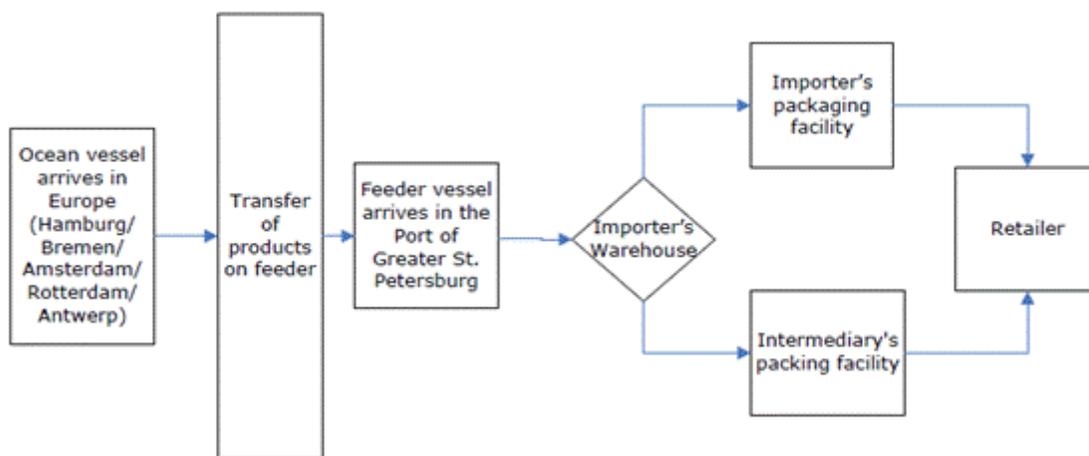
Products destined for the Russian Far East (RFE) enter through the ports of Vladivostok, Vostochnyy, Vanino, Nakhodka and Magadan. Although Vostochnyy is the region's largest port by volume, the majority of U.S. food exports to the RFE enter through Vladivostok.

Currently several forwarders make shipments from the U.S. west coast to Vladivostok: Hyundai Merchant Marine, MAERSK LINE, APL, and Hapac Loyd. Average transit time from the U.S. west coast to Vladivostok takes 18 days: ocean vessels bring containerized goods to the Korean Port of Pusan (it takes 9 to 13 days), then, feeders transfer them to the Port of Vladivostok (it takes 4 to 7 days). MAERSK LINE has the longer transit time, because it goes through Japan first, and then delivers goods to Korea (Pusan). In 2008, FESCO launched a direct line from Everett, Washington to RFE ports (Vladivostok, Korsakov, Petropavlovsk, and Magadan). Direct voyages are scheduled approximately once per month and the average transit time is 14 days. From Vladivostok food products are shipped to the other cities in the RFE and Siberia by truck or rail.

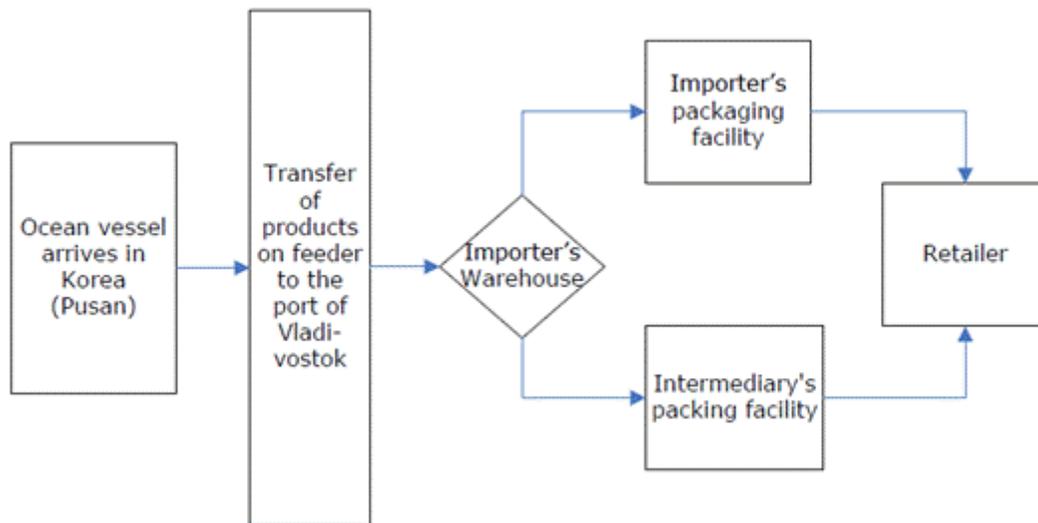
### Distribution Channels

Imported food products for Russian retail chains and food service establishments come through importers, distributors, and wholesalers. Large suppliers are typically also importers.

**Figure 8. Russia: Distribution channel for food retail chains, import of transatlantic products via the Port of Greater St. Petersburg**



**Figure 9. Russia: Distribution channel for food retail chains, delivery from U.S. to the Russian Far East**



Most hotels and restaurants choose to purchase the majority of products through food service importers/distributors in the hotel, restaurant, and industrial (HRI) sector, both large and small.

### Credit and Payment Terms

The Russian banking system continues to make strides towards complying with international standards, and many banks that are authorized to open foreign currency accounts also have general licenses enabling them to undertake a full range of foreign currency transactions. Many of these banks have correspondent banks in the United States. Further, several American and foreign banks such as Citibank, Raffeissenbank, Societe Generale, and Credit Suisse are licensed to operate in Russia. Securing credit can be costly, however, and there can be obstacles to securing credit in Russia if the company is 100 percent foreign-owned. Russian bank fees are often high, and it can take much longer to open letters of credit or transfer funds than is common in the United States.

In 2011, consumption was supported by recovering consumer credit. Pre-crisis, the volume of consumer loans was growing at over 50 percent a year, however in 2009-2010 the credit business came to a standstill and Russians spent their time repaying their old loans. However, by 2011 credit to consumers resumed and increased 35.9 percent on year, according to the Central Bank. Retail credit was growing at 15 percent in the second half of 2011 and is expected to grow at 20 percent in 2012, according to Danske.

Prospective borrowers should expect Russian banks to request a package of documents, including a balance sheet showing profits for the last three quarters and proof of assets to mitigate the bank's risk. Interest rates on credit became lower in 2011 after a significant rise in 2009-2010 (up to 13.9 percent) making credit more available for Russian businesses.

**Table 6. Average Interest Rates on credits to non-financial institutions in 2011, %**

	Jan	Feb	Mar	Apr	Ma y	Jun e	Jul y	Aug	Sept	Oct	Nov	Dec
Interest Rates on Ruble-denominated Credit to Nonfinancial Institutions up to One Year	8.6	8.7	8.7	8.3	8.0	8.6	7.9	7.9	8.0	8.6	8.8	9.3

Source: Central Bank of Russian Federation

Regarding payment terms, many U.S. exporters require 100 percent up-front payment especially for new trading partners. Russian importers may not be accustomed to making a 100 percent pre-payment prior to shipment and moreover may struggle to finance it. As the business relationship develops, Russian importers may eventually expect exporters to ship on credit, with payment due upon arrival in the Russian port. The importer may alternatively make a pre-payment and pay the balance when the product arrives to the importer's storage facility.

In established business relationships, bank transfers are sometimes made on the basis of payment-on-delivery, or payment after an agreed number of days. A letter of credit (LC) may be used when required by the foreign supplier, but Russian importers consider LCs expensive and difficult to arrange. Document Collections work relatively well at ports, and importers are accustomed to these procedures. Nevertheless, until exporters and importers build relationships and reach a level of trust, exporters may find letters of credit worthwhile.

The GSM credit guarantee program offered through the United States Department of Agriculture (USDA) provides credit guarantees to encourage financing of commercial exports of U.S. agricultural products. The GSM Credit Guarantee allocation for Russia for FY 2012 (October 2011 – September 2012) is \$100 million. The GSM-102 program is in great demand due to the difficult financial environment and lack of financing available commercially in Russia. GSM-102 reduces risk to the U.S. exporter's bank and facilitates shipments of U.S. commodities to markets that may not be able to import these same products without the guarantee offered by the Commodities Credit Corporation. The list of approved participating foreign banks in the GSM-102 program is available at FAS web-site: <http://www.fas.usda.gov/excredits/foreignbanks.html#RUSSIA>. The list is regularly updated upon the review of incoming financial information and applications from banks that desire to participate in the GSM-102. For further information on these programs, please visit the FAS website: <http://www.fas.usda.gov/excredits/ecgp.asp>.

### **Food Standards and Regulations**

Russia has complex food import regulations. Exporters should carefully question importers regarding certification and documentation requirements, as well as procedures for clearance of shipments into the Russian Federation. Upon WTO accession many of the rules and regulations governing food and

beverage imports will change so please continue to check the FAS website for updates.

In February 2010, compulsory certification for food products and cosmetics was cancelled. The Government of the Russian Federation (GOR) now requires only a declaration of conformity with the product safety regulations, instead of an obligatory certificate. At the same time, the authorities are planning to impose heavy fines on the manufacturers of unsafe products. Sanitary norms and technical regulations were not cancelled and continue to regulate the production process. For more detailed information on certification, customs procedures, documentation, tariffs, and labeling requirements please see the following GAIN reports:

1) Food and Agricultural Import Regulations and Standards report:

[RS1168 Food and Agricultural Import Regulations and Standards - Narrative](#)

2) RS1015 Declaration of Conformity Replaces Certification for Many Products

[http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Declaration%20of%20Conformity%20Replaces%20Certification%20for%20Many%20Products\\_Moscow\\_Russian%20Federation\\_3-22-2010.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Declaration%20of%20Conformity%20Replaces%20Certification%20for%20Many%20Products_Moscow_Russian%20Federation_3-22-2010.pdf)

On January 1, 2010, Russia, Belarus and Kazakhstan launched a Customs Union, which has since included the introduction of new rules and regulations for food products exported to the Union. The unification of sanitary norms and technical regulations is still ongoing, and reforms affecting food standards and regulations may last for quite some time. At the same time, the Union provides greater access to the markets of the participating states and simplifies the distribution of packaged food within the Union but for the following exception: U.S. animal products exported to Kazakhstan and accompanied by health certificates will not be allowed for consumption in Russia or Belarus. Please check the Customs Union Ag Times in the FAS GAIN system for regular updates on the Customs Union developments.

## **Pricing**

Retail prices in Russia can vary significantly; however pricing has become more competitive as large retail chains increase their aggregate market share. On the regulatory side, exporters should consider the effect of the Russian tax regime when making pricing and margin decisions. Again, please continue to monitor GOR tariffs and other duties as WTO accession moves forward. Some of the taxes assessed include:

- import duties are applied to most goods and typically range from 5 to 20 percent of products' customs values. However, some agricultural products are subject to specific tariffs that are calculated by volume, weight or quantity. Excise taxes, depending on the commodity exported, apply to goods such as alcohol and tobacco products. For checking excise taxes rates please contact ATO Moscow.
- Russia typically levies an 18 percent Value Added Tax (VAT) on imported goods; however, some food products (e.g. sugar, salt, milk, bread, pasta, vegetables, baby food, end etc.) are subject to a reduced rate of 10 percent
- customs clearance charges add about 1.25 percent. The wholesale mark-up is typically 12 to 15 percent, while retail mark-up runs 35 percent or more, depending on the product and the retailer; and,

- a 39 percent profit tax is assessed on gross margin.

### **SECTION III. MARKET SECTOR STRUCTURE AND TRENDS**

#### **Retail Food Sector**

Among the consumer-oriented sectors in Russia, retail is strong and significant. Monthly retail sales in Russia average about \$55 billion and the industry recorded revenues of \$654 billion in 2011, which is 7 percent growth from 2010 in comparable prices, according to Rosstat. This growth was more or less comparable to that of 2010, when retail sales turnover increased by 6.3 percent year-on-year, and was valued at \$564 bn. Food retailers contributed 47.8 percent (versus 48.6 percent in 2010) to total retail market turnover with \$311 billion in sales.

In 2011, 88 percent of Russian trade turnover could be attributed to modern retail formats such as hypermarkets, supermarkets, and discounters. Open-air markets and older Soviet-style stores, including wet markets, are declining in popularity and losing market share to modern retail formats. Street market sales decreased by 2.2 percent in 2011, amounting to about 12 percent of retail sales in Russia in 2011, according to Rosstat. Traditional retail has the weakest position in Moscow and St. Petersburg.

Russian food retail continues to be led by large domestic retailers with annual turnover exceeding \$2 billion. Russian retail giants such as the X5 Retail Group, Magnit, Seventh Continent and Dixie chains are still among the top Russian retail players. That said, in addition to domestic companies, the French Auchan Group, German Metro AG and others have earned significant market share during the last decade. Nationwide, retail chains occupy about 18 percent of total Russian trade sales, but with higher concentrations in major urban centers. Nevertheless, the Russian retail market is still highly fragmented with the 11 largest retailers (by revenue) controlling only 18 percent of the market, versus 80 percent for the 10 largest retailers in the U.S.

In 2011, the X5 Retail Group, which operates the Pyaterochka, Perekrestok and Karusel grocery stores, remained the leading retailer in terms of revenues in Russia. The Tander Group (Magnit), a grocery retailer, occupied second place among the largest retailers, and is followed by the Auchan Group.

Russian retailers opened 100 new hypermarkets in 2011, the maximum amount of openings ever in the country for this format, according to Vedomosti. Currently, retail operators are branching out to regions and cities with a population of under 500,000 people – which was also named as the trend of 2011. Experts expect further growth in the number of Russian hypermarkets, predicting a minimum 800 of openings in this format during the next five years. In addition, it is expected that some 300,000 m<sup>2</sup> of new retail facilities will be opened in Moscow in 2012.

In 2011, over 25 shopping centers were completed in Russia. Moscow and St. Petersburg still account for the highest number of malls in Russia. At the end of 2011, approximately 45 percent of all shopping centers in the country were in these two cities. However, the 11 Russian cities with populations over 1 million accounted for more than 110 of the 370 malls operating on the Russian market at the end of 2011. Over 100 shopping centers are to start operations in Russia in 2012, according to the research of the InfoLine research agency.

Retailers demand consistent quality and adherence to contract specifications and penalize suppliers for

failure to meet requirements. As a result, foreign suppliers continue to be competitive in the Russian market as they are more accustomed to meeting such strict specifications than Russian agricultural producers.

Please see the “Retail Foods Annual 2011” report for more information on the retail sector in Russia: <http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Retail%20Foods/Moscow%20ATO%20Russian%20Federation%209-2-2011.pdf>

### **Legislation Regulating Retail Trade**

The Russian Federal Law on Trade came into force on February 1, 2010. The Law is aimed at creating transparent conditions of cooperation between domestic suppliers and retailers and boosting competition in the retail sector. The Law contains strict antimonopoly regulations, such as capping store openings once a retailer reaches a 25 percent market share threshold within a city or municipal region, a 10 percent limit on bonuses paid to retailers by suppliers, and payment terms regulating how fast a retailer has to pay for goods with a certain shelf life, among others. The Law stipulates that the terms and conditions of food product supply contracts shall be brought into accord with requirements of the Law within one hundred eighty days from the effective date.

Please see the “Russian Trade Law” report for further information on the legislation regulating retail trade in Russia:

<http://gain.fas.usda.gov/Recent%20GAIN%20Publications/The%20Russian%20Federal%20Law%20on%20Trade%20Moscow%20ATO%20Russian%20Federation%208-30-2010.pdf>

In 2011, the Federal Antimonopoly Service (FAS) monitored adherence to the 2010 regulations monthly. In total, FAS checked 464 retail chains in 2011, and found 5,695 infractions of the statute, according to Euromonitor. The retail chains which broke the law paid fines or in some cases were closed. The cost to retailers of the 2010 regulations and their enforcement has increased considerably and has affected consumer prices.

Retailers continue to suggest amendments to the legislation regarding retailing. Business representatives suggested increasing the market share cap from 25 to 35 percent in Russian towns where the population is less than 100,000 citizens. Retailers also suggested changes in tax regulations. For example, they suggested writing the expenses related to theft in supermarkets (no more than 2 percent of total revenues) from the balance sheets of the retail chains. The amendments to this legislation were partly approved by some authorities, whilst official changes in the legislation were not made.

### **Hotel, Restaurant, and Institutional (HRI) Sector**

HRI sales grew by a respectable 11.2 percent in 2011, on par with pre-crisis sales growth of 10 to 12 percent (2005 to 2008). One bright spot is in the fast food segment, which saw positive current value growth in 2011. Growth was driven by the generally rising popularity of fast food due to busier lifestyles and the emergence of more outlets in new locations. In addition, for U.S. exports the HRI sector remains a strong growth sector for products like marbled meat, spirits, and seafood. The development of mid-range restaurants such as U.S. chain *Chili's* is expanding to fill the gap that currently exists in this category.

**Table 7. Food Service Industry Sales in Russia**

	2007	2008	2009	2010	2011
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RUR, billion	306.1	343.1	334.2	362.3	403.2
Growth Year on Year, %		12.1	-3	8.4	11.2
US Dollars, billion	12	13.81	10.53	11.9	13.74
Average exchange rate	25.49	24.84	31.72	30.48	29.35

Source: Euromonitor International

The number of cafes, restaurants, and other food outlets in Russia currently stands at about 60,000. Although Moscow and St. Petersburg are still by far the largest restaurant cities in Russia, leading foodservice operators have begun regional expansion into other wealthy cities.

There are currently more than 340 restaurant chains operating in Russia, each of which manages between 2 to 400 outlets. McDonald's, Rosinter Restaurant Holding, Arkadiy Novikov Restaurants, Ginza Project, Markon, Shokoladnitsa and Coffee House are the largest restaurant chains in different foodservice segments in Russia.

Russia's largest casual dining chain operator Rosinter, estimates the country's dining market value at 550 million rubles (\$17.64 million), with Moscow's and St. Petersburg's share at 40 percent of the total.

The popularity of fast food in Russia has grown dramatically. Fast food has shown positive growth in 2009-2011 and the volume of the quick restaurant category in Russia reached \$ 5.6 billion. The fast-food sector is the fastest-growing restaurant category in Russia with an annual growth rate of 20 to 30 percent. McDonald's, which entered Russia in 1990 and created two generations of fast food eaters has remained the absolute leader with a 43 percent value share of fast-food chain sales. On April 2012 McDonald's gave one of Russia's largest multi-concept restaurant operators Rosinter Restaurant Holding subsidiary right to develop chain in Moscow and St. Petersburg transport hubs. Subway, the world's largest sandwich chain, is one of the most rapidly developing fast food chains in Russia opened 155 new restaurants in Russia in 2011, twice as many as in 2010. At the end of 2011 the company operated 322 Russian restaurants in all regions except the Far Eastern Federal District. In turn, about 210 new outlets are to appear in the country in 2012. In St. Petersburg, the popularity of the Subway brand is underscored by the fact that, from May to July 2010, one local Subway restaurant had the highest sales turnover out of 31,000 Subway restaurants worldwide. Subway has an ambitious plan of expansion and had caught up to McDonald's in terms of number of outlets in 2011.

Franchising models dominate in fast food. As of now more than 90 percent of fast food chains in Russia work under various franchise agreements. Fast-food is an increasingly attractive market for overseas investors and many famous American fast-service operators have appeared in Russia since 2009. Most of the international companies which decide to enter consumer foodservice in Russia open their first outlets in Moscow. Burger King, one of the largest fast food corporations in the world, has established a presence in Russia by opening its first restaurant in Moscow on January 2010. Currently, Burger King's franchisees operate 54 restaurants in Moscow and in St. Petersburg and intend to open several hundred Burger King restaurants in Russia over the next few years. Dunkin' Donuts, the U.S. doughnut eatery chain that left Russia after a three-year stint in 1999, returned to Moscow in 2010 with big plans for rapid expansion. The Russian company Donuts Project received exclusive franchising rights for development of the chain in Russia and the Ukraine. Dunkin' Donuts opened its first outlet in May 2010 and currently has seventeen restaurants in Moscow. Wendy's/Arby's Group, one of the world's leading fast food operators entered the Russian market in 2011 and will open 180 restaurants there over the next 10 years. Last year the company signed a franchising agreement with Russia's Food Service Capital

group and currently operates 7 outlets in Moscow. Regional expansion through sub franchising will start in 2013.

The coffeehouse business in Russia boomed in the early 2000s. Today, there is an increasingly high concentration of the leading chains, including Shokoladnitsa, Coffee House, McCafé, Starbucks, and Costa Coffee, in Moscow and St. Petersburg, so in the short term many coffeehouse chains plan to expand to the Russian provinces. The world leader, Starbucks Coffee Company, opened its first outlet in Moscow in September 2007 and currently is number three by coffee sales after Shokoladnitsa and Coffee House. As of December 2011, Starbucks operates 51 coffee shops in the capital.

Baskin Robbins, the world's largest chain of ice cream specialty shops, entered Russia in 1990. Baskin Robbins Production International opened 69 new ice cream salons in Russia in 2011 expanding its chain 40%. As of January 2012 Baskin-Robbins' network in Russia consists of 239 outlets in 82 cities, most of them franchises.

Many restaurants import the vast majority of their ingredients, creating opportunities for U.S. exporters of meat, seafood, wine, and specialty foods.

Please see the “HRI Food Service Sector” 2011 report for further information on the HRI sector in Russia: [http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20Service%20-%20Hotel%20Restaurant%20Institutional\\_Moscow%20ATO\\_Russian%20Federation\\_3-3-2011.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20Service%20-%20Hotel%20Restaurant%20Institutional_Moscow%20ATO_Russian%20Federation_3-3-2011.pdf)

## **Food Processing Sector**

Russia's food processing industry is one of the most dynamic sectors in the Russian economy. In 2011, Russia's food processing sector clocked growth of 13.3 percent with value of food production equal to 3,555 billion Rubles (USD 121 billion [1] ) and it is expected to continue growing in 2012-13, supported by rising disposable incomes, increasing real wages and declining unemployment. Among the growth leaders are: meat products (including pork, poultry, sausages and semi-finished meat), dairy products, confectionary, dry baby food and dietary products with cereal.

Currently, the food processing industry is made up of foreign and domestic manufacturers with the latter dominating number wise. The biggest Russian food manufacturers are: Baltika Brewery Company, Unimilk, “United Confectionaries”, “Cherkizovo”, “Efko” Groups of Companies. Among the most well-known foreign food manufacturers in Russia are Kraft Foods and PepsiCo which invested heavily in WimmBill Dann in 2010-2011 These foreign investors are strengthening their positions with investments and marketing activities that overshadow domestic companies. That said, many Russian manufacturers are investing in modernization and expansion in order to strengthen their position in the market. The leaders in this market are focused on consolidation and expansion into regions outside of Moscow and St. Petersburg.

Demand for higher-quality ingredients is increasing as more local food processors strive to meet international quality standards. That demand will lead to increased imports given that around 40 percent of the products used by the Russian food industry are imported. More than a half of the meat and milk products in big Russian cities are provided by import suppliers. 70 percent of the raw materials in meat processing plants are imported. And specialized ingredients for bakery, confectionery and juice manufacturers are also widely imported. The majority of food ingredients are imported from: Denmark, Belgium, France, Germany, Austria, Great Britain, China and the United States.

Perhaps in response to this current situation, on April 17, 2012 the Russian Government announced its Strategy for Food Processing Industry Development. In it, they target public and private sector investments into the sector at more than 777 billion rubles (USD 24.9 b) for the period of 2013-2020. The strategy is aimed at modernizing production facilities and increasing their capacity through innovation and technologies providing more advanced processing. As a result, the sector would be able to manufacture more competitive products, decrease power consumption and be more environmentally friendly. The strategy is supposed to increase production of flour, grains, bakery products, sugar, dairy products, butter, cheese and cheese products, fruit and vegetable preserves, oil, confectionary products, fish and fish preserves. One of the strategy's targets is to develop infrastructure and logistics for food products distribution system. This is clearly an ambitious strategy and Post will monitor its development.

The FAS Russia "Food Processing Annual 2011" report can be found at <http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20Processing%20Ingredients%20Moscow%20ATO%20Russian%20Federation%2012-8-2011.pdf>

## **Internet Sales**

Companies are entering the online channel in search of high potential sales and annual growth rates. Even during the recession of 2009, when consumer demand decreased considerably, e-commerce in Russia recorded considerable sales growth. The main reasons for growth are: stronger presence and competition, discount prices, the development of broadband connections in Russia's regions, and the desire of Russian consumers to make savings.

According to Data Insight research, internet sales in Russia grew by 30 percent to reach \$11 billion in 2011. More than 50 percent of people who buy goods online live in Moscow or St. Petersburg. The average bill is \$296. Experts estimate the number of online shoppers in Russia will increase by 25 percent in 2012, while sales turnover will grow by 22 percent to reach \$13 billion.

Russian consumers mainly shop online for non-grocery products. In 2011, online grocery market in Russia was worth \$545 million and accounted 5 percent of total internet sales. People are not used to shopping for groceries online, and they have difficulty using the technology for this purpose. It is still perceived to be less stress and less time consuming to visit the local supermarket than to shop for groceries online. However, significant annual growth in Internet sales in recent years shows that online grocery retailing has great potential.

In March 2012, Utkonos, one of the largest online grocery retailers in Russia, started selling grocery goods using the online retail platform Wikimart, which is supposed to grow Utkonos' turnover by 3-5 percent, according to the Company's management. In 2011, Utkonos' online sales reached approximately \$300 million. Currently, the Company handles about 10,000 orders per day.

One of the obstacles to the faster development of internet retailers is the underdeveloped system of e-payments. Currently most e-shop operators accept cash on delivery. It is still true that Russian consumers do not trust e-payments. Only 10 percent of e-shops offer the option to pay by debit/credit cards. Industry experts explain that e-shop operators prefer to call to consumers before the final confirmation of purchase. The PayPal system of security for e-payments has recently opened a subsidiary in Russia, but it mainly serves foreign e-shop operators. In Moscow, traffic may also be a factor limiting internet and delivery sales.

Russian regions will gradually increase their purchasing activity due to independent small operators as well as the penetration of major store-based federal chains which have recently entered the niche. For example, last year Auchan Group announced plans to become a visible Internet retailer in Russia. X5 Retail completed the logistical and IT platform necessary for Internet retailing. Such operators have the benefit of distribution centers covering several regions of Russia, which will help develop Internet retailing in the regions more actively in future.

## **Tourism Sales**

The tourist sector in Russia is relatively underdeveloped with the possible exception of domestic tourism. Therefore, Russia has unique opportunities both for the development of internal tourism and for reception of foreign travelers. A variety of landscapes (mountains, sea, rivers, woods, tundra) allows developing different kinds of tourism, e.g. beach vacation, ski vacation, etc. Vladimir Putin announced in 2011 that the Russian Government will launch a new federal program “Development of domestic tourism in Russia”. Over the next three years 7 billion rubles (\$US 233 million) will be allocated from the federal budget, including 2 billion rubles (\$US 67 million) in 2011 in order to realize enhance tourism in Russia (source: Rossiyskaya Gazeta).

Already the hotel market, which has been underserved in Russia, is growing. Growth in the tourist sector will spur further development of Russia’s hotels and restaurants which, in turn, will lead to a better quality services and offer new opportunities for the exporters of food products to Russia.

Certainly the tourism sector will experience a growth spurt due to several major international events in the next two years. Most notably, the 2014 Winter Olympic Games and the 2012 APEC Summit will be held in Russia and are the strongest short-term incentives for the development of Russian tourism in the coming years. The approaching winter Olympics to be held in the Black Sea resort of Sochi in 2014 could provide opportunities for foreign firms and investors. Hotels, restaurants and catering are all ramping up in order to serve the influx of visitors. A total of 47 transport infrastructure construction and modernization projects are underway and there are also plentiful opportunities in terms of telecoms, energy and environmental protection. The \$14 billion investment package in Sochi and the determination of the government to make the Olympics a domestic and international success make Sochi an attractive proposition. Following on the heels of the Olympic Games, Sochi will host the Paralympic Winter Games. The city of Vladivostok on the eastern coast of Russia is currently building new hotels and restaurants to serve the APEC visitors who will be on hand for the Summit in August 2012. In 2013, the World University Summer Games (a.k.a. “Universiade”) will be held in the city of Kazan (population 1.2 million). And a bit further afield, Russia will host the 2018 Football World Cup.

## **Holiday Gifts Sales**

While the Russian economy including the food sector appears to be growing toward pre-crisis levels, consumer confidence still has a bit of catching up to do particularly with respect to year-end holiday spending. According to a Deloitte 2011 survey, the average amount of money Russians allocated for their festive budget included spending on food, gifts and entertainment of about \$583, about 11 percent more than in 2010 but still below the pre-crisis spending average of \$700 (2008).

Consumers in Russia usually start to think of their gift shopping near to the middle of December and buy gifts, for the most part, during the last week before the holiday season. Russians tend to buy presents primarily in hypermarkets, with second place given to specialized shops, and the third place

given priority being open-air-markets. Russian consumers continue to ignore the Internet as one of the major trading channels for buying gifts, especially during the pre-holiday period. According to Deloitte survey, the main reason is that Russians desire to see a product by themselves, to hold it in their hands and not just to look at a picture of it on a website.

#### **SECTION IV. BEST PRODUCT PROSPECTS**

The U.S. is the fifth largest supplier to Russia by value of agricultural, fish and forestry products. Based on official data, the U.S. share of Russia's agricultural imports exceeded \$1.6 billion in 2011. This is 19 percent growth compared to 2010. The U.S. share of Russia's total agricultural imports in 2011 was 3.99, on par with 2010. Top performing retail-oriented U.S. exports to Russia in 2011 included poultry and red meats, fresh and processed fruit and vegetables, nuts, pet food, fish and seafood, and snack foods.

In 2011, U.S. poultry exports accounted for roughly \$307 million (about 240,000 metric tons), followed by pork, beef, tree nuts, fish and seafood. Following WTO Accession, Russia will remain an attractive market for poultry imports for the next several years, particularly for affordable frozen chicken leg quarters that do not compete against domestically-produced chilled whole birds. [Note: Poultry prospects changed dramatically in 2011 as Russia eliminated country specific Tariff Rate Quota (TRQ) allocations and slashed the total quantity from 780,000 MT to 350,000 MT. As a result, Russia has fallen from the United States' top export market to 4<sup>th</sup> place.]

Russia is the largest importer of beef and veal products (including offal) in the world, and the 2<sup>nd</sup> largest importer of pork products. Russia has demonstrated significant growth as a market in 2011 for U.S. beef as a result of Russia's actions to increase the U.S. TRQ allocation from 21,700 MT to 41,700 MT.

Russia's World Trade Organization (WTO) accession process is helping to bring the country's legal and regulatory regime in line with internationally accepted practices. These changes will likely include changes to many of the current barriers for poultry, beef, and pork, including veterinary-sanitary barriers that restrict the flow of trade. Also, while Russia published plans in July to cut 2012 TRQ access for both pork and poultry; these figures may be changed pending results of the WTO Ministerial, December 15-17, 2012.

Also, while Russia's goals to be self-sufficient in categories such as meat and dairy products will limit U.S. exports of those products they could create new opportunities for U.S. exporters to supply high protein feeds and animal genetics.

U.S. fish and seafood exports to Russia grew by 17 percent in 2011 and totaled more than \$60 million. There is expected to be higher demand for fish and an increase in per capita consumption in the Russian consumer market in the upcoming years. Major products that are expected to see increased demand include low-price segments such as herring, hake, and perch. For more information please see Gain report:

[http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Fishery%20Sector%20Production%20and%20Trade%20Update\\_Moscow\\_Russian%20Federation\\_7-27-2011.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Fishery%20Sector%20Production%20and%20Trade%20Update_Moscow_Russian%20Federation_7-27-2011.pdf)

Russia's pet food market is still developing and is very concentrated around big cities such as Moscow, St. Petersburg and Yekaterinburg. Experts forecast continued growth and demand in the local pet food market as household incomes increase and table scrap feeding declines. According to the Pet Food Institute (PFI), expansive advertising conducted by multinational companies has led to significant changes in the perception of pet food as a product category. However, lack of information in the regions on the benefits of commercially prepared pet food remains the biggest constraint for the development of the pet food market. For more information please see Gain report RS1117 Pet Food Market Brief:

<http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Pet%20Food%20Market%20Brief%20Moscow%20Russian%20Federation%204-21-2011.pdf>

In 2011, the United States exported 20,999 metric tons of tree nuts to Russia. The main driver of this growth was the increase in California almond exports. California pistachios are also present in the market but volumes fluctuate based on price competitiveness, particularly with Iranian pistachios. Upon accession to the WTO, Russia will bind its tariffs on almonds, walnuts and pistachios to 5 percent, which may provide for additional increases in U.S. exports. For more information on Russian nuts market please see Gain report RSATO1108: <http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Russia%20Going%20Nuts%20Over%20Almonds%20St.%20Petersburg%20Russian%20Federation%204-20-2011.pdf>.

Russia is the world's third largest importer of fruit in value terms, and ranks as the number one market for pears. In 2011, Russia imported 25,535 metric tons (MT) of U.S. fruit worth \$32 million, an 85 percent increase in volume and 344 percent increase in value compared to 2005. In 2011, Russia was the third largest export market for Northwest Pears. For more information on Russian fruit market please see Gain report:

<http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Fresh%20Deciduous%20Fruit%20Annual%20ATO%20Moscow%20ATO%20Russian%20Federation%2010-26-2011.pdf>

The most dynamic growth in the high-valued sector compared to 2010 was shown by such categories of U.S. products as jams and fruit jellies, tomato ketchup and other tomato sauces, frozen potatoes, prunes, alcoholic and nonalcoholic beverages (excl. fruit and veg. juices), fresh grapes, and ice cream.

Given the potential of the Russian agricultural market, U.S. high value products can penetrate some niche markets, especially for those products which are not produced in Russia or are produced in limited quantities. In many cases, Russian agriculture is not capable yet of producing products of consistently high quality (e.g. high quality beef steaks). There are markets for baby food or for specialty products including low-fat, low-salt and sugar-free products, cake and bread mixes, corn meal, and chocolate chips. U.S. exporters could also supply new market segments that are just beginning to develop. This includes organics, microwaveable and semi prepared food as well as TV-dinners. Potential importers must be aware that promotion of innovative or new to market products is expensive.

To get more information on market opportunities for the U.S. products please see the report:

<http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Market%20Opportunities%20for%20Key%20U.S.%20Products%20in%20Russia%20Moscow%20Russian%20Federation%203-20-2012.pdf>

Table 8 (below) provides additional information on food and agricultural product prospects <sup>1</sup>.

**Table 8. Russia: Suggested Best Prospects for U.S. Exporters, by Sector, 2011**

Product	2010 US Import Volume (\$ US mln.)	Average Growth of Import over the Last 5 Years, %	Import Taxes	Key Constraints to Market Development	Attractiveness of the Market for the USA
Poultry	307	-3.7	See GAIN Poultry and Products reports. Tariff-rate quotas apply to some items. Tariffs change unpredictably.	Competition with Brazilian and EU producers; Quick growth of domestic production; Perception of U.S. product as cheap and of low quality. Veterinary controls and demands do not follow international standards. Official goal of “food security” calls for reduction of meat imports.	U.S. product has well-established position; Low prices attract buyers. Local producers will not be able to satisfy demand in near future.
Pork	186.7	10.3	See GAIN Livestock and Products reports. Tariff-rate quotas apply to some items. Tariffs change unpredictably.	Competition from Brazilian pork, complicated import procedures. Veterinary controls and demands do not follow international standards. Official goal of “food security” calls for reduction of meat imports.	Shortage of pork in the country; declining production; high prices; Demand for stable deliveries of both cheap and high quality product. New health certificates are in place for U.S. origin pork.
Food preparations	119.1	19.9	20% but not less than 0.25 Euro/kg plus 18% VAT for position 1704; generally 5% + 18% VAT for items in 180620, but varies in other positions	High competition from EU products; Cheap canned food niche occupied by Russian trademarks.	Fewer Russians are making food products (e.g. canning) at home; High-quality product niche is not completely filled.
Beef	176.8	10.8	See GAIN Reports Livestock and Products reports. Tariff-rate quotas apply to some items. Tariffs change unpredictably.	Consumer unaware of U.S. high quality beef; Growing domestic production; Complicated import procedures. Veterinary controls and demands do not follow international	Insignificant specialized beef production; Constantly growing beef prices; Niche markets for meat delicacies (steak, etc.) and meat offal; Fast HRI development; New health

				standards. Official goal of “food security” calls for reduction of meat imports.	certificates are in place for U.S. origin beef.
<b>Tree nuts</b>	113.3	21	Nuts – 18% VAT Pistachios and pecans 18% VAT + 5% import duty	Iran biggest competitor for peanuts and pistachios; Tajikistan for walnuts.	U.S. almonds and pistachios enjoying very strong growth. Good potential for U.S. pecans.
<b>Fish and Seafood</b>	60.4	16	10% + 10-18% VAT	Regular deliveries of high quality product from Norway; Shortage of suitable equipment at retail trade outlets; Deficit of proper storage facilities with below –20C temperature; Unaware of quality and value of U.S. shellfish.	Growing demand for higher quality seafood from consumers; Very modest assortment in markets; Significant demand from supermarkets and HRI sector. Importers are looking for product diversification. Price competitiveness with European shellfish.
<b>Fresh Fruit</b>	32.1	21.3	Apples: (Jan 1-Jul 31) 0.1 Euros per kg (Aug 1-Dec 31) 0.2 Euros per kg + 18% VAT Pears: 10% + 18% VAT	Strong competition from Poland, China, Chile, New Zealand, Moldova for apples; Argentina and China for pears.	U.S. has good sales already and good potential for growth U.S. apples, pears, grapes, citrus, especially during February- April period.
<b>Pet food</b>	8.7	8.1	20%, but not less than 0.16 Euros/kg + 18% VAT	Strong tradition of feeding pets with table scraps; Strong local production with foreign investments - Mars has two plants that produce pet food.	Traditionally large number of home pets; Increased population incomes followed by growing demand for ready to use pet food.
<b>Snack Foods</b>	4.9	19.8	5% - 15%, but not less than 0.15 – 0.075 Euro/kg (duty depends on product, size of package, sugar content, etc.) + 10% - 18% VAT	Strong competition from local producers, including some foreign brands such as Lay’s (PepsiCo) and Estrella (Kraft) – Pringles from Europe.	Good potential for high quality U.S. snacks: popcorn, nuts, and dried fruits mixes.

Source: Global Trade Atlas, U.S. Trade Database, Russian Tariff Database

<sup>1/</sup> Food products listed in Table 7 are based on market intelligence, including discussions with retailers and data analysis efforts, and should not be considered an official endorsement by the United States Department of Agriculture or any affiliated agencies.

## SECTION V. KEY CONTACTS AND FURTHER INFORMATION

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*For General Information on FAS/USDA Market Promotion Programs and Activities:*

Office of Trade Programs

U.S. Department of Agriculture

Foreign Agricultural Service

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**FAS Website:** [www.fas.usda.gov](http://www.fas.usda.gov)

*For Trade Policy/Market Access Issues, General Information on the Russian Agricultural Sector, etc:*

Holly Higgins , Agricultural Minister-Counselor

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### **Other Useful Contacts**

The Agricultural Trade office works with a large number of U.S. industry organizations, several of which are resident in Russia. These cooperators share the view that Russia is a promising market for food products.

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The American Chamber of Commerce is another good source for information on doing business in Russia. The Chamber has offices in Moscow and St. Petersburg.

### **American Chamber of Commerce in Russia (AmCham)**

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The U.S Commercial Service has offices in Moscow, St. Petersburg, and Vladivostok. For questions regarding agricultural machinery, food processing and packaging equipment or materials, refrigeration equipment, and other industrial products, please contact:

### **U.S. Commercial Service**

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<http://export.gov/russia/>

The U.S. Commercial Service office at the U.S. Embassy in Moscow assists American exporters by identifying potential partners through the Gold Key Matching Service. The program features:

- appointments (typically four per day) with prescreened Russian firms;
- background and contact information on each potential partner, such as: the size of the company; number of years in business; product or service lines; and capability to provide after-sales service;
- customized market briefing with U.S. Commercial Service staff; and,
- available market research on the relevant industry sector.

The World Bank and the U.S. Agency for International Development also maintain missions in Russia.

## APPENDIX - STATISTICS

**TABLE A. KEY TRADE & DEMOGRAPHIC INFORMATION, 2011**

Agricultural Imports From All Countries (\$Mln) / U.S. Market Share (%) <sup>1/</sup>	36,301/4.2
Consumer Food Imports From All Countries (\$Mln) / U.S. Market Share (%) <sup>2/</sup>	25,325/4.5
Edible Fishery Imports From All Countries (\$Mln) / U.S. Market Share (%) <sup>2/</sup>	2,564/2.4
Total Population (Millions) / Annual Growth Rate (%)	142.9/+0.7
Urban Population (Millions) / Annual Growth Rate (%)	74/+1
Number of Major Metropolitan Areas <sup>3/</sup>	12
Size of the Middle Class (Millions) / Growth Rate (%) <sup>4/</sup>	48/2.8
Per Capita Gross Domestic Product (U.S. Dollars)	16,700
Unemployment Rate (%)	6.6
Per Capita Food Expenditures (U.S. Dollars)	6,447
Percent of Female Population Employed <sup>5/</sup>	93
Exchange Rate (US\$1 = RUR), 2011 <sup>6/</sup>	29.35

Source: Unless otherwise noted, Russian Federal Statistics Service 2011 data (Rosstat)

Source: 2011, Global Trade Atlas (total agricultural imports)

Source: 2011, Global Trade Atlas

Population in excess of 1,000,000

Sources: Various - based on estimate of individuals earning US\$500-\$1,150 per month

Source: 2010 Rosstat data. As percentage of economically-active female population (employed or actively seeking employment). Female workers account for 49.1 percent of the total economically-active population

<sup>6/</sup> See Figure 1. Russia's Central Bank exchange rate of \$1 USD to Ruble in 2011

**TABLE B. CONSUMER FOOD & EDIBLE FISHERY PRODUCT IMPORTS, CY09-11**

	Imports from the World (Million Dollars)			Imports from the U.S. (Million Dollars)			U.S Market Share (Percent)		
	2009	2010	2011	2009	2010	2011	2009	2010	2011
<b>CONSUMER-ORIENTED</b>									
<b>AG, Total</b>	<b>18,503</b>	<b>21,719</b>	<b>25,325</b>	<b>1,391</b>	<b>1,011</b>	<b>1,143</b>	<b>7.5</b>	<b>4.7</b>	<b>4.5</b>
Snack Foods (Excl. Nuts)	707	910	1,165	2	3.3	4.9	0.3	0.4	0.4
Breakfast Cereals & Pancake	19	21	25	0.2	0.9	1.4	0.1	0.5	0.6

Mix									
Red Meats, Fresh/Chilled/Frozen	4,633	4,615	5,090	382.4	333.5	412.7	8.3	7.2	8.1
Red Meats, Prepared/Preserved	156	157	271	11.2	3.4	4.9	7.2	2.2	1.8
Poultry Meat	1,064	863	572	733	331	307	68.9	38.4	53.7
Dairy Products (Excl. Cheese)	303	659	618	2.8	20.6	0.06	0.7	3.1	0.01
Eggs & Products (Excl. Cheese)	79	116	153	10.5	9.8	21.6	13.2	8.5	14.1
Fresh Fruit	3,711	4,572	5,462	20.8	29.3	32.1	0.6	0.64	0.59
Fresh Vegetables	1,493	2,025	2,858	1.3	1.26	1.9	0.1	0.06	0.07
Processed Fruit & Vegetables	1,282	1,457	1,621	12.6	24.9	27.4	0.99	1.7	1.69
Fruit & Vegetables Juices	287	364	441	6.3	6.25	4.6	2.2	1.7	1.1
Tree Nuts	292	335	391	82.2	82.6	113	28.2	24.7	29
Wine & Beer	870	1,075	1,265	6.2	7.4	9.7	0.7	0.7	0.8
Pet Foods (Dog & Cat Food)	163	139	196	4.5	4.6	8.7	2.8	3.3	4.4
Other Consumer Oriented Products	1,920	2,352	2,786	113.2	146.7	190.1	5.9	6.2	6.8
<b>FISH &amp; SEAFOOD PRODUCTS TOTAL</b>	<b>1,754</b>	<b>2,150</b>	<b>2,564</b>	<b>27.4</b>	<b>51.6</b>	<b>60.4</b>	<b>1.6</b>	<b>2.41</b>	<b>2.36</b>
Salmon	311	524	604	0.6	1.45	0.28	0.2	0.28	0.05
Molluscs	40	60	88	1.7	4.4	4.1	4.2	7.4	4.7
Crustaceans	199	253	325	0.01	0.4	0.5	0.05	0.16	0.14
Other Fishery Products	1,052	1,082	1,304	10.4	32.3	37.8	1	3	2.9
<b>AGRICULTURAL PRODUCTS TOTAL</b>	<b>25,711</b>	<b>30,599</b>	<b>36,301</b>	<b>1,712</b>	<b>1,278</b>	<b>1,510</b>	<b>6.7</b>	<b>4.2</b>	<b>4.2</b>
<b>AG, FISH AND FORESTRY TOTAL</b>	<b>28,252</b>	<b>33,727</b>	<b>40,271</b>	<b>1,753</b>	<b>1,347</b>	<b>1,608</b>	<b>6.2</b>	<b>4</b>	<b>4</b>

Source: Global Trade Atlas

**ABLE C. TOP 15 SUPPLIERS OF CONSUMER FOODS & EDIBLE FISHERY PRODUCTS  
CONSUMER-ORIENTED AG TOTAL**

№	Country	Million United States Dollars		
		2009	2010	2011
1	Germany	1,172	1,633	1,882
2	Brazil	2,244	2,150	1,698
3	Ukraine	1,061	1,415	1,613
4	Turkey	1,014	1,336	1,408
5	Netherlands	888	1,185	1,403
6	Ecuador	791	878	1,189
7	<b>United States</b>	<b>1,391</b>	<b>1,010</b>	<b>1,143</b>
8	Spain	550	785	1,135
9	China	741	857	1,089
10	Italy	538	796	1,088

11	Poland	738	923	932
12	France	595	781	893
13	Argentina	862	509	526
14	Denmark	348	426	516
15	Belgium	267	441	502
	<b>World</b>	<b>18,503</b>	<b>21,719</b>	<b>25,325</b>

Source: Global Trade Atlas

**TABLE D. TOP 15 SUPPLIERS OF FISH & SEAFOOD PRODUCTS**

№	Country	Million United States Dollars		
		2009	2010	2011
1	Norway	729	860	929
2	China	207	235	309
3	Iceland	43	96	163
4	Canada	58	92	115
5	Chile	57	79	112
6	Vietnam	103	74	95
7	Denmark	79	70	69
8	<b>United States</b>	<b>27</b>	<b>52</b>	<b>60</b>
9	Thailand	33	49	49
10	United Kingdom	84	81	48
11	Latvia	23	32	45
12	Spain	30	35	42
13	India	16	26	34
14	Ukraine	28	32	31
15	Argentina	12	19	29
	<b>World</b>	<b>1,754</b>	<b>2,150</b>	<b>2,564</b>

Source: Global Trade Atlas

### Other Relevant Reports

Attaché reports on the Russian food and agricultural market are available on the FAS Website; the search engine can be found at

<http://www.fas.usda.gov/scriptsw/AttacheRep/default.asp>

The latest FAIRS Report can be found at

[http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative\\_Moscow\\_Russian%20Federation\\_1-17-2012.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative_Moscow_Russian%20Federation_1-17-2012.pdf)

RSATO1110 Retail Report / Annual

[http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Retail%20Foods\\_Moscow%20ATO\\_Russian%20Federation\\_9-2-2011.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Retail%20Foods_Moscow%20ATO_Russian%20Federation_9-2-2011.pdf)

RSATO1002 Trade Law Report

[http://gain.fas.usda.gov/Recent%20GAIN%20Publications/The%20Russian%20Federal%20Law%20on%20Trade%20\\_Moscow%20ATO\\_Russian%20Federation\\_8-30-2010.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/The%20Russian%20Federal%20Law%20on%20Trade%20_Moscow%20ATO_Russian%20Federation_8-30-2010.pdf)

RSATO1107 Russian Food Processing Sector

[http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20Processing%20Ingredients\\_Moscow%20ATO\\_Russian%20Federation\\_12-21-2010.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20Processing%20Ingredients_Moscow%20ATO_Russian%20Federation_12-21-2010.pdf)

RSATO1102 Russian HRI Sector

[http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20Service%20-%20Hotel%20Restaurant%20Institutional\\_Moscow%20ATO\\_Russian%20Federation\\_3-3-2011.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20Service%20-%20Hotel%20Restaurant%20Institutional_Moscow%20ATO_Russian%20Federation_3-3-2011.pdf)

RSATO1002 Fresh Deciduous Fruit / Annual

[http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Fresh%20Deciduous%20Fruit%20Annual\\_Moscow%20ATO\\_Russian%20Federation\\_11-1-2010.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Fresh%20Deciduous%20Fruit%20Annual_Moscow%20ATO_Russian%20Federation_11-1-2010.pdf)

RSATO1109 Russian Organic Market

[http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Russian%20Organic%20Market%20Taking%20Root\\_Moscow%20ATO\\_Russian%20Federation\\_4-27-2011.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Russian%20Organic%20Market%20Taking%20Root_Moscow%20ATO_Russian%20Federation_4-27-2011.pdf)

RSATO1010 Russian Alcohol Market Regulation 2008-2010 Update

[http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Russian%20Alcohol%20Market%20Regulation%202008-2010%20Update\\_Moscow%20ATO\\_Russian%20Federation\\_11-22-2010.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Russian%20Alcohol%20Market%20Regulation%202008-2010%20Update_Moscow%20ATO_Russian%20Federation_11-22-2010.pdf)

RS 1039 Ban on Grain Exports from Russia Comes to Force on August 15

[http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Ban%20on%20Grain%20Exports%20from%20Russia%20Comes%20to%20Force%20on%20August%2015%20\\_Moscow\\_Russian%20Federation\\_8-6-2010.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Ban%20on%20Grain%20Exports%20from%20Russia%20Comes%20to%20Force%20on%20August%2015%20_Moscow_Russian%20Federation_8-6-2010.pdf)

RS 1134 Fish and Seafood Production and Trade Update

[http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Fishery%20Sector%20Production%20and%20Trade%20Update\\_Moscow\\_Russian%20Federation\\_7-27-2011.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Fishery%20Sector%20Production%20and%20Trade%20Update_Moscow_Russian%20Federation_7-27-2011.pdf)

RS 1139 Poultry and Products Annual

[http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Poultry%20and%20Products%20Annual\\_Moscow\\_Russian%20Federation\\_8-16-2011.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Poultry%20and%20Products%20Annual_Moscow_Russian%20Federation_8-16-2011.pdf)

RS 1144 Livestock and Products Annual

[http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Livestock%20and%20Products%20Annual\\_Moscow\\_Russian%20Federation\\_9-15-2011.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Livestock%20and%20Products%20Annual_Moscow_Russian%20Federation_9-15-2011.pdf)

RS 1146 Dairy and Products Annual

[http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Dairy%20and%20Products%20Annual\\_Moscow\\_Russian%20Federation\\_10-20-2011.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Dairy%20and%20Products%20Annual_Moscow_Russian%20Federation_10-20-2011.pdf)

RS 1015 Declaration of Conformity Replaces Certification for Many Products

[http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Declaration%20of%20Conformity%20Replaces%20Certification%20for%20Many%20Products\\_Moscow\\_Russian%20Federation\\_3-22-2010.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Declaration%20of%20Conformity%20Replaces%20Certification%20for%20Many%20Products_Moscow_Russian%20Federation_3-22-2010.pdf)

RS1117 Pet Food Market Brief

[http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Pet%20Food%20Market%20Brief\\_Moscow\\_Russian%20Federation\\_4-21-2011.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Pet%20Food%20Market%20Brief_Moscow_Russian%20Federation_4-21-2011.pdf)

<sup>[1]</sup> According to Central Bank data, the average dollar rate against ruble for 2011 was R 29.35: USD 1