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Fresh Deciduous Fruit Annual

Fruit Consumption Falling As Economy Slows

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Report Highlights:

In marketing year (MY) 2013, Russia remained one of the biggest importers of fruits in the world having purchased 1.2 million metric tons (MT) of apples, 391,060 MT of pears, and 324,910 MT of grapes. Russia imports approximately 6 million MT of fruits and berries which accounts for roughly two thirds of total consumption. On August 7, Russia announced a one year ban on fruits and vegetables from the U.S. Canada, EU, Australia, and Norway. These countries supply around 30 percent of all imported fruits to Russia - 64 percent of total apple imports, 60 percent of pears, and 8 percent of grapes. The full substitution of fruit imports from banned countries is virtually impossible - especially in the short run. Coupled with a plummeting Ruble and dropping disposal income, overall fruit consumption is expected to decrease in MY 2014 and beyond.

Executive Summary:

Russia is one of the largest consumer markets in Europe with a population of 143 million people. Since 2003, fruit consumption has been growing year after year where, according to Rosstat. In 2013 per capita consumption of fruits and berries reached 77 kilograms, 4 percent more than 2012 and double compared with 2003. Fruit consumption in cities is higher than in rural areas and totals 81 kg per person per year due to higher incomes and greater assortment and availability of fruits in retail chains. However, many market analysts are forecasting that overall fruit consumption will slow in 2014 and possibly decline in 2015 as disposable income in Russia continues to drop along with the rapidly devaluating Ruble, slumping economy, and rising inflation figures. According to Rosstat, during January – March 2014, the disposable income of Russian consumers declined by 2.5 percent. The Ruble has been weakening over the last several months and on October 20 reached 40.05 Rubles/per 1 USD. As a result, all imported products are more expensive for Russian consumers at the same time as income stagnation is making consumers more price-sensitive.

Russian government officials plan to continue supporting the development of the horticultural sector in Russia and are earmarking significant funding to this sector. On September 30, 2014, the State Duma began deliberating a draft law titled, “The Federal Budget for 2015 and Planned Periods 2016 and 2017”. The Russian budget has numerous provisions devoted to horticulture development including partial reimbursement for the removal of old orchards - 110 million Rubles (\$2.8 million); partial reimbursement for new orchard planting and care - 1.13 billion Rubles (\$28.2 million); partial reimbursement for new vineyards planting and care - 314.5 million Rubles (\$7.9 million). The draft law must be approved by the State Duma and the upper house (the Federation Council) before going to President Vladimir Putin for his consideration.

Commercial apple production in 2013 reached 590,000 MT and is expected to increase to 650,000 MT in 2014. In 2014, Russian farmers continue to replace old orchards with intensive and semi-intensive orchards. The agricultural enterprises in Krasnodarskiy Krai, Kalbardino – Balkaria, Black Soil Region (Voronezhskaya, Lipetskaya, and Tambovskaya Oblasts) actively replace old orchards. Some Russian farmers are hesitant to invest in orchard replanting because Polish and Moldavian apples will be back in the market in August 2015 once the import ban is lifted which will lower apple prices and hurt their return on investment. The federal and regional governments continue to reimburse a percentage for the uprooting of old orchards and planting of new orchards. This reimbursement covers around 10 percent of the farmers’ expenses, according to industry sources.

On July 21 , 2014, the Russian Federal Veterinary and Phytosanitary Surveillance Service (VPSS) introduced import restrictions on Moldavian apples, pears, quince (HC 0808) and apricots, cherries, peaches, and plums (HC 0809) due to “systematic violations of international and Russian phytosanitary standards”. Roughly two weeks later, on August 7, 2014, Russian President Vladimir Putin signed a decree banning a list of agricultural products from the United States, Canada, European Union, Australia, and Norway as a result of the implementation of economic sanctions against Russia due to events in the region. The ban took place immediately, according to the decree, and is valid for 1 calendar year. The list of agricultural products included beef, pork, poultry, fruits, vegetables, fish, seafood, cheese, milk and a variety of other products. Apples, pears, and grapes are among banned product list. Please see more details and full product list of banned products in the following report:

<http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Russia%20Announces%20Ban%20on%20Variety%20of%20US%20Agricultural%20Products%20Moscow%20ATO%20Russian%20Federation%208-7-2014.pdf>

Russia imports approximately 6 million MT of fruits and berries which accounts for roughly two thirds of total consumption. The banned countries usually supply around 30 percent of all imported fruits to Russia - 64 percent of total apple imports, 60 percent of pears, and 8 percent of grapes. The Russian government believes that locally grown fruits, as well as fruits imported from non-embargoed countries like Turkey, Serbia, China, Chile, Brazil, etc. can backfill product previously purchased from the banned countries. Market analysts have stated that full substitution of imports from banned countries is virtually impossible especially in the short run even though Russia had an excellent apple crop this year. Coupled with a plummeting ruble and dropping disposal income, the current food ban is expected to push imported fruit consumption down in Russia in MY 2014 and beyond. After the ban went into place, retail chains began to actively signed contracts with local apple growers making domestic apples much more visible in most retail stores. However, within three week of the implementation of the ban, apples, pears, stone fruits volumes had declined while prices for apples and pear increased by 15 percent. Price growth is expected to continue as local fruit supplies dwindle and as we move into the winter months.

Apples/Fresh:

Production:

According to the Russian Federal Statistical Service (Rosstat), production of seed fruits grew by 12 percent in 2013 and reached 1,647,000 MT. The acreage has been declining from 521,300 hectares (ha) in 1996 to 244,500 ha in 2013. Industry experts from APK [1] estimate that apple production will continue to increase over the next few years as new orchards planted from 2007 – 2011 with high productivity started to bear fruit. The vast majority of seed fruits (86 percent) grown in Russia are apples, based on the 2006 All-Russia Census of Agriculture. In 2013, apple production reached 1,416,000 MT, up 12 percent compared to the previous year. The average yield grew from 5.9 MT per ha in 2012 to 6.7 MT per ha in 2013 due to increased production levels resulting from the planting of new orchards. In the 2014 season, the apple crop is expected to be 10 percent higher and could reach 1,550,000 MT. The apple crop in the current season is very good in the southern and central regions of Russia. There was less scab disease and lower-than-expected damage caused by a hail storm in the southern regions. Apple acreage, however, continues a long trend of decreasing dropping to 210,300 ha in 2013 compared to 213,000 ha in 2012 and 359,100 ha in 2003. During the last 10 years, old orchards were simply abandoned as many owners didn't have access to enough funds to plant new orchards.

¹ APK-Inform Co is an agricultural information agency specializing in agricultural production, trade, and distribution analysis. <http://www.apk-inform.com/en>

Commercial apple production in 2013 reached 590,000 MT and is expected to increase to 650,000 MT in 2014. In 2014, Russian farmers continue to replace old orchards with intensive and semi-intensive orchards. The agricultural enterprises in Krasnodarskiy Krai, Kalbardino – Balkaria, Black Soil Region (Voronezhskaya, Lipetskaya, and Tambovskaya Oblasts) actively replace old orchards. Some Russian farmers are hesitant to invest in orchard replanting because Polish and Moldavian apples will be back in the market in August 2015 once the import ban is lifted which will lower apple prices and hurt their

return on investment. The federal and regional governments continue to reimburse a percentage for the uprooting of old orchards and planting of new orchards. This reimbursement covers around 10 percent of the farmers' expenses, according to industry sources.

Golden Delicious, Red Chief, Granny Smith, Gala, and local varieties as Semerenko, Slava Pobeditelyu, and Bolshevik are the major apple varieties grown in Russia. Most apple production, as well as production other fruits and berries, is concentrated in Central Federal District (37 percent of seed total production), Southern Federal District (22 percent), and Severo Kavkazkiy Federal District (9.6 percent). 45 percent of commercial apple crop is grown in Southern Federal District. The international varieties such as Golden Delicious, Red Chief, Granny Smith, and Gala are mostly cultivated in the southern parts of Russia, where the weather is warm enough for these varieties to ripen. In the rest of Russia, local varieties dominate.

Map 1. Russia: Berries & Fruit Production by Oblast, % of Total Country Production



Source: Rosstat

Dark Red Color 7-11 percent

Red Color 4-6 percent

Pink Color 2-3.5 percent

Highest Berry/Fruit Producing Regions in percentage of total country production:

1. Krasnodarskiy Krai 12.05 %
2. Volgogradskaya Oblast 5.7%
3. Moscovskaya Oblast 5.5%
4. Voronezhskaya Oblast 4.6%

5. Dagestan 4.5%
6. Rostovskaya Oblast 4.3%
7. Lipetskaya Oblast 3.5%
8. Kabardino-Balkaria 3.5%
9. Saratovskaya Oblast' 3%
10. Nizhegorodskaya Oblast 2.8%.

In previous years, Russian apple growers sold truckloads to local traders and wholesalers in the Northwest region of Russia, Siberia, and Central Russia, while retail chains preferred to work more with imported apples. In 2014, the ban on European and Moldavian fresh fruits led to shortened supply of affordable apples and increased demand for local fruits of good quality. Retailers have shown greater interest in purchasing local products and sign contracts with big apple growers in 2014. The farm gate price in Krasnodarskiy Krai, Southern Federal District for local apples varies in the range 20-25 Rubles (\$0.48-0.62 [2]), up 20 percent compared to the same time last year. Food industry experts expect that prices to grow further going into December as larger amount of domestic apples are sold out and farmers who put their apples in cold storage receive higher profits late in the season.

Post expects to see fewer apples directed for processing in current season. Smaller-sized apples with possible damage are used for juice concentrate, puree, or jam production. APK market analysts estimate that roughly 50 percent of the domestic crop goes to processing on any given year. In 2014, because of the shortage of affordable apples on the market, more local apples will go to retail for higher prices. Post estimate that 491,590 MT will be used for processing juice concentrate and puree.

^[2]The exchange rate used is 41.0450 RUB/USD, actual for October 20, 2014. This exchange rate is applied to all further Ruble –USD conversions in the current report. More information and history of the Ruble/USD exchange rate can be found on the web: <http://bankir.ru/kurs/dollar-ssha-k-rossijskij-rubl>

Table 1. Russia: Production, Supply and Demand Data Statistics (PSD), Apples

Apples, Fresh Russia	2012/2013	2013/2014	2014/2015
	Market Year Begin:	Market Year Begin:	Market Year Begin:

	Jul 2012		Jul 2013		Jul 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	213,500	213,500	213,000	210,300		208,200
Area Harvested	171,000	171,000	171,000	175,000		176,000
Bearing Trees	92,000	92,000	92,000	92,000		93,000
Non-Bearing Trees	39,000	39,000	40,000	40,000		45,000
Total Trees	131,000	131,000	132,000	132,000		138,000
Commercial Production	518,500	518,500	692,000	590,000		650,000
Non-Comm. Production	745,500	745,500	708,000	826,000		900,000
Production	1,264,000	1,264,000	1,400,000	1,416,000		1,550,000
Imports	1,338,100	1,338,120	1,085,000	1,209,090		900,000
Total Supply	2,602,100	2,602,120	2,485,000	2,625,090		2,450,000
Fresh Dom. Consumption	1,947,100	1,944,000	1,884,550	2,050,000		1,850,000
Exports	400	3,500	450	3,500		500
For Processing	569,500	569,500	510,000	491,000		514,500
Withdrawal From Market	85,100	85,120	90,000	80,590		85,000
Total Distribution	2,602,100	2,602,120	2,485,000	2,625,090		2,450,000
HA, 1000 TREES, MT						

Source: Rosstat, Global Trade Atlas, trade press, interviews

Policy:

Russian government officials plan to continue supporting the development of the horticultural sector in Russia and are earmarking significant funding to this sector. On September 30, 2014, the State Duma began deliberating a draft law titled, “The Federal Budget for 2015 and Planned Periods 2016 and 2017”. The Russian budget has numerous provisions devoted to horticulture development including partial reimbursement for the removal of old orchards - 110 million Rubles (\$2.8 million); partial reimbursement for new orchard planting and care - 1.13 billion Rubles (\$28.2 million); partial reimbursement for new vineyards planting and care - 314.5 million Rubles (\$7.9 million). The draft law must be approved by the State Duma and the upper house (the Federation Council) before going to President Vladimir Putin for his consideration.

Consumption:

Russia is one of the largest markets in Europe with 143 million consumers. Since 2003, the consumption of fruits has been growing year after year. According to Rosstat, in 2013 the average per capita consumption of fruits and berries reached 77 kilograms, 4 percent more than 2012 and double compared with 2003. Fruit consumption in cities is higher than in rural areas and totals 81 kg per person per year due to higher incomes and greater assortment and availability of fruits in retail chains. In the rural areas, where 24 percent of Russian population lives, fruit consumption is 65 kg per capita.

The rural population eats more locally grown fruit and tends to “preserve” fruits for the winter season. Rosstat reports that average spending for fruits was 408 Rubles per month per person (\$10.19).

Russians consider fruits to be basic components to a healthy diet. Rosstat research of 45,000 households showed that 52 percent of surveyed men, 61 percent of women, 81 percent of kids between 3 and 14 years in families with one kid, 57 percent of kids older than 14 years eat fruits every day, or several times per week. 25 percent of questioned men and 31 percent of women from time to time eat fruits for desserts instead of the high-calorie confectionary or bakeries products. Also, 39 percent of respondents older than 14 years stated that picking consuming large volumes of fruit and vegetables is vitally important for a healthy diet. Please see more information about healthy eating trend in Russia in Rosstat the presentation. http://www.gks.ru/free_doc/new_site/food1/index.html

However, many market analysts are forecasting that fruit consumption will slow down in 2014 and possibly decline in 2015. Disposable incomes in Russia are dropping along with rapidly devaluating Ruble, slumping economy, and rising inflation figures. According to Rosstat, during January – March 2014, the disposable income of Russian consumers declined by 2.5 percent. The Ruble has been weakening over the last several months and on October 20 reached 40.05 Rubles/per 1 USD. As a result, all imported products are more expensive for Russian consumers at the same time as income stagnation is making consumers more price sensitive.

Apples are without question the most popular fruit in Russia. Apples alone capture 20 percent of the fruit market and are recognized in Russia as one of the healthiest products available. According to Rosstat, per capita apple consumption in 2013 reached 14.4 kg per person, 6 percent higher than in 2012. Russian consumers know such varieties as Semerenko, Bely Naliv, Ranet, Slava Pobeditelya, Royal Gala, Golden Delicious, Red Delicious, and Granny Smith. Russians usually consume apples in whole, and increasingly eat apples as snacks. One of the most popular desserts in Russia is apple pie and baked apples with cinnamon and/or nuts. Also, apples are often used in salads and in main courses.

According to industry experts from APK, the average wholesale price for apples increased 30 percent compared with the previous year due to the strengthening dollar and import ban on European fruits. Poland and Moldova were the main suppliers of inexpensive fruits to Russia with roughly 50 percent market share of apples, pears, and grapes. Post expects that fruit supplies will drop after the New Year and that prices will show significant increases since the local crop will be sold out. As a result, consumption of apples is expected to drop in 2014.

Russian consumers have a strong preference for locally-grown apples and buy them in large quantities when they are in season (August to November). During the season, large volumes of fruits are sold in open markets and outdoor street kiosks. During the rest of the year, Russians trend to buy fruits in supermarkets. Large Russian retailers offer a big assortment of fruits, competitive prices, discount programs, and convenient locations in residential areas. Retailers are offering fresh produce at different price points for various income levels based on quality and packaging. X5 Retail Group, Magnit, Aushan Group, METRO Cash&Carry, Dixi Group, Dorina Holding (O'key), and others continue to expand in big cities and to Russian provinces. According to Euromonitor, apples sales via retail chains are growing very quickly. Supermarkets, hypermarkets, and open markets are the main channels for apple retail sales. Supermarkets and hypermarkets are forecasted to sell 47.1 percent of all apple sales in 2014 while open markets account for 30.4 percent. Retail chains (supermarkets, hypermarkets and

convenience stores) play a more important role in major cities while open markets remain strong in regions and smaller towns.

Table 2. Russia: Sales of Apples by Distribution Format 2008/2011/2014, % Retail Volume

Distribution Format	2008	2011	2014F
Supermarkets/hypermarkets	27.2	37.3	47.1
Independent food stores	14.4	12.4	10.3
Convenience stores	4.8	5.9	6.1
Discounters	-	-	-
Open markets	37.5	34.7	30.4
Others	16.1	9.7	6.0
Total	100	100	100

Source: Euromonitor

Trade:

Russia remains the largest importer of apples in the world. In MY 2013, import volumes reached 1,209,090 MT valued at \$650 million - down 10 percent from 2013 in volume. The major suppliers of apples to Russia are Poland (544,637 MT), Moldova (165,157 MT), China (93,126 MT), and Serbia (68,762 MT). Poland and Moldova shipped to Russia 709,794 MT, 58 percent of all apple imports of which are the less expensive varieties in Russia. Exports of more expensive apples from Italy, Belgium, and France increased because of the good crop. Imports from Chile and Argentina decreased significantly in MY 2013 as European products were available during the whole year at competitive prices.

U.S. apples make up less than 1 percent of total market share in Russia. However, in MY 2013 exports of U.S. apples increased 48 percent compared to the previous year reaching 10,855 MT valued \$11.7 million. U.S. apples have a niche market in Russia as many consumers prefer the large and richly colored apples, which are characteristics that U.S. suppliers can normally provide. Importers and retailers appreciate two strong selling points of U.S. apples -- long shelf life and consistent quality.

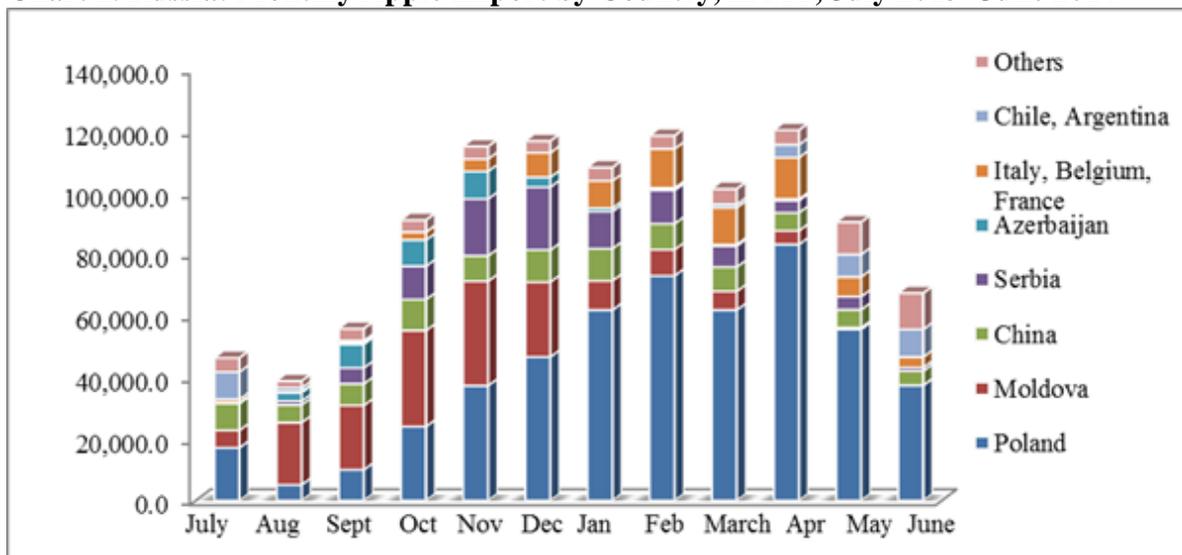
Table 3. Russia: Import Trade Matrix for Apple in Metric Tons, MY 2012-2013

Year	2012		2013
U.S.	7,307	U.S.	10,855
Others		Others	
Poland	761,017	Poland	544,637
Moldova	165,143	Moldova	165,157
China	118,218	China	93,126
Azerbaijan	53,236	Serbia	68,762
Serbia	35,885	Azerbaijan	34,135
Italy	33,334	Italy	28,566
Chile	32,047	France	22,585

Argentina	28,080	Chile	22,173
Belgium	20,536	Belgium	21,779
France	20,109	Argentina	9,999
Total for Other	1,267,605	Total for Other	1,010,919
Others not Listed	70,513	Others not Listed	191,171
Grand total	1,338,118	Grand total	1,209,090

Source: Global Trade Atlas

Chart 1. Russia: Monthly Apple Import by Country, in MT, July 2013- June 2014



On August 7, 2014, the Russian government imposed a one-year ban on various agricultural products (including fruits) from European Union, United States, Canada, Australia, and Norway. Two weeks earlier, the Russian government also applied import restrictions on apples from Moldova ostensibly due to phytosanitary concerns. These six countries exported 780,000 MT of apples to Russia in MY 2013, which is roughly 64 percent of total apple supplies. Russian government officials are hopeful that other countries such as Serbia, Azerbaijan, China, Turkey, Chile, and Argentina to backfill supplies and keep prices stable.

The current situation of Russia's apple market can be summed up as follows:

- After the food import ban was implemented in August, demand for Russian apples increased almost immediately. Retail chains showed bigger interest in locally-produced apples and signed contracts with growers. Russian apples became more prominent in most retail chains. The price for local apples increased by 20 percent due to the shortage of affordable apples from Poland and Moldova. Largely, Russian apples will no longer be available by the end December at which point prices will likely increase further, according to market analysts.

- According to FruitNews [3] estimates, finding alternatives to European apple suppliers for December-March months ... "is quite difficult, as during the fall and winter months, the range of potential suppliers

is extremely limited. However, potential candidates include Serbia, China, and Azerbaijan. According to official figures, Serbia's average apple crop over the last 20 years amounted to 215,000 MT, of which 100,000-150,000 MT were exported. A record volume of apples was exported from Serbia in 2013 totaling 150,000 MT of which two-thirds were sent to Russia. Therefore, the option to increase apple supplies from Serbia is already very limited.

- A comparable amount of apples arrive to Russia from Azerbaijan – which produces roughly 200,000 MT of apples each year. In 2013, 40,000 MT were exported mostly to Russia. In order to increase apple exports, Azerbaijan would have to re-orient a large volume of its harvest for export which is unlikely to happen in the short to medium run. The country with the most potential to boost falling volumes of apples to Russia is China, which has large fruit production facilities. Last year, the overall volume of cultivated apples in China amounted to 38 million MT. However, China is also a large consumer of apples and has expanding apple juice production plants. Less than 3 percent China's harvest (about 1 million MT) was shipped as export. Over the last few years, the cost of Chinese apples in the European part of the Russia was significantly higher than apples from Poland and Moldova. According to the World Apple and Pear Association (WAPA), the apple crop in China this year is expected to drop by 7 percent compared to the previous year.

- Argentina and Chile can export more apples to Russia although this will depend on prices being in the international market. In MY 2012, joint exports from these two countries exceeded 60,000 MT.

- In 2014, apple prices began to rise quickly particularly after the Russian government banned fruits and vegetables from Russia's main trading partners. For example, in October 2013, the price for economy class apples in "Dixie" supermarket was 32 Rubles per kg. Today, the price is 45 Rubles per kg. Major importers report that apple prices have been growing since the beginning of the year thanks, in large part, to the devaluating Ruble, food import ban, economic slump, and dropping consumer purchasing power. As a result, Post expects apple imports to drop 20-30 percent compared to last year.

^[3] Fruit News informational agency for fresh produce, nuts and dried fruits in Russia.
<http://www.fruitnews.info/news/item/701-changes-in-the-russian-market-2014.html>

Prices for apples as of October 23, 2014 at the distribution level in Moscow are as follows:
<http://www.agroserver.ru/yabloki/p1-city-559.htm>

Different varieties, Serbia - 32 Rubles (\$0.80) per kg
Aidared, Macedonia - 35.5 Rubles (\$0.87) per kg
Bogatir', Aprelskoe, Russia - 38 Rubles (\$0.90) per kg
Golden, Crimea, 43-49 Rubles (\$1.07 - \$1.20) per kg
Apples, New Zealand - 60 Rubles (\$1.40) per kg

Pears

Production:

The pear crop in MY 2013 totaled 144,600 MT, 10 percent higher than the previous year. Roughly 85 percent of the total pear crop was grown on the private plots by households for personal consumption. The commercial production of pears reached 22,800 MT in 2013, 10 percent higher than in 2012. The

southern and Volga Valley are the main areas where commercial pear production is concentrated. The main pear varieties popular with Russian growers are Abbat Fettel, Williams, Conference, Kyure, and Lesnaya Krasavitsa. Local pear varieties are able to withstand winter frost well but the fruit is generally considered to be less flavorful than western type varieties. Farmers are hesitant to plant new pear orchards due to pear's sensitivity to frost and lack of resistance to plant diseases compared to other crops. As a result, it is not likely the commercial production will grow drastically over the next few years. In MY 2014 the pear crop is expected to increase slightly due to favorable weather conditions.

Table 4. Russia: Production, Supply and Demand Data Statistics (PSD), Pears

Pears, Fresh Russia	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Jul 2012		Market Year Begin: Jul 2013		Market Year Begin: Jul 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	31,000	31,000	31,000	31,000		31,000
Area Harvested	26,270	26,270	26,200	26,200		26,200
Bearing Trees	10,200	10,200	10,200	11,200		11,200
Non-Bearing Trees	2,700	2,700	2,700	2,800		2,800
Total Trees	12,900	12,900	12,900	14,000		14,000
Commercial Production	18,900	18,900	17,500	22,800		23,000
Non-Comm.	110,000	110,000	115,000	121,800		130,000

Production						
Production	128,900	128,900	132,500	144,600		153,000
Imports	367,900	363,650	395,000	391,060		320,300
Total Supply	496,800	492,550	527,500	535,660		473,300
Fresh Dom. Consumption	463,100	457,000	491,900	494,000		445,700
Exports	100	2,000	100	2,000		1,000
For Processing	20,400	20,350	20,000	21,860		10,600
Withdrawal From Market	13,200	13,200	15,500	17,800		16,000
Total Distribution	496,800	492,550	527,500	535,660		473,300
HA, 1000 TREES, MT						

Source: Rosstat, Global Trade Atlas, trade press, interviews

Consumption:

Pears are one of the most popular fruits in Russia along with apples, citrus, and bananas. Based on import and production data, pear consumption per capita was 3.4 kg in 2013, up 10 percent compared with the previous year. Post estimates that overall domestic consumption in MY 2013 reached 494,000 MT. In 2014, pear consumption is expected to drop due to slowing economy, plummeting Ruble, and dropping consumer purchase power.

For Russians, the ideal pear is usually described as juicy, crispy, sweet, and not overripe. Russian consumers usually eat pears whole or sometimes include them in fruit salads. Consumers know some of the most popular pear varieties like Conference, Williams, and Red Bartlett, but don't pay a great deal of attention to product origin. Pears are not associated with a definite season in Russia and people buy them year round. Consumers tend to buy pears in chain supermarkets during their weekly shopping and some still make purchases close to home at fruit kiosks and open air markets. Pear consumption patterns are different in rural areas because of lower incomes and because many rural residents grow their own fruits and vegetables. Around 25 percent of the Russian population lives in rural areas and mostly consume fruits grown on their own plots. According to Euromonitor International, pears in Russia are mostly sold via supermarkets (45 percent of total) and open markets (32 percent) in 2014.

Table 5. Russia: Sales of Pears by Distribution Format 2008/2011/2014, % Retail Volume

Distribution Format	2008	2011	2014F
Supermarkets/hypermarkets	29.3	36.7	44.7
Independent food stores	14.6	13.2	11.5
Convenience stores	4	4.9	5.3
Discounters	-	-	-
Open markets	37.4	34.8	31.5
Others	14.7	10.4	7
Total	100	100	100

Source: Euromonitor

Trade:

Russia imports roughly 60 percent of all pears needed to satisfy consumer demand making it the world's largest pear importer. In MY 13, pear imports to Russia totaled 391,060 MT valued at \$414 million, up 7 in volume from the previous season due to bigger supply from European countries. The largest suppliers of pears to Russia were: Belgium (119,487 MT), Argentina (81,996 MT), Poland (49,044 MT), and Netherlands (44,075 MT). In 2013, the European countries increased the supply of good quality pears to Russia by 25 percent due to an unusually good crop. Southern hemisphere countries continued to supply pears in the winter season, however their supply declined by 23 percent in MY 13 as European product was available year round at competitive prices.

U.S. pear exports to Russia increased 46 percent in MY 13 reaching 10,356 MT valued at \$12.8 million. Russian importers like U.S. pears for their long shelf life and consistent quality. Anjou and Red Anjou are the most popular varieties in European Russia while the Russian Far East, with less competition and better logistics, imports up to seven varieties of U.S. pears. In MY 2014 pear imports will decline significantly because of the import food ban implemented on August 7, 2014. European countries supply on average 50-65 percent of total Russian pear imports depending on the crop volume. It will be a challenge to substitute the large volumes of pears that were shipped to Russia from the EU and United States. According to APK inform: "To some extent, Fall and Winter supplies could be imported from China (3 percent), where the total harvest volume amounted to 15-17 million MT, and the export volume for the past 10 years has varied between 310-470 thousand MT annually. However, China cultivates different varieties of pears of which Russian consumers are not familiar with. Serbia is looking to expand sales of pears to Russia as it currently has 1.7 percent of the market share and is not on the list of countries facing the food import ban. Turkey is a large pear producer and annually cultivates 380-390 thousand MT over the last five years. However, export supplies of pears from Turkey during the last 5 years totaled anywhere from 19-29 thousand MT of which only a small fraction was destined for Russia. Argentina, Chile, and South Africa may increase the supply of pears to Russia starting from April, if they have good crops and if their prices are competitive.

Major pear importers in St. Petersburg have stated that consumption is falling in Russia due to the plummeting Ruble, cooling economy, and dropping consumer purchase power. They believe that sufficient pear supplies can be found in the international market for Russian consumers but are concerned with slowing consumption which could fall by 20 percent (in some estimates) in 2015. Prices for pears as of October 26, 2014, at the distribution level in Moscow are as follows:

- Williams pears, Kabardino-Balkariya, Russia 35 Rubles (\$0.80) per kg
- Williams pears, Serbia 60+ size 45 Rubles (\$1.10) per kg
- Williams pears, South Africa 86 Rubles (\$2.11) per box
- Pakham pears, South Africa 60 Rubles (\$1.50) per kg
- Conference pears, Belarus 57 Rubles (\$1.40) per kg
- Conference pears, Belgium 76 Rubles (\$1.90) per kg

Chart 2. Russia: Pear Imports by Country, MY2013-2014

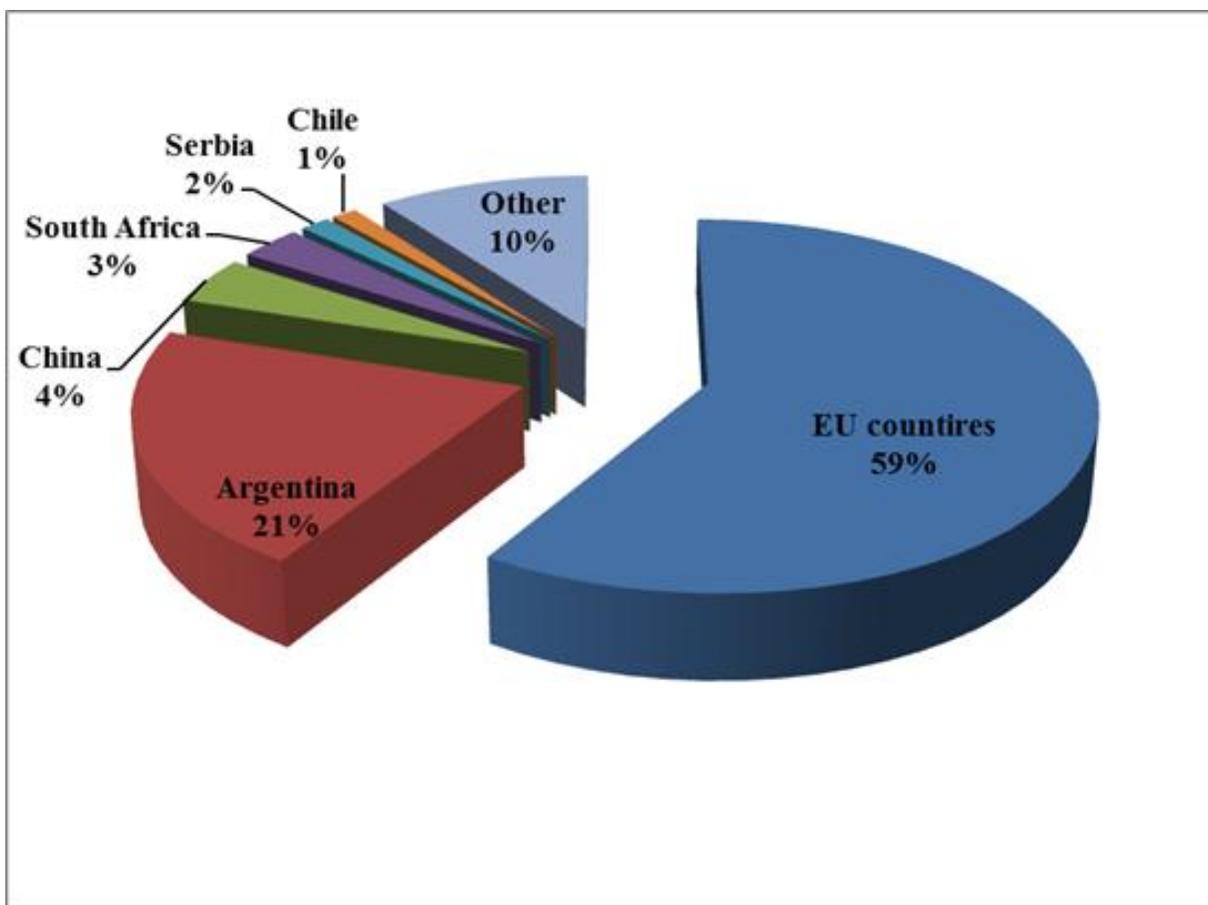


Table 6. Russia: Import Matrix for Pears in Metric Tons, MY 2012-2013

Year	MY 2012		MY 2013
U.S.	7,100	U.S.	10,367
Others		Others	
Argentina	108,443	Belgium	119,487
Belgium	84,134	Argentina	81,996
Poland	44,507	Poland	49,044
Netherlands	27,364	Netherlands	44,075
China	26,523	China	16,438
South Africa	16,915	South Africa	11,717
Spain	14,731	Spain	11,536
Italy	9,297	Portugal	6,432
Chile	5,563	Serbia	5,631
France	5,141	Chile	4,836
Total for Other	342,618	Total for Other	351,192

Others not Listed	21,029	Others not Listed	39,868
Grand total	363,647	Grand total	391,060

Source: Rosstat, Global Trade Atlas, trade press, interviews

Grapes:

In MY 13, Russian production of table grapes totaled 74,400 MT, up 30 percent compared with the previous season, according to Rosstat. The commercial crop is estimated at 38,000 MT with the rest being grown on private plots. The second year growers in Krasnodar Krai and Dagestan enjoyed a very good crop due to the favorable weather in winter, spring and harvest time. In MY 2014, table grapes crop is forecast to increase by 10 percent. The majority of grapes grown in Russia take place in the Krasnodar region. They are also grown in the Caucasus (Dagestan, Stavropol region) and the southern parts of Siberia (Altai Krai). Table grape production in Russia is limited due to a lack of good climate for grape production and strong competition from wine grapes and other crops. The production of wine grapes is ten times greater than table grapes production in Russia. Table grapes is very labor intensive while wine grapes are picked by machines and have a guaranteed channel of sales. Thirdly, according to wholesalers, imported table grapes are preferable to domestic because they have a longer storage life - nearly a month versus domestic grapes that need to be sold within 5-20 days. Post estimates that commercial table grape production will not increase significantly in the near future.

The most popular grape varieties cultivated in Russia are local such as white grape “Plevan” (around 30 percent of the crop) and harvested in mid-August. The “Moldova” is a black grape (around 70 percent of the crop) which is harvested in mid-September). Farmgate prices in September were around 24 Rubles per kg (\$0.60) almost the same as in 2014. Domestically grown grapes are usually consumed where they are grown via open air markets. During the season, some shipments of the Moldova variety go to big cities in Siberia and the Urals as well.

Table 7. Russia: Production, Supply and Demand Data Statistics (PSD), Grapes

Grapes, Fresh Russia	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Jun 2012		Market Year Begin: Jun 2013		Market Year Begin: Jun 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	6,900	6,200	7,000	7,300		7,400
Area Harvested	5,155	4,500	5,555	5,555		5,600
Commercial Production	23,860	44,950	27,430	38,000		41,800
Non-Comm. Production	25,510	11,800	29,330	36,000		39,600
Production	49,370	56,750	56,760	74,000		81,400
Imports	388,300	392,600	310,000	391,060		385,000
Total Supply	437,670	449,350	366,760	465,060		466,400
Fresh Dom.	431,000	447,150	353,500	450,000		449,900

Consumption						
Exports	200	200	500	500		500
For Processing	0	0	0	0		0
Withdrawal From Market	6,470	2,000	12,760	14,560		16,000
Total Distribution	437,670	449,350	366,760	465,060		466,400
HA, MT						

Source: Rosstat, Global Trade Atlas, trade press, interviews

Consumption:

Grapes are one of the most popular fruits in Russia and consumption has grown in recent years. According to Rosstat, in 2013 grape per capita consumption in Russia reached 3.5 kg, up from 3.1 kg in 2011. While consumption is being supported by the “healthy living” trend that is growing in Russia, economic uncertainty and a falling Ruble are expected to lead to a slight reduction in purchase of all fruits. Post forecasts table grape consumption in MY 14 remain flat stuck at the same level as in 2013.

Russians prefer seedless and esthetically beautiful grapes and prefer the Uzbek and Moldovan varieties when they are in season. Both consumers and traders still consider grapes from former Soviet Union countries to be “local product”. Grapes are available year round in Russia however, the peak consumption months are August-November (66 percent of annual sales takes place in these 2 months), when the most affordable and well known grapes from Moldova, Uzbekistan, and Turkey are available. Many Russian consumers buy grapes during their weekly shopping in supermarkets and discounter stores. However, during the fall season, Russians also purchase large volumes of fresh seasonal grapes and other produce usually in open air fruit stands where the product from former Soviet Republics are broadly available. Grapes are available on the shelves of big city supermarkets year round as retail chains tend to supply product from Turkey, Italy, Argentina, Peru, and South Africa. Grapes from former Soviet Union countries are available in retail chains soon after picking, when they are to get sufficient volumes of product on a regular basis. Like wholesalers, retailers comment on the shorter life span of “local grapes” and also note that the percentage of waste during handling is much higher compared to grapes from Europe or South America.

Trade:

According to Russian Customs statistics, Russia remains one of top importers of grapes in the world. In MY 2013, Russia imported 324,910 MT of grapes valued at \$463.3 million - down 16 percent in volume from the previous marketing year. Post believes that grape import volumes in Russia are higher than official figures due to large and unrecorded shipments of grapes from Uzbekistan. These grapes are custom cleared on the border of Uzbekistan and Kazakhstan and travel to Russia without additional duty payment at the Russian border. These shipments are not always reflected in the Russian customs statistics. Uzbekistan is a traditional supplier of grapes to Russia and exports from 46,000-73,000 MT of grapes per year depending on quality of a given crop year.

According to official statistics, Turkey is the largest exporter of grapes to Russia and supplied 139,011 MT in MY 2013 – maintaining 42 percent of Russian market by volume. And due to counter-seasonal production, grapes from Chile, Argentina, Peru, and other South African countries dominate the market until June each year. The supply of less expensive product from India and Moldova grew by 69 percent

and 37 percent respectively in MY 2013. This trend perhaps will continue in 2014 season due to a falling consumer purchasing power in Russia.

California table grape exports to Russia totaled 1,017 MT in MY 13, less than 1 percent of total market share. One of the main reasons for this small size is strong competition from Italy and Peru that offer similar quality at better prices. The season for California grapes peaks in November and December.

In MY 2014, consumption of table grapes is expected to decline. The recent ban on fruits and vegetables applied to the United States, EU, Canada, Australia and Norway won't have a drastic effect on overall grape imports as Italy is the only big exporter of the banned countries with 8 percent total market share. The price for imported table grapes increased after the import ban accompanied with the weakening Ruble that dropped from 32.36 Rubles/ 1 USD to 40.0450 on October 26, 2014.

Prices for table grapes as of October 26, 2014, at the distribution level in Moscow are as follows:

- Arkadiya, Muskat grapes, Crimea, 50 Rubles (\$1.20) per kg
- Kish Mish grapes, Turkey 55-65 Rubles (\$1.37-1.60 USD) per kg
- Grapes, Serbia 65 Rubles \$1.60) per kg
- Kish Mish black grapes, Uzbekistan, 85 Rubles (\$2.10) per kg

Table 8. Russia: Import Trade Matrix for Grapes in Metric Tons, MY 2012-2013

Year	2012		2013
U.S.	796	U.S.	1,017
Others		Others	
Turkey	146,010	Turkey	139,011
Uzbekistan	46,723	Chile	29,369
Chile	33,229	Italy	27,869
Italy	31,080	India	26,807
Peru	19,445	Moldova	23,504
Moldova	17,088	Peru	22,360
South Africa	16,627	South Africa	12,516
India	15,834	China	9,653
Argentina	12,301	Iran	6,677
China	11,628	Armenia	6,118
Total for Other	349,965	Total for Other	303,884
Others not Listed	38,309	Others not Listed	21,026
Grand total	388,274	Grand total	324,910

Policy:

Fruits and vegetables are subject to sanitary-epidemiologic control, based on Decision # 299 on Use of Sanitary Measures in the Customs Union. This inspection checks whether the imported produce

complies with the chemical, radiological, biologically active, microbiological, and pesticide content norms of the Russian Federation. The Unified Sanitary–Epidemiological requirements can be found in Russian on the website of the Customs Union:

<http://www.tsouz.ru/db/techregulation/sanmeri/Documents/PishevayaCennost.pdf>

The Russian competent authority, Federal Veterinary and Phytosanitary Surveillance Service (VPSS), requires that the exporter provide information on pesticides used at growing and storage location of the plant products, on the date of the last treatment, and on the MRLs of pesticides in these products. The information may be in the form of a letter from producers or from the producers' association. There is no standard form, but VPSS developed a sample form of a letter (declaration) in Russian on pesticides (see Attachment I). The maximum residue levels for pesticides specifically can be found in the following GAIN report The Customs Union Update on MRLs for Pesticides in Ag Products:

http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Customs%20Union%20Update%20on%20MRLs%20for%20Pesticides%20in%20Ag%20Products_Moscow_Russian%20Federation_12-22-2010.pdf

Apples, pears and grapes, as products of recognized high phytosanitary risk, go through phytosanitary control. Please refer to GAIN report RS1102 _ Russia Updates Quarantine Regulations of Imported Products _ Moscow _ Russian Federation _ 1/18/2011

(http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Russia%20Updates%20Quarantine%20Regulations%20of%20Imported%20Products_Moscow_Russian%20Federation_1-18-2011.pdf).

The report provides detailed information on the list of quarantine objects that shall be controlled in products imported from the United States, and also an unofficial translation of the general phytosanitary requirements of the Russian Federation for imported products subject to phytosanitary control at the border and inside the territory of the Customs Union, specified by products groups.

Fresh produce shipments should be accompanied by a Phytosanitary certificate from the exporting country authorities (APHIS for American produce) to be able to certify and clear products in Russia.

- The issuance date of the certificate should be before the actual departure of the lot from the territory of the authorized body which issued the certificate.
- The net weight in tons or kilograms must be identified in the document. The weight in the certificate should comply with actual weight of the shipment and weights identified in Bill of Lading and Invoice.
- All boxes on the document should be completed. If there is a box requesting information not applicable for the current shipment, the empty box should be marked with cross. Each of these defects in filling out the phytosanitary certificate causes Customs authorities to question the importers and requires extra effort and time for shipment clearance that makes the produce more expensive and less competitive on the market.

Russia no longer requires an Import Quarantine Permit for imported products.

The agricultural products are subject for customs duties payment according to the Customs Union Tariff, approved by the Resolution No. 54 of the Board of the Eurasian Economic Commission dated July 16, 2012. Below table presents the current harmonized codes and actual customs duties. The full

current Tariff schedule for all products can be found on the Eurasian Economic Commission, the regulatory body of the Customs Union of Russia, Belarus and Kazakhstan.

<http://www.eurasiancommission.org/ru/act/trade/catr/ett/Documents/ett08%2001.09.2013.pdf>

Table 9. Russia: Harmonized Codes & Tariffs - Customs Union Tariff List

Harmonization code	Product	Customs duty (in percentage of customs value, either in USD or Euros per kg)
0806	<i>Grapes fresh and dried</i>	
0806 10	Grapes fresh	
0806 10 100 0	Table grapes fresh	5%
0808 10	<i>Apples</i>	
0808 10 100 0	Apples for cider production, bulk from September 16 - December 15	0.2 Euro per kg
0808 10 800	Other:	
0808 10 800 1	Apples from 1 of January to 31 of March	0.06 Euro per kg
0808 10 800 2	Apples from 1 of April to 30 of June	0.06 Euro per kg
0808 10 800 3	Apples from 1 of July to 31 of July	0.06 Euro per kg
	From August 1 to November 30	
0808 10 800 5	Golden Delicious or Granny Smith varieties	0.2 Euro per kg
0808 10 800 6	Other	0.1Euro per kg
	From December 1 to December 31	
0808 10 800 7	Golden Delicious or Granny Smith varieties	0.2 Euro per kg
0808 10 800 8	Other	0.1Euro per kg
0808 30	<i>Pears</i>	
0808 30 100 0	Pears for perry or pear cider production, bulk from August 1 to December 31	10%

0808 30 900 0	Other	10%
0808 40 000 0	Quince	10 %

Apples, pears and grapes from certain developing and least-developed countries qualify for preferential import duties under the Customs Union Commission Decision #130 which approved a list of products enjoying the tariff preferences and can be found here:

<http://www.tsouz.ru/db/ettr/Pages/tovRSiNRS.aspx>

A list of the developing and least-developed countries who are eligible users of preferences can be found here: <http://www.tsouz.ru/db/ettr/Pages/RazvivStrani.aspx>

<http://www.tsouz.ru/db/ettr/Pages/NaimRazvStrani.aspx>

The duty for products with preference is 75 percent of the regular duty calculated in USD or Euros. For example, the duty on 1 kg of U.S. grapes is 5 percent and for pears from Argentina 3.5 percent. The duty is calculated based on the price of the invoiced goods subject to verification compared to an “indicative price” by the Customs official.

The importer pays the customs duties accounting for a percentage of the customs value of the shipment (product value and transportation cost) in U.S Dollars or Euros. Also, the value added tax (VAT), 18 percent, is taken from the summarized customs value and duties.

Commodities:

Apples, Fresh

Pears, Fresh

Grapes, Table, Fresh