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Fresh Deciduous Fruit Annual

Demand for Apples Grow but Stays Flat for Pears and Grapes

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Report Highlights:
Russia is the largest global importer of apples and pears. In marketing year (MY) 2013, Russian imports of apples are expected to grow slightly while imports of pears and grapes are forecast to remain flat. Post forecasts apple production at 1.2 million metric tons (MMT) in MY 13, down 5 percent than the previous year. Commercial pear production in MY 13 is forecast to remain flat compared to the previous year. The Russian government has allocated funds devoted to horticulture development including: partial reimbursement for new orchard planting and for old orchard removal, cultivation development, financial support for research in new varieties and seed breeding.

Executive Summary:

Russia is the largest global importer of apples and pears. In marketing year (MY) 2013, Russian imports of apples are expected to grow slightly while imports of pears and grapes are forecast to remain flat. Post forecasts apple production at 1.2 million metric tons (MMT) in MY 13, down 5 percent than the previous year. More than 60 percent of the apple crop in Russia is cultivated by the households for personal consumption or sales within the season in outdoor markets. In 2013, the average apple yield per hectare in Russia was around 6.9 tons per ha attributed mainly to low yields in older orchards which make up 70 percent of total area planted according to some industry estimates. Growers continue to replace old orchards with “semi intensive” and “intensive” techniques but at a slower pace in than previous years. Apples from the United States make up less than 1 percent of the Russian market share. In MY 12, U.S. apple exports to Russia began to increase after the sharp decline in 2011 reaching 7,307 MT for $7.7 million (up 30% in volume and value compared to previous marketing year). 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.

Commercial pear production in MY 13 is forecast to remain flat compared to the previous year. Pears are often planted in private orchards where families grow pears for personal consumption and winter canning. Total pear production in Russia in MY 13 is estimated 132,000 MT (17,500 MT of commercial production and 115,000 MT of household production). The Russian government has allocated funds devoted to horticulture development including: partial reimbursement for new orchard planting and for old orchard removal, cultivation development, financial support for research in new varieties and seed breeding, and lower interest rates for investment in storage facilities. In MY 13, U.S. pear imports to Russia totaled 7,100 MT, up 2 percent from the previous season, as they were good quality and competitive in price with European product. American pears compete with European product. Considering good crop in the United States, American per has potential to expand sales if the price fits the market in MY13. Russian importers like American pears for the long shelf life and good quality. Anjou and Red Anjou are the most popular varieties in Russia. Meanwhile, the Russian Far East with less completion and quicker logistics imports up to seven varieties of American pears.

In MY 13, Russian production of table grapes is expected to be 15 percent higher than the previous season and is forecast to reach a total of 56,760 MT (including 27,430 MT of commercial production). Growers in Krasnodar Kray and Dagestan enjoyed very good crop in MY 2012 partially due to the favorable weather in winter, spring and harvesting time. Post revised the table grapes production for MY12 in accordance with Rostat data and based on information from industry market analysts. Official Russian data states that table grapes production in MY 12 reached 49,370 MT including commercial 23,860 MT and non-commercial 25,510 MT.

Apples, Fresh

Production:

In MY 2013 (July/June) Post forecasts apple production at 1.2 million metric tons (MMT), 5 percent lower than the previous year. According to market analysts, productivity of apple trees is down this marketing year compared to last year's outstanding harvest. Also, unfavorable weather conditions during blooming and seed-bud formation in Russia's important apple producing regions negatively affected the current crop. More than 60 percent of the apple crop in Russia is cultivated by the households for personal consumption or sales within the season in outdoor markets. This product does not, in general, enter commercial sales channels. In MY 13 household cultivation of apples is forecast at 708,000 MT.

Commercial apple production in MY13 is expected to decline 5 percent totaling 492,000 MT. Moreover, it is expected that the quality of Russia's apple harvest will be lower than last year due, in large part, to unfavorable weather conditions during the blooming period. Golden Delicious, Red Chief, Granny Smith, Gala, and local varieties as Slava Pobeditelyu, Semerenka, Bolshevik are the major apple varieties grown in Russia. Most apple production, as well as production other fruits and berries, is concentrated in southern, central and Privolzhskiy Federal Districts.

Post increased total domestic apple production in MY 12 from 1.201 MMT to 1.264 MMT and commercial production - to 518,500 MT. Good weather and better yields from intensive apple orchards helped push apple production up and beyond Post's previous forecast. Apple acreage in Russia has been decreasing since 2003 and is forecast to fall slightly from 213,500 planted hectares (ha) in MY 12 to 213,000 ha in MY 13. This trend will likely continue in the near future as growers continue to root out old, unproductive trees at a faster pace than planting new orchards. Moreover, in 2013, the Russian government significantly cut subsidies earmarked for the planting of new apple orchards (from 936.9 million rubles in 2012 ($29 million) [1] to 500 million rubles ($15.5 million) in 2013). In MY 13, many growers had to cut back on crop treatment, due to low rates of return from previous seasons, which resulted in lower yields and a drop in quality. In addition, investments in building large and modern storage facilities dropped drastically compared with MY 12 which is a major cause of the average 12-13 percent harvest losses seen by Russian apple growers. According to industry experts from APK [2] information agency, the wholesale price for local apples in August 2013 dropped by 25 percent compared to the price in August 2012. The farm gate price for apples vary from 13-25 rubles (0.40-0.77 US cents) per kilogram (kg).

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

[1] The exchange rate used is 32.36 RUB/USD, actual for October 9, 2013. This exchange rate is applied to all further Ruble – USD conversions in the current report. More information about the history of the RUB /USD exchange rate can be found on the web: http://bankir.ru/kurs/dollar-ssha-k-rossijskij-rubl

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

Pink Color 2-3.5 percent
Red Color 4-6 percent
Dark Red Color 7-11 percent

Russian apple growers sell mostly truckloads to regional wholesalers in the Northwest region of Russia, Siberia and Central Russia. They also sell small wholesale shipments to local traders and families. There are a few growers in Krasdonarskiy Krai that produce good quality 65+ sized apples in good volumes and can secure a consistent supply for retail chains. In general, organized retail establishments tend to prefer imported apples because they have a better balance between price and quality and are available in good quantities over longer periods of time.

Smaller-sized apples with possible damage are used for juice concentrate, puree, and jam production. APK market analysts estimate that around 50 percent of the domestic crop goes to processing. Apple juice remains the most popular juice in Russia with around 18 percent share of the 3 billion liters of juice produced each year. However, the prices for such apples are very low at 4-5 Russian rubles (0.12-0.15 US cents) per kg.

<u>Highest Berry/Fruit Producing Oblasts</u>

1. Krasnodarskiy Krai -10.7%
2. Moscowskaya Oblast - 7.6%
3. Volgogradskaya Oblast- 5.7%
4. Dagestan - 4.5%
5. Rostovskaya Oblast - 4.2%
6. Voronezhskaya Oblast -3.4%
7. Kabardino-Balkaria - 3.4%

8. Chelyabinskaya Oblast - 3.1%
9. Lipetskaya Oblast - 2.7%
10. Nizhegorodskaya Oblast - 2.7%
11. Saratovskaya Oblast - 2.6%
12. Sverdlovskfya Oblast- 2.5%
13. Orenburgskaya Oblast- 2.4%
14. Tyumenskaya Oblast- 2%

In 2013, the average yield per hectare in Russia was around 6.9 tons per ha attributed mainly to low yields in older orchards which make up 70 percent of total area planted according to some industry estimates. Growers continue to replace old orchards with “semi intensive” and “intensive” techniques but at a slower pace in than previous years.

There are several factors that support local commercial apples producers:

1. Russia is a huge domestic market for horticultural products and consumption of apples is growing.
2. Russian consumers like buying locally produced apples and consider them the most environmentally safe and natural product in the market.
3. Retail is ready to accept local product when local producers can supply quality and calibrated product within a year.
4. Russian government continues to support the horticultural sector. In MY 14, 500 million rubles (15.5 million USD) in support is earmarked for the planting of new orchards, 106 million rubles (3.3 million USD) for the removal of old apple orchards, and 315.6 million rubles (9.7 million USD) for vineyards planting and care.

Policy:
On July 14, 2012, the State Program for the Development of Agriculture and Regulation of the Agricultural Products and Raw Materials Markets for 2013-2020 was adopted (Resolution # 717 signed by Prime Minister Medvedev). This program has numerous provisions devoted to horticulture development including: partial reimbursement for new orchard planting, partial reimbursement for old orchard removal, cultivation development, financial support for research in new varieties and seed breeding, and lower interest rates for investment in storage facilities.

Table 1. Russia: Russian Government Funds for Apple Production, 2013-2020, in Million

Rubles/Million USD

	2012	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Vineyards planting and care	400/ 12.36	300/ 9.27	315.6/ 9.7	331/ 10.2	347.3 10.7	363.9/ 11.25	381/ 11.77	397.8/ 12.29	414.5/ 12.8
Old orchard removal	-	105/ 3.24	110.4/ 3.41	115.9/ 3.58	121.5/ 3.75	127.4/ 3.94	133.4/ 4.12	139.2/ 4.30	145/ 4.48
New orchards planting and care	936.9/ 28.95	500/ 15.45	500/ 15.45	1,193/ 36.77	1,023.8/ 31.63	958.5/ 29.62	994.2/ 30.72	829.1/ 25.62	863.9/ 26.67

Source: Russian Ministry of Agriculture http://www.mcx.ru/documents/document/show/22026.htm

Consumption:

Post expects that in MY 13, domestic consumption of apples will remain flat compared to the previous year as consumers continue to tighten their belts with a slowing economy. In MY 12, per capita fruit consumption increased 4.7 percent and reached 74.4 kilogram (kg) of fruits and berries per capita. According to Euromonitor, fruit sales will slowly begin to increase in near future as fruit consumption is driven by the expanding "healthy" lifestyle trend in Russia and better understanding that fruits are the part of a healthy diet. Consumers are choosing fresh and dried fruits as a substitute for more traditional fatty snacks. Fruit-based desserts are increasingly available in foodservice and people are drinking more freshly squeezed juices as well.

Russia remains a price sensitive market. Economists forecast a slowdown in the Russian economy in MY 13 and beyond leading to many buyers to be more conscientious with purchases – more importance on finding a balance between price and quality. According to Neilsen [3] information agency, the consumer confidence index in Russia continued to decline and reached 80 percent in the 1st quarter of 2013. Russian consumers in 2013 are more cautious resulting in more careful spending. 55 percent of consumers polled October 2013 considered their financial situation to be "bad and not good" in the short term – up 48 percent from the previous quarter. Roughly 65 percent of surveyed consumers believe that now is not a good time for spending and 34 percent responded that they are more focused on saving money compared to before.

[3] Nielsen is one of the widely recognized analytical agencies specialized on the consumer measurement.

Table 2. Russia: Forecast Sales of Fruits by Category: Total Volume 2009-14, in Thousand MT

	2009	2010	2011	**2012**	**2013**	2014
Apples	1,454.5	1,541.9	1,619.3	1,670.3	1,710.1	1,737.3
Bananas	927.6	972.6	1,010.6	1,059.9	1,098.5	1,121.8
Cherries	104.6	114.4	124.7	135.6	145.4	154.8
Cranberries/Blueberries	32.3	34.4	36.1	37.8	38.2	38.6
Grapefruit/Pomelo	80.4	82.5	83.3	84.7	85.7	86.5
Grapes	440.4	468.8	505.6	531.4	564.5	588.3
Lemon and Limes	187.8	191.5	192.5	195.3	197.2	201.2
Oranges, Tangerines and Mandarins	1,007.3	1,037.0	1,120.0	1,215.7	1,302.5	1,383.9
Peaches/Nectarines	160.8	171.2	192.7	212.4	229.7	246.3
Pears/Quinces	419.6	438.7	483.1	522.5	555.2	582.3

Pineapple	29.7	31.7	33.9	36.6	38.9	40.5
Plums/Sloes	86.2	90.9	96.7	101.9	106.2	110.3
Strawberries	79.2	86.4	94.0	101.1	108.1	113.6
Other Fruits	673.8	714.9	752.3	806.2	859.6	898.8
TOTAL	5,684.2	5,977.1	6,344.8	6,711.4	7,039.7	7,304.0
Source: Euromonitor						

The expansion of modern retail chains is also stimulating an increase in fresh fruit sales. According to the Euromonitor, Russia's retail sales year-over-year from 2006 to 2012 increased 7.87 percent. In 2012, 56 percent of all grocery retail sales took place in modern retail formats like hypermarkets, supermarkets, convenience stores (up from 49 percent in 2008). 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. For more information about the growing retail sector in Russia, click on the following link: http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Retail%20Foods_Moscow%20ATO_Russian%20Federation_9-3-2013.pdf

Fruit consumption figures also vary widely depending on geographic location. In rural areas and cities with population under 100,000 residents, consumers tend to purchase locally grown fruits and vegetables where a lot of canning is traditionally done in order to preserve them for out of season consumption. Fruit consumption, especially imported fruit, is substantially higher in urban areas such as Moscow, St. Petersburg and Vladivostok. Russian consumers like locally grown produce because they believe that it is fresher, contains fewer pesticides, and thus, safer than imported produce. Demand for imported products is lower when local products are fresh and readily available. Most of the local and imported apples are consumed fresh in Russia. Produce grown in the CIS [4] countries of Azerbaijan, Uzbekistan, Moldova, Ukraine, Tajikistan, and Kyrgyzstan are popular with Russians as well due to historic distribution channels that date back to Soviet times when these were the only sources of fresh fruits for Russians. These products are available in the market and their varieties and characteristics are familiar and represent the historic "standard" in Russia. Russians reportedly prefer products from these CIS countries such as grapes, watermelons, peaches, apricots, and plums when they are in season over products imported from other countries. During the warmer months, purchases of the fresh product on the market, wet markets and in the on the go produce kiosks are increasingly popular.

[4] The Commonwealth of Independent States is the regional organization whose participating countries are former Soviet Republics formed during the breakup of the Soviet Union.

Apples are 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. According to Russian Government Statistics Service (Rostat), per capita apple consumption jumped from 10.8 kg in 2011 to 13.6 kg per person in 2012 – 25 percent higher. Apples are one of the least expensive fruits in Russia. In 2012, retail prices for overall fruit consumption increased 7.7 percent. At the same time, average retail prices for just apples decreased.

Russian consumers know such varieties as Semerenko, Beliy Naliv, Ranet, Slva Pobeditelya, Royal Gala, Golden Delicious, Red Delicious, and Granny Smith. As was stated previously, Russian consumers have a strong preference for locally grown apples and prefer to buy them in season (August to November). During the rest of the year, locally grown apples are absent mainly due to a lack of adequate storage facilities for local producers. Imported apples are available year round. Supermarkets and hypermarkets provide the widest range of variety options among retail channels year around. Supermarkets/hypermarkets and open markets are the two key channels for apple retail. Supermarkets/hypermarkets accounted for 41.2% and open markets accounted for 34.7% of the market in volume terms in 2011. 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 3. 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	100.0	100.0	100.0

Source: Euromonitor

There is no official data about how many apples are used for processing. According to APK information agency, not less than 50 percent of the domestic commercial crop goes to the juice concentrate production.

Trade:

Russia is the largest importer of apples in the world. In MY 12, import volumes reached 1.34 MMT valued at $800 million. Apple imports in MY 13 are expected to increase slightly compared to the previous year. As of October 2013, the Russian market is flushed with apples from Poland with low retail prices. The apples form these countries and other CIS are expected to dominate in 2013 as they offer good prices and quality which are improving every year. In MY 12, the major suppliers of apples to Russia were: Poland (761,017 MT), Moldova (165,143 MT), China (118,218 MT), and Azerbaijan (53,236 MT). The supply of affordable apples from these countries represented 82 percent of total apple imports in 2012. Polish, Moldovan, and Azerbaijani apples successfully compete with Russian apples in price and quality. The trend is expected to continue in MY 13 because of the further decline of import tariffs and expected strong crop in Poland.

Apples from the United States make up less than 1 percent of the Russian market share. In MY 12, U.S. apple exports to Russia began to increase after the sharp decline in 2011 reaching 7,307 MT for $7.7 million (up 30% in volume and value compared to previous marketing year). 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.

Prices for apples as of October 17, 2013 at the distribution level in St. Petersburg are as follows:

- Idared, Poland – 1 kg 70+ 28-33 rubles (0.92-1.02 USD) per kg
- Golden, Serbia 1 kg 70+ size - 45 rubles (1.4 USD)
- Granny Smith, Serbia 1 kg 70+ size - 48 rubles (1.48 USD) per kg
- Red Delicious, Serbia 1 kg 70+ size - 46 rubles (1.42 USD) per kg
- Granny Smith, France 13 kg box 70+size – 640 rubles (19.78 USD) per box

Chart 1. Russia: Apple Imports 2004-2012, in MT

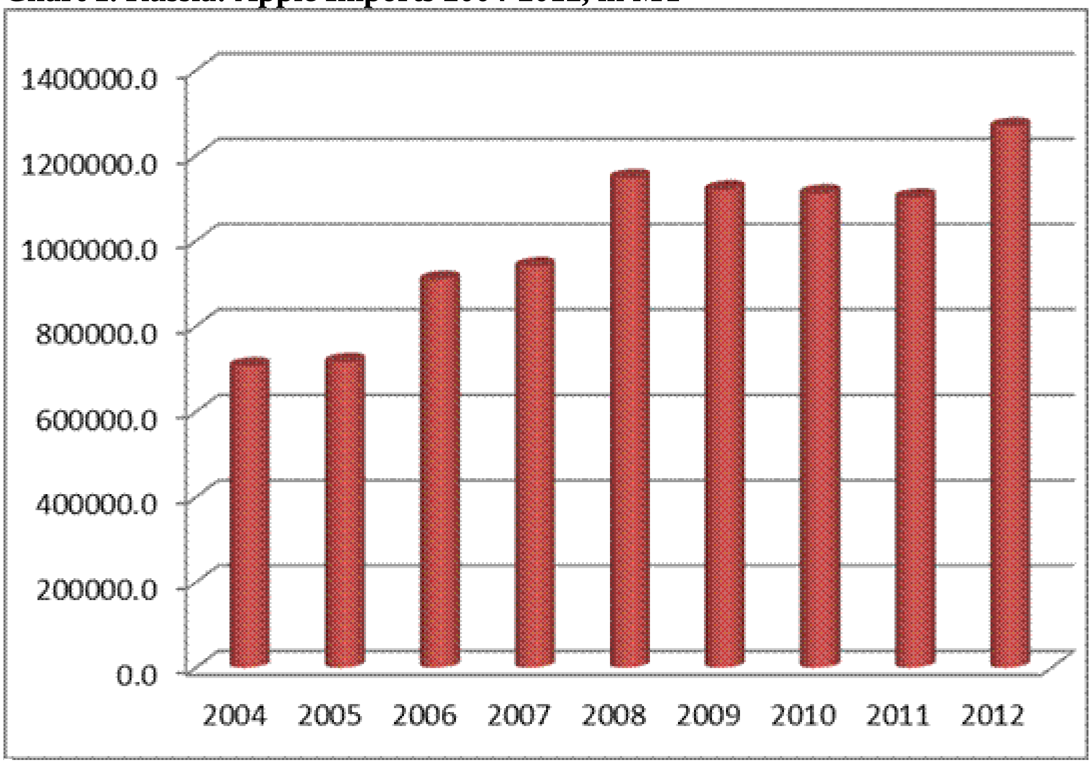


Table 4. Russia: Production, Supply and Demand Data Statistics (PSD), Apples

Apples, Fresh Russia	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jul 2011		Market Year Begin: Jul 2012		Market Year Begin: Jul 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	215,000	215,000	214,000	213,500		213,000
Area Harvested	170,000	170,000	169,000	171,000		171,000
Bearing Trees	89,000	89,000	92,000	92,000		92,000
Non-Bearing	38,000	38,000	39,000	39,000		40,000

Trees						
Total Trees	127,000	127,000	131,000	131,000		132,000
Commercial Production	391,200	391,200	440,000	518,500		492,000
Non-Comm. Production	732,800	732,800	770,000	745,500		708,000
Production	1,124,000	1,124,000	1,210,000	1,264,000		1,200,000
Imports	1,201,300	1,201,300	1,300,000	1,338,120		1,345,000
Total Supply	2,325,300	2,325,300	2,510,000	2,602,120		2,545,000
Fresh Dom. Consumption	1,563,620	1,563,620	1,595,600	1,944,000		1,945,000
Exports	400	400	400	3,500		3,500
For Processing	721,280	721,280	854,000	569,500		506,500
Withdrawal From Market	40,000	40,000	60,000	85,120		90,000
Total Distribution	2,325,300	2,325,300	2,510,000	2,602,120		2,545,000
HA, 1000 TREES, MT						

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

Table 5. Russia: Import Trade Matrix for Apples in Metric Tons, MY 2011-2012

Year	**2011**		**2012**
U.S.	**5,529**	**U.S.**	**7,307**
Others		**Others**	
Poland	463,887	Poland	761,017
Moldova	178,613	Moldova	165,143
China	127,528	China	118,218
Serbia	85,301	Azerbaijan	53,236
Italy	58,345	Serbia	35,885
France	45,404	Italy	33,334
Azerbaijan	43,581	Chile	32,047
Chile	37,687	Argentina	28,080
Argentina	35,669	Belgium	20,536
Belgium	25,264	France	20,109
Total for Others	**1,101,279**	**Total for Others**	**1,267,605**
Others not Listed	100,001	Others not Listed	70,513
Grand total	**1,201,280**	**Grand total**	**1,338,118**
Source: Global Trade Atlas			

Pears, Fresh

Production:

Commercial pear production in MY 13 is forecast to remain flat compared to the previous year. Pears are often planted in private orchards where families grow pears for personal consumption and winter canning. Total pear production in Russia in MY 13 is estimated 132,000 MT (17,500 MT of commercial production and 115,000 MT of household production).

Post revised Russia's pear production in MY 12 to 128,900 MT due to new information from Rostat. The commercial crop in MY 12 accounted for 18,900 MT and non-commercial production reached 110,000 MT. Commercial production of pears is concentrated in the Southern and Volga Valley regions of Russia. The main pear varieties popular with Russian growers are Abbat Fettel, Williams, Conference, Kyure, and Lesnaya Krasavitsa. Local varieties are able to withstand winter frosts better but their fruits are generally considered to be less flavorful. However, commercial pear cultivation is declining in popularity because of the pear's sensitivity to frost and lack of resistance to plant diseases compared to other crops.

Consumption:

Pears are one of the most popular fruits in Russia following apples, citrus, and bananas. Based on import and production data, pear consumption per capita was 3.1 kg in 2012. Post estimates that overall domestic consumption is 457,000 MT. Pear consumption is expected to be on par with MY 13. Since September 1, 2013, Russia decreased import tariff for pears by 17 percent. The European crop of Conference and Abbat F varieties is expected to be higher in the current season. These two factors should help lower the price for pears making them more attractive to Russian consumers.

For Russians, the ideal pear is usually described as juicy, crispy, sweet, and not overripe. Russians usually eat pears as a whole fruit 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 seasonal kiosks. Pear-based desserts are increasingly available on menus at high end and casual restaurants and are gaining popularity with consumers pursuing healthier diets.

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 consumes pears grown on their own plots. According to the Euromonitor, retail sales of fresh pears grew by a compound annual growth rate (CAGR) of 8.2 percent from 2009-2011 and reached 387,700 MT in 2011 and 400.5 MT in 2012. All retail channels offer pears year round. During the August-November season, all channels increase the choice of provided pear varieties. There are more pear choices available in supermarkets/hypermarkets and open markets than in the remaining channels.

Table 6. 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	4.0	4.9	5.3
Discounters	-	-	-

Open markets	37.4	34.8	31.5
Others	14.7	10.4	7.0
Total	100.0	100.0	100.0

Source: Euromonitor

Trade:
Russian commercial production of pears is very low, and Russia imports large volumes to satisfy consumption demand. In MY 13 pear imports are expected to be flat and reach 360,000 MT. Also, the World Apple and Pear Association expect the crop in Europe to be 2 percent smaller than the average of the least three years. However, the production of the Conference and Abbat F varieties will increase and the supply of these pears will be more consistent in 2013 season. Poland will continue to increase its pear exports of the less expensive varieties to Russia.

In MY 13, U.S. pear imports to Russia totaled 7,100 MT, up 2 percent from the previous season, as they were good quality and competitive in price with European product. American pears compete with European product. Considering good crop in the United States, American per has potential to expand sales if the price fits the market in MY13. Russian importers like American pears for the long shelf life and good quality. Anjou and Red Anjou are the most popular varieties in Russia. Meanwhile, the Russian Far East with less completion and quicker logistics imports up to seven varieties of American pears.

Prices for pears as of October 17, 2013 at the distribution level in St. Petersburg are as follows:

- Conference pear, Netherlands 12 kg box 70+size - 630 rubles (19.46 USD) per box
- Conference pear, Poland 60+ size - 44 rubles (1.36 USD) per kg
- Packham pear, France 13 kg box 65+ size - 720 rubles (22.25 USD) per box
- Williams pear, Serbia 1 kg 65+ size- 50 rubles (1.55 USD) per kg
- Williams pear, Poland 1 kg 60+ size - 42 rubles (1.3 USD) per kg

In MY 12, Russia remained the world's largest importer of pears. Russian imports of pears have grown year-over-year since 2002 until MY 12 when imports dropped 13.5 percent to 363,650 MT (valued at $381.4 million) due mostly to a lower supply from European producers. A smaller crop in Europe resulted in higher prices for pears in the local markets which greatly affected purchase patterns in this price sensitive market. In MY 12, the largest suppliers of pears to Russia were: Argentina (108,443MT), Belgium (84,134 MT), and the Poland (44,507 MT). Poland with less expensive product, expanded sales to Russia by 35 percent and is now the third largest exporter of pears to Russia. Southern Hemisphere countries continued to supply pears in the winter season and Argentina became the largest supplier in 2012.

Chart 2. Russian Pear Imports 2004-2012, in MT

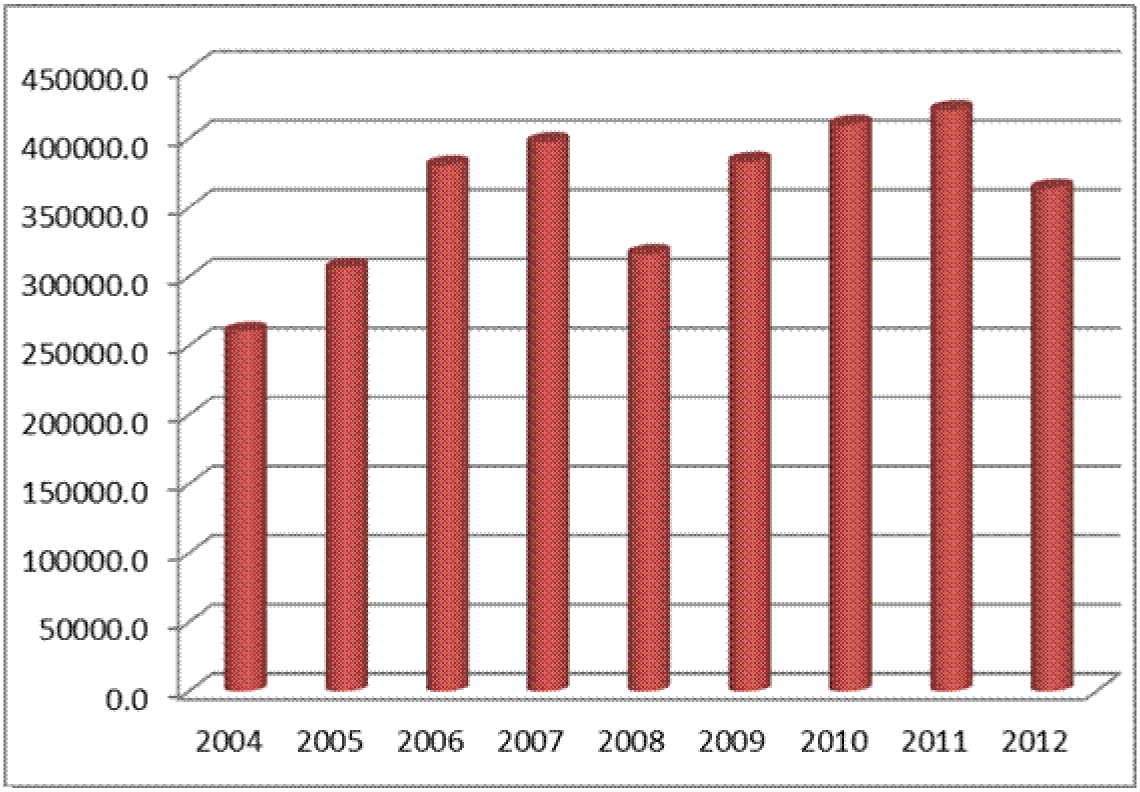


Table 7. Russia: Production, Supply and Demand for Pears

Pears, Fresh Russia	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jul 2011		Market Year Begin: Jul 2012		Market Year Begin: Jul 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	32,300	34,000	30,600	31,000		31,000
Area Harvested	26,500	27,000	25,270	26,270		26,200
Bearing Trees	10,500	10,000	10,200	10,200		10,200
Non-Bearing Trees	2,750	2,800	2,700	2,700		2,700
Total Trees	13,250	12,800	12,900	12,900		12,900
Commercial Production	19,000	21,000	17,000	18,900		17,500
Non-Comm. Production	120,000	120,000	93,000	110,000		115,000
Production	139,000	141,000	110,000	128,900		132,500
Imports	420,600	412,000	360,000	363,650		365,000
Total Supply	559,600	553,000	470,000	492,550		497,500
Fresh Dom. Consumption	525,500	497,000	447,400	457,000		460,000

Exports	100	2,000	100	2,000		2,000
For Processing	23,000	43,000	14,300	20,350		20,000
Withdrawal From Market	11,000	11,000	8,200	13,200		15,500
Total Distribution	559,600	553,000	470,000	492,550		497,500
HA, 1000 TREES, MT						

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

Table 8. Russia: Import Trade Matrix for Pears in Metric Ton, MY 2011-2012

Year	**2011**		**Year**	**2012**
U.S.	**6,919**		**U.S.**	**7,100**
Others:			**Others:**	
Belgium	128,313		Argentina	108,443
Argentina	91,475		Belgium	84,134
Netherlands	71,425		Poland	44,507
Poland	32,910		Netherlands	27,364
China	19,633		China	26,523
South Africa	16,344		South Africa	16,915
Spain	14,974		Spain	14,731
Italy	9,777		Italy	9,297
France	7,973		Chile	5,563
Portugal	6,695		France	5,141
Total for others	**399,519**		**Total for others**	**342,618**
Others not listed	21,060		Others not listed	21,029
Grand total	**420,579**		**Grand total**	**363,647**

Source: Global Trade Atlas, trade press, interviews

Table Grapes

Production:

In MY 13, Russian production of table grapes is expected to be 15 percent higher than the previous season and is forecast to reach a total of 56,760 MT (including 27,430 MT of commercial production). Growers in Krasnodar Kray and Dagestan enjoyed very good crop in MY 2012 partially due to the favorable weather in winter, spring and harvesting time.

Post revised the table grapes production for MY12 in accordance with Rostat data and based on information from industry market analysts. Official Russian data states that table grapes production in MY 12 reached 49,370 MT including commercial 23,860 MT and non-commercial 25,510 MT.

The majority of grapes grown in Russia take place in the Krasnodar region. They are also grown in Caucasus (Dagestan, Stavropol region) and the southern parts of Siberia (Altai). Table grape production in Russia is limited for several reasons. First, the climate limits growing to very few areas in the South of the Russian Federation. Second, competition from wine grapes and other crops is very strong. The production of the wine grapes is ten times greater than table grapes production in Russia. Table grape production 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 considers that the commercial table grape production will not increase significantly in the near future.

The most popular grape varieties cultivated in Russia are local. Plevan are white grapes (around 30 percent of the crop), harvested in mid-August. The Moldova is a black grape (around 70 percent of the crop; harvested in mid-September). The farm prices in September were around 18-25 rubles per kg (0.55-0.77 USD) almost the same as in 2011. 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 areas.

Consumption:
Grapes are one of the most popular fruits in Russia, almost on par with pears but after apples, bananas, and citrus -- and consumption is growing. In 2012 grape per capita consumption in Russia reached 3.5 kg, up from 3.1 kg in 2011. While consumption will be supported by healthier diets and recognition of fruits as one of the basic elements of a healthy diet, economic uncertainty is expected to lead to a slight reduction in purchases of grapes in favor of less expensive fruits. Post forecasts table grape consumption in MY 13 to reach 430,500 MT, slightly below MY 12 levels (430,670 MT).

Russians prefer seedless and esthetically beautiful grapes and usually buy Uzbeki and Moldovan grapes in season. Both consumers and traders still consider grapes from former Soviet bloc countries to be “local products”. Grapes are available year round in Russia. However, the peak consumption months are August –November (66 percent of annual sales), when the most affordable and well known grapes from Moldova, Uzbekistan, and Kyrgyzstan are available. Many Russians buy grapes during their weekly shopping in supermarkets and discounters. However, during the fall season, Russians purchase a lot of fresh seasonable grapes and other produce spontaneously on a daily basis and usually in open air fruit stands, where the product from former Soviet Republics is broadly available. Grapes are available on the shelves of big city supermarkets year round. The retail chains tend to supply product from Turkey, Italy, Argentina, Peru, and South Africa. Grapes form NIS countries are available in retail chains soon after picking, when it is possible to get 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 product from Europe or South America.

Table 9. Russia: Sales of Grapes by Distribution Format 2008/2011/2014, % Retail Volume

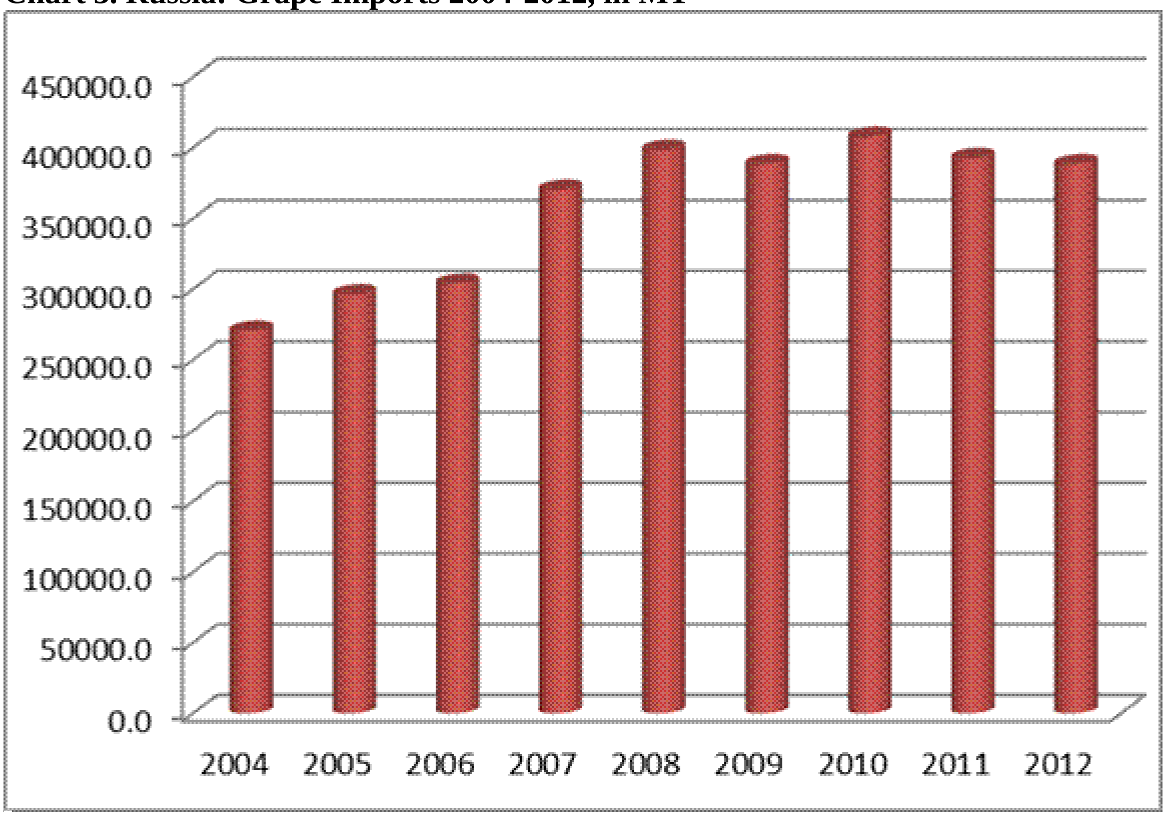
	2008	**2011**	**2014f**
Supermarkets/hypermarkets	31.8	38.3	40.6
Independent food stores	6.5	6.0	5.7

Convenience stores	4.9	7.7	8.3
Discounters	-	-	-
Open markets	37.5	34.0	33.2
Others	19.2	13.9	12.3
Total	100.0	100.0	100.0

Source: Euromonitor and trade contacts

Trade:
Russia remains one of top importers of grapes in the world. In MY 12, Russia imported 388,274 MT of grapes, down 1.2 percent from the previous marketing year and 4.8 percent less than MY 10. Grapes are one of the most popular fruits in Russia. However, Russia is a price sensitive market and when prices spike, consumers quickly lesson the amount of grapes purchased or substitute grapes for other less expensive fruits.

Chart 3. Russia: Grape Imports 2004-2012, in MT



Turkey is the largest exporter of grapes to Russia and supplied 146,010 MT in MY 12 – maintaining 37 percent of Russian market by volume. Uzbekistan, Moldova, and Armenia captured 20 percent of the Russian grape market and supply within the season Russia. And due to counter-seasonal production, grapes from Chile, Argentina, Peru, and South Africa dominate the market until June each year. According to the market analysts, Chile, the third largest supplier, lost up to 70% of the grape crop because of a major frost. As a result, exports from Chile are expected to decline to Russia in MY 13.

California table grapes exports to Russia decreased drastically from 3,718 MT in MY 11 to 796 MT in

MY 12. One of the main reasons is the strong competition from Italy and Peru that offer similar prices and quality. The season for California grapes peaks in November and December.

Prices for table grapes as of October 18, 2013 at the distribution level in St. Petersburg are as follows:

- Moldova grapes, 1 kg - 45-50 rubles (1.39-1.55 USD) per kg
- White gape Victoria, Greece, 1 kg - 55 rubles (1.7 USD) per kg

Table 10. Russia: Production, Supply, and Demand of Table, Grapes

Grapes, Fresh Russia	**2011/2012**		**2012/2013**		**2013/2014**	
	Market Year Begin: Jun 2011		**Market Year Begin: Jun 2012**		**Market Year Begin: Jun 2013**	
	USDA Official	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Planted	6,200	6,200	6,130	6,900		7,000
Area Harvested	4,500	4,500	4,555	5,155		5,555
Commercial Production	44,950	44,950	40,450	23,860		27,430
Non-Comm. Production	11,800	11,800	10,620	25,510		29,330
Production	56,750	56,750	51,070	49,370		56,760
Imports	392,600	392,600	385,000	388,270		387,000
Total Supply	449,350	449,350	436,070	437,640		443,760
Fresh Dom. Consumption	447,150	447,150	430,970	430,670		430,500
Exports	200	200	200	500		500
For Processing	0	0	0	0		0
Withdrawal From Market	2,000	2,000	4,900	6,470		12,760
Total Distribution	449,350	449,350	436,070	437,640		443,760
HA, MT						

Source: Rosstat and Global Trade Atlas

Table 11. Russia: Import Trade Matrix for Grapes in Metric Tons, MY 11-12

Year	**2011**			**2012**
U.S.	**1,780**		**U.S.**	**796**
Others:			**Others:**	
Turkey	160,154		Turkey	146,010
Uzbekistan	62,996		Uzbekistan	46,723
Chile	32,723		Chile	33,229

Moldova	23,109		Italy	31,080
Italy	22,867		Peru	19,445
Peru	16,556		Moldova	17,088
South Africa	15,028		South Africa	16,627
Argentina	10,953		India	15,834
China	10,110		Argentina	12,301
India	7,392		China	11,628
Total for Others	**361,888**		**Total for Others**	**349,965**
Others not Listed	30,740		Others not Listed	38,309
Grand total	**392,628**		**Grand total**	**388,274**

Source: Rosstat and Global Trade Atlas

Policy:
Many of Russia's food and trade regulations have or are undergoing reform as Russia readies itself for international standards and unification of the Russia-Belarus-Kazakhstan Customs Union (CU) which entails policy integration and unification. Post recommends checking regularly the www.fas.usda.gov database of Global Attaché reports for updates under the "sanitary/phytosanitary/food safety report" category and also advises that exporters consult with their importer in order to ensure that they have the most up-to-date information.

For the second time since WTO accession, the Russian Federation decreased tariffs for some product in including apples, pears, and other fruits. In the table below please find information for apples, pears, and grapes harmonized codes and actual since September, 1, 2013 tariffs. The full current Tariff schedule for all products can be found on the Eurasian Economic Commission website [5] Customs Union web site in Russian:
http://www.eurasiancommission.org/ru/act/trade/catr/ett/Documents/ett08%2001.09.2013.pdf

[5] Eurasia Commission is the regulatory body of the Customs Union of Russia, Belorussia and Kazakhstan.

Table 12. 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	***Grapes fresh and dried***	
0806 10	Grapes fresh	
0806 10 100 0	Table grapes fresh	5%
0808 10	***Apples***	
0808 10 100 0	Apples for cider production, bulk from September 16 - December 15	0.17 Euro per kg
0808 10 800	Other:	
0808 10 800 1	Apples from 1 of January to 31 of March	0.054 Euro per kg
0808 10 800 2	Apples from 1 of April to 30 of June	0.054 Euro per kg
0808 10 800 3	Apples from 1 of July to 31 of July	0.054 Euro per kg
	From August 1 to November 30	

0808 10 800 5	Golden Delicious or Granny Smith varieties	0.17 Euro per kg
0808 10 800 6	Other	0.92 Euro per kg
	From December 1 to December 31	
0808 10 800 7	Golden Delicious or Granny Smith varieties	0.16 Euro per kg
0808 10 800 8	Other	0.092 Euro per kg
0808 30	***Pears***	
0808 30 100 0	Pears for perry or pear cider production, bulk from August 1 to December 31	8.3%
0808 30 900 0	Other	8.3%
0808 40 000 0	Quince	8.3 %

Apples, pears and grapes from certain developing and less 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.

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 Service for Veterinary and Phytosanitary Surveillance (VPSS), requires that the exporter provide information to VPSS on the 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 producer or from the producer's 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 phytosanitary certificate must be typed, not hand written.
- 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 shipmen 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. (See GAIN RS1140 Russia No Longer Requires Import Quarantine Permit)

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

Exporter Guide: Opportunities for the U.S. Suppliers of Agricultural Products
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Exporter%20Guide_Moscow%20ATO_Russian%20Federation_4-19-2013.pdf

Food and Agricultural Import Regulations and Standards Narrative
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative_Moscow_Russian%20Federation_1-17-

2012.pdf

Retail Sector Continues to Expand
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Retail%20Foods_Moscow%20ATO_Russian%20Federation_9-3-2013.pdf

Opportunities for Key U.S. Products in Russia
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Market%20Opportunities%20for%20Key%20U.S.%20Products%20in%20Russia_Moscow_Russian%20Federation_3-20-2012.pdf

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

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

Commodities:

Apples, Fresh

Pears, Fresh

Grapes, Table, Fresh