

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Required Report - public distribution

Date: 9/3/2013

GAIN Report Number: RSATO 1312

Russian Federation

Retail Foods

Retail Sector Continues to Expand

Approved By:

Erik W. Hansen

Prepared By:

Olga Kolchenikova & Irina
Konstantinova

Report Highlights:

The Russian retail industry is a fast-growing, \$300 billion in-yearly-sales market and is the largest consumption market in Europe. Russia has a fast growing middle class - forecast to reach 40% of population by 2020 – greater than all other BRICS countries (Brazil, Russia, India, China and South Africa). During the first 3 months of 2013, volume of sales in food retail (including tobacco and beverages) showed a moderate growth rate of 1.6% compared to the same period in 2012. Russia joined the World Trade Organization (WTO) in August 2012 and committed to reducing and binding import tariffs on all agricultural goods, thereby providing more predictability to the trading relationship and opening export opportunities for the U.S. agricultural industry.

Post:

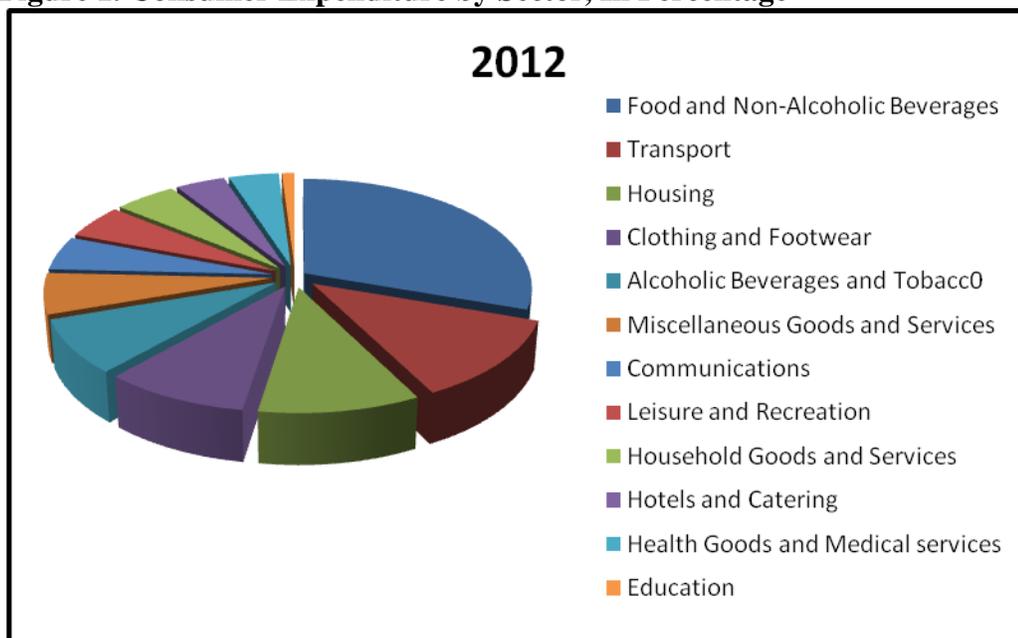
Moscow ATO

Executive Summary:

The retail sector in Russia is among the strongest and most significant consumer-oriented domestic sectors. Retail sales in Russia increased 2.9% in May of 2013 over the same month in the previous year, according to the Federal State Statistics Service (Rosstat). Russia Retail Sales year-over-year averaged 7.87% increase during the period from 2006 until 2013. Source:

<http://www.tradingeconomics.com/russia/retail-sales-annual>.

Figure 1. Consumer Expenditure by Sector, In Percentage



According to Rosstat, in January-March 2013, about 94.3% of Russian trade turnover could be attributed to modern retail formats such as hypermarkets, supermarkets, and discounters. Open-air markets and older Soviet-style stores including wet markets are declining in popularity and losing market share to modern retail formats.

Table 1. Russia: Assessment of Food Products Consumption Increase in Russia, 2013

Consumption	Increase by
Food	10.8%
Beer	5%
Fruit juice	4.5%
Groceries	26.8%

Source: *Business Monitor International (BMI)*

The average Russian consumer allocates roughly 40% of the household budget towards food costs, which is double the European average. According to Rosstat a 4.4% increase in retail sector revenues was registered in March 2013 alone, against 4.2% in January 2013. Russian Ministry of Economic Development forecasts a year-over-year growth for retail between 4.3% and 5.6% in 2013 against the previous year. In 2012 retail sales year-over-year revenues grew by 5.9% as compared to 2011 – according to www.russiaretail.com.

Table 2. Russia: Food Retail Sales Growth Jan-Mar 2013 compared to same period in 2012.

Product Category	Increase by %
Fresh Vegetables	29.9
Fresh Potato	20.4
Flour	21.5
Confectionary	20.3
Cereals	14.2
Fish and Seafood	13.5
Oil	13.3
Tea	12
Eggs	11.4
Meat, Poultry, Canned Meat	11
Butter	9.4
Milk Products	8.6
Bakery	8
Salt	6
Pasta	4.8
Fresh Fruit	2.7
Sugar	.8

Source: <http://d.minprom.gov.ru/stats/industry/03-2013/7>

Russian Consumers – “I shop therefore I am.” The Happiness Factor

PepsiCo market research showed that 42% of Russian survey respondents agreed with the statement, “The more I buy the happier I am,” vs. 24% of U.S. respondents:

- Russia is the 9th largest country in the world in terms of population size: 143 million
- Russian shoppers love new products and innovation. *Russian manufacturers and retailers launched almost 7,000 new products in 2012.*
- Only 43% are brand loyalists in most categories. Private-label store brands have had less success in Russia than many other markets – 73% of the survey respondents still don’t buy them.

The Central Federal District (*including Moscow metropolitan area*) remains the leading region in terms of retail turnover, accounting for approximately one-third of total sales in Russia. It has the highest urbanization level (81.7%), 310 cities and 59.3 inhabitants per square km, which is seven times the Russian average. The Volga Federal District, the second-largest retail market in Russia, generates 18% of the country’s turnover. The smallest retail market is the Russia Far East with a population density of one person per square km. The district accounted for less than 4% of total sales in 2012. *Market analysts believe that the retail sector in Russia will continue to draw interest to international retail*

brands if Russia can keep economic growth rates above 3% in 2013 and with continuing high international oil prices.

Section I. Economic and Market Summary

In 2013 Russia moved up six places to 42nd out of 60 in the Swiss business school IMD World Competitiveness Center's* annual competitiveness survey and is among the BRICS economies behind China (21), between India (40) and Brazil (51). Russia's jump in the overall IMD rankings resulted largely from higher marks in the macroeconomic sphere, where Russia was up 11 spots to number 34 on a rise in employment, lower inflation, budget improvements, and exchange rate stability.

In May 2013, the European Bank for Reconstruction and Development (EBRD) cut its 2013 Russian GDP growth forecast to 1.8% from a previous forecast of 3.5%, arguing that the current economic growth slowdown is caused by both weak demand and supply. On the demand side, the EBRD attributed lower consumption growth and investment growth to slower global demand and the associated stagnation of commodity prices and export revenues. According to the EBRD, other factors that may have weakened demand include the slowdown in public social spending growth following last year's elections, and possible dents to investor confidence following setbacks with business environment reforms and the treatment of foreign investors. Supply side constraints include record high employment and capacity utilization in manufacturing. The EBRD assessment echoes many analysts, who have concluded that Russia's economic growth can be sustainably increased only through the consistent implementation of policies to substantially improve the business environment, which is crucial for attracting the foreign and domestic investment needed to diversify the economy. *Source: Russia Economic Daily.*

Bloomberg ranking targeted at investors places Russia among the top 50 countries with favorable investment climates ahead of India, China and Brazil -- in the 48th place out of 160 countries analyzed. Business analysts took into account numerous economic indicators: the degree of economic integration and the cost of setting up a new business, the cost of labor and materials, the readiness of local consumers, a renewed commitment to Western business practices, stable incomes and low inflation. Yet the Bloomberg ranking is also controversial, since the World Bank and International Finance Corporation's "Doing Business" ratings ranked Russia in 112th place in 2013 -- Moscow improved its ranking by eight positions for 2012. The World Bank assessed the progress of 185 countries in terms of facilitating business. The Bloomberg ranking encourages new investors to take advantage of Russia's stable economy, a low level of inflation of 6.6% in 2012, a significant improvement in tax payments, a sudden drop of unemployment to 5.7% and a comparably big income per capita thanks to the well-developed oil industry. With oil prices at \$125 average per a barrel, Russia's GDP growth could reach mere 4.2% in 2013 as compared to 3.5%-4% in 2012. Being a member of the world trade community Russia could expand its GDP by about 3.3%, or about \$49 billion annually. Russia \$2 trillion economy is growing. According Interfax, Russian GDP grew 1.1% in 1Q 2013 from a year earlier, expanding 2.3% in March from the same month in 2012. Prime Minister Dmitry Medvedev aims to implement balanced measures to achieve acceptable dynamics for the main indicators and boost economic expansion to a stable 5%, or more than twice the pace forecast for this year.

President Putin has set a goal for Russia to achieve by 2020 a top-20 ranking on the World Bank's "Doing Business" list, where it currently ranks #112. Sources: <http://goo.gl/L3q4p>,

<http://www.kommersant.ru/doc/2200360>.

The Russian Federation officially joined the World Trade Organization (WTO) on August 23, 2012. As part of its WTO accession agreement, Russia has committed to reducing and binding import tariffs on all agricultural goods and to follow Sanitary and Phytosanitary/Technical Barriers to Trade Agreement, thereby providing more predictability and transparency for its trading partners. The average tariff for agricultural products will be reduced from current 13.2% to 10.8%. For more information on market opportunities please see the following report:

<http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative%20Moscow%20Russian%20Federation%2001.02.2013.pdf>

Russia's post-WTO economy may not display radical changes in the short-term. However the World Bank believes that Russia's WTO accession will drastically improve the country's economic fortune: in 2012 Russia implemented two reforms that improved the business environment. Both reforms are responsible for hoisting the country up the rankings: the abolition of multiple pre-construction procedures made construction easier in Russia, and paying taxes was made easier by a simplified VAT procedure and the introduction of electronic services. In July 2013, the State Duma passed, in its final reading, a bill granting amnesty to criminals convicted of economic offenses. The bill will pave the way for releasing people who were framed by their competitors rather than committed actual crimes. Russia's shortcomings have not stopped thousands of companies, domestic and international, from building strong and profitable businesses over the past two decades. Investors have always had an appetite for fast and risky money in Russia. Foreign brands are expected to enjoy a growing presence in the Russian market as players will find it easier to expand their operations in Russia. The inflow of cheap imported goods is also in the process of influencing production processes and setting a new manufacturing standard for local manufacturers. As a member of the WTO Russia is also required to accept regulations which will force it to address issues such as corruption, protection of minority shareholders and the independence of the judicial system. Today Russia struggles to meet new objectives to spur economic growth. Sources: *Bloomberg Best Countries for Business*, *Kommersant Daily*, The Wall Street Journal, Euromonitor.

Russian Retail Sector

Geographically distribution of sales in Russian Fast Moving Consumer Goods (FMCG) retail sector is quite spotty. According to INFOLine, 50.96% of retail sales in January-September 2012 were provided by 11 federal subjects – Moscow, Moscow Region, Saint Petersburg, Sverdlovsk Region, Krasnodar Territory, Samara Region, Republics of Tatarstan and Bashkortostan, Tyumen Region, Chelyabinsk Region and Rostov Region. During January-September 2012 most impressive increase of share in total FMCG sales was demonstrated by Northwest Federal District, Siberian FD, Privolzhsky FD and Ural FD; meanwhile Central FD, North Caucasian FD and Far East FD demonstrated decline of FMCG retail sales. Source: *Infoline Agency Research*.

The Russian retail industry is highly fragmented, with the top 8 international players controlling under 20% of the market: X5 Retail Groups, Magnit OAO, Auchan Group, Metro AG, Dorinda Holding, Lenta OOO, Dixie Group OAO, Sedmoi Kontinent chains. In 2012 Tander ZAO, X5 Retail Group and Dixi Group continued active organic growth by opening new stores. In the first six months of 2012, X5 Retail Group opened 171 new stores while closing only 12. Over the same period Tander ZAO opened 272 new stores under its Magnit brand. Intensified competition in major cities means it will cost

tremendous efforts for new stores to break even. A transition to Russia's countryside or smaller towns will be on the one hand, costly and difficult due to insufficient incomes, low population density, bureaucratic obstacles, poor infrastructure and warehouses. On the other hand, Russian shoppers have proved more promising in downturns than for example, Europeans, who tend to tighten their belts when a crisis hits. That leaves room for a couple or more of international retail chains that would expand beyond large metropolis, start from scratch and express obsessive attention to price-sensitive shoppers in the provinces. In Russian small towns sites are plentiful, modern retail is often nonexistent, government support to push consumer spending and lack of competitors means it is relatively easy to develop loyalty to shoppers. However, there one may face the unique competitive advantages of local chains to resist the expansion of the purchasing power and the tough business of the federal players. Entering Russia is a matter of opportunities and promising annual revenue growth rates of 15-30%.

Being more active in expansion, grocery retailers in Russia had more intensive growth compared to non-grocery retailers in 2012. Modern grocery retailing comprises many large retail chains both domestic and international operating throughout the country. 2012 showed records for new store launches with more than 3,000 new retail spaces of Russian grocery chains coming into operation. The top 10 Russian retailers were the most active trying to consolidate a regional presence. However, retailers had issues with decreasing sales per store which were lower compared to 2011 due to increased competition. Regional Russia is still poorly covered by modern grocery retailers in 2012.

Household consumption remains the main engine for growth in retail sector. In April 2013 wages grew 4.2%, up from a revised 3.3% a month earlier, which allows an average household budget to spend more. According to the World Bank's "rosy picture", skilled and unskilled workers' post-WTO economy wages are supposed to increase by about 5% and 4% respectively in the medium term, and by about 17% and 13% in the long run and to boost a sales boom in retail industry. Rosstat estimates that despite World Bank's "rosy picture" of expected income increase an average family's monthly income today is about \$2,000, which is even 5% less than last year. Sources: *Russia Profile*, www.ra-national.ru.

The increased trade turnover could be attributed to modern retail formats such as hypermarkets, supermarkets, and discounters. Open-air markets and older Soviet-style stores, including wet markets, are declining in popularity and losing market share to modern retail formats. Sales at street markets decreased 5.7% from January-March 2013 compared to the same period in the previous year, according to Rosstat. This type of traditional retail has the weakest position in Moscow and St. Petersburg. Total share of open-air markets and older Soviet-style stores decreased to 10.6% in 2012 and to 9.5% in January-March 2013.

According to INFOLine's report *FMCG Retail in Russia*, in January-November 2012 the number of stores of top 120 FMCG retailers in Russia increased by 3,052. Thus, on December 1, 2012, the total number of stores of top 120 retailers constituted 29,155 with total trade area of 11,108,000 sq. meters. The growth was mainly driven by Russian federal and regional retailers even as the development of foreign retail chains slowed down. Russian food retail continues to be led by large domestic retailers with annual turnover exceeding \$2 billion. Russian retail giants such as Magnit, the X5 Retail Group, Seventh Continent and Dixie chains are still among the top Russian retail players. However, foreign firms including the French Auchan Group, German Metro AG and others have earned significant market share during the last decade.

Table 3. Russia: Top 10 Grocery Retailers in Russia by Sales Turnover in 2012

Rank	Company Name	(US\$, bn)
1	X5 Retail Group	18.2
2	Magnit	16.7
3	Auchan Group	9.9
4	Metro Cash & Carry	8.4
5	Dixie Group	5.5
6	Dorinda Holding (O'Key)	4.3
7	Lenta	4.2
8	Seventh Continent	2.3
9	Globus	1.0
10	Rewe Group (Selgros)	0.8

Source: Infoline Agency Research

Russian retail colossus Magnit with 4.5% market share in 2012 pursued a "balanced" growth strategy and has grown by leaps and bounds in recent years to become one of Russia's largest by sales. Strong growth rate of 27-29% year-on-year allowed it a successful expansion into new geographies, including the Moscow region. Magnit has become a favorite among investors as its share price has nearly doubled over the past 12 months and reached \$4.3 billion in quarterly sales. Magnit's strategy contrasts with that of their largest competitor, X5 Retail Group. Over the past decade X5 has gone after high income consumers in Russia's largest cities, where attractive locations are hard to find and competition is tight. In mid-2000s X5 grew through mergers, which was inefficient for building up its operations, managing distribution in their network of stores. By 2010 X5 failed to consolidate its brands, and now presents disintegrated separate chains with IT disjointed systems. Magnit, in contrast, is focused at its distribution centers and nuanced uses of technology. After executives noticed that cashiers were getting sick in winter months, Magnit put temperature sensors near the exits of its hypermarkets that give warning when it was too cold at the checkouts. Magnit placed air-quality monitors to check for bacteria near the meat aisle. Magnit was attentive to price-sensitive shoppers: lowered the price of bananas by one Ruble (\$0.03), and sold 100 tons more each day. Magnit still has plenty of room to grow. It has just 6% of the Russian food market.

X5 Retail Group is one of Russia's largest food retailers in terms of sales - \$16 billion in 2012. It operates in all major formats - soft discounters (65% of sales in 2012), supermarkets (22%), hypermarkets (13%) and, most recently, convenience stores (1%).

Dixy is Russia's fifth-largest (by sales) food retailer. Its main geographical markets are the central, northwestern and Urals regions. The year end 2012 growth of 7% compared to 2011 reaffirms the strength of the country's discount retailing sector in particular. Dixy is much smaller than domestic retailers Magnit and X5, and most of its stores are based in the central region (including Moscow). However, a promising 20% of its sales are believed to come from the Urals. In the long term, market analysts expect big growth coming from discount stores in Russia's less developed regions. Over the past few years, Dixy has been re-inventing itself as a convenience retailer, and in 2012 it re-positioned itself as a neighborhood-focused convenience retailer, having shifted its focus away from a pure

discounting.

O'Key Group is one of Russia's most focused food retailers. Its main format is supplemented by supermarkets, and O'Key also indicated plans to introduce a convenience store format in the medium term.

Table 4. Russia: Number of Stores by Top Four Retail Chains

Name of Chain	2010	2011	2012	2013	2014	2015	2016
Magnit	4,055	5,309	6,884	8,499	10,304	12,109	13,864
X5	1,809	3,002	3,802	4,337	4,863	5,339	5,815
Dixy	646	1,119	1,499	1,899	2,189	2,465	2,724
O'Key Group	57	71	83	93	111	129	146

Sources: The Small Business Newswire and Alfa Bank

Consumers are seeking an integrated shopping experience and expect retailers to deliver this experience. Shoppers no longer look exclusively for the lowest price, the greatest offer, or the best accessibility. They are looking for unique and inspiring shopping experiences now, which satisfy customer needs and differentiate retailers from their competitors. Retailers demand consistent quality and adherence to contract specifications and penalize suppliers for failure to meet requirements. As a result, foreign suppliers continue to be competitive in the Russian market as they are more accustomed to meeting strict specifications. For example, an average product mix in supermarkets in 2011 increased by 11-13% by spring 2012. Extension of product mix was mainly driven by fresh categories, retailer's ready meals (unpacked) and delicacy items. This resulted in almost 40% increase of gains in ruble terms. This impressive growth shows that the purchasing power of consumers is strong in the categories of expensive foods and groceries which, is typical for mature markets. Growth continued to be fueled by a burgeoning middle class and a relatively large "young" population segment. Supermarkets substituted retail outlets, open-air markets and older Soviet-style stores and expanded to the periphery.

A greater pricing flexibility in these markets also resulted in above-average profitability for retailers in remote regions. Considering that competition becomes tougher in an increasingly saturated market, retailers have to find new ways to win customers. More service, more information, and above all, more interaction and dialogue with the consumer are the orders of the day. With innovative shop and payment concepts and service portfolios, they are able to react to a society more focused on convenience. In order to improve efficiency many retail chains both in Russia and abroad increase retail automation and change not only POS terminals but even substitute operators with automatic barcode readers, check scanners and payment terminals accepting cards and cash (Auchan and Globus (Globe)). According to INFOLine, in Q2 2013 X5 Retail Group started the first "smart store" in Moscow with no operators at POS terminals; all products will be market with RFID (Radio Frequency Identification) chips. New technology eliminates necessity to put products on conveyor belt and to monitor products on shelves and at stock; according to project developers, this can reduce expenses at least by 15-20%. The process of product scanning will take no more than 5 seconds, payment by bank cards, loyalty cards and even

mobile phone is accepted by terminal. In December 2012 this technology was tested in pilot store in X5 Retail Group office. Innovation will be introduced in the frames of Store of the Future project agreement on which was signed among other FMCG retailers by X5 in June 2011.

Customers understand that they do not need to go to a discounter at the city outskirts anymore to get a good price and more value for their money. A retailer's brand has become an increasingly important driver of customer demand. Retailers not only sell well-known brands as part of their assortment, but have also expanded their private label strategy to see their brand integrated into more and more products. High investments in targeted, group-oriented communication and sponsoring activities also contribute to building the retail brand. Another interesting trend of FMCG retail is the growing importance of convenience stores ("one step away" stores) – share of this format went from 3% up to 8% in 2011. This impressive growth was determined by re-format of some large chains. In 2011 Dixy group changed the format of the cognominal chain from discounter to convenience stores with respective adjustment of product mix and layout of trade area. Magnet chain also gradually re-formats its outlets into convenience stores. Same trend is observed with smaller retail chains which currently accent their development exactly on convenience store format.

Until recently convenience store was the most underdeveloped format of Russian FMCG retail despite of multiple attempts taken to establish retail chains of this kind. In many regions convenience store chains got state support via special development programs but this brought no fruit and in some time the projects were cancelled. Today the majority of no-name convenience stores are just independent stores offering various product mixes and following no standards. The retail market in Russia varies significantly both in terms of its value and the nature of its development. The variations result from the number of inhabitants, population density, level of urbanization, as well as average monthly income and expenditures, existing competition and other regional characteristics.

According to Rosstat, the Central Federal District (which contains Moscow) is the smallest yet the most populous region of Russia and remains the largest retail market in the country. The majority of the largest retailers in Russia originate from Moscow, which gives the Central Federal District the special status of accommodating both leading domestic operators as well as foreign retailers seeking to establish their presence in Russia. The Far East had the lowest share of retail sales among the Federal Districts in Russia. At the same time, the Far East is the largest District in terms of physical area, but with a population that comprises only 6% of the total. Moscow has been ranked as the third most attractive city for international retailers of all types after London and Paris, according to a survey of 150 leading international retailers in 55 countries in Europe conducted by Jones Lang LaSalle. Ten retailers launched in Moscow in 2012 including Debenhams, Noodle House, Seattle's Best Coffee, MuzzBuzz, Brisket Express, Krispy Kreme, Peek & Cloppenburg and Abercrombie & Fitch. However, strong competition and high rents in large cities limit the profitability of retailers and encourage them to seek further growth opportunities in Russia's regions. But regional competitors are growing stronger, too. In fact, in 2011, many regional companies have opened chains in Moscow, e.g. Bakhete, and they are ready to compete with federal chains in the capital.

According to NFOLine's analysis, in terms of number of employees per 1,000 sq. m. of trade area and sales value per 1 employee retail chains split the following way:

* I quadrant (chains with more than \$ 148 thousand of sales value per 1 employee annually and more

than 65 employees per 1,000 sq. m. of trade area) X5 Retail Group.

* II quadrant (chains with less than \$ 148 thousand of sales value per 1 employee annually and more than 65 employees per 1,000 sq. m. of trade area) Azbuka Vkusa (ABC of Taste), Linija (Line), Dixie, Maria-Ra, Holiday, Magnet.

* III quadrant (chains with less than \$ 148 thousand of sales value per 1 employee annually and less than 65 employees per 1,000 sq. m. of trade area) Sistema (System) RegionMart, Monetka (Cooïn), Sedmoi Continent.

* IV quadrant (chains with more than \$ 148 thousand of sales value per 1 employee annually and less than 65 employees per 1,000 sq. m. of trade area) O'Key, Lenta (Ribbon), Real-Hypermarket, Auchan, Metro Cash&Carry. This group demonstrates the highest efficiency – the higher sales value per 1 employee the higher is the company's efficiency.

Existing Retail Sales Outlet Formats in Russia

The following retail sales outlet formats exist in the Russian market:

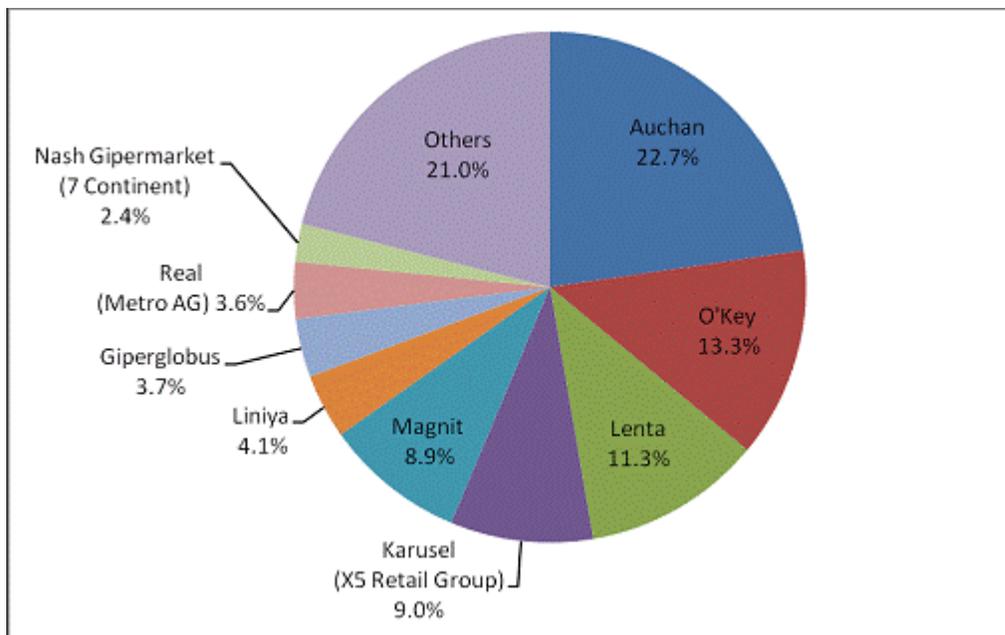
**Hypermarket*. A store with retail space of more than 2,500 sq. meters, where not less than 35% of the space is used for sales of non-food products. As a rule, a hypermarket is located on the outskirts of large cities, or is the anchor store of a large urban shopping mall (e.g., Auchan, O'Key, Lenta)

Hypermarkets target car-owning households of all income levels who seek higher-quality products, more services and wider product assortments. So-called “family shopping”, when many products are purchased on a weekly basis, has become very popular in Russia. In 2011, food products accounted for about 82.5% of retail value sales in hypermarkets, according to Euromonitor.

In 2011, hypermarkets sales grew by 20.4% compared to 2010 to reach \$24 billion. This sector remains concentrated in the hands of large operators. Nine major hypermarket chains including Auchan, O'Key, Lenta, and Karusel controlled 79% of hypermarket sales in 2011. The major share belongs to the French group Auchan (22.7%) followed by the O'Key company (13.3%) and Lenta (11.3%). The Karusel group, which was acquired and consolidated into the X5 Group in 2011, held 9% of total hypermarket segment sales.

Russian retailers opened 100 new hypermarkets in 2011, the largest number of openings ever in the country for this format, according to Vedomosti news. Currently, retail operators are branching out to regions and cities with a population of under 500,000 people – which was also named as “the marketing trend” of 2011. Experts expect further growth in the number of Russian hypermarkets, predicting a minimum of 800 openings in this format during the next five years. In addition, it is expected that some 300,000 m² of new retail facilities will be opened in Moscow in 2012.

Figure 2. Russia: Retail Market Share by Company in 2011, Hypermarkets



Source: Euromonitor from trade sources/national statistics

**Supermarket.* A retail outlet with sales space from 400 to 2,500 sq. meters, where at least 70% of the product line is food products and everyday goods (e.g. Perekriostok, Dixie, Sedmoi Kontinent, Spar).

The main consumer targets for low cost supermarkets like Pyaterochka and Monетка include low-income households, elderly people and students. As a rule, these consumers do not own a car, and they often prefer to shop in outlets closest to home. Most supermarket operators benefit from convenient locations in residential areas.

Supermarkets compete with hypermarkets, convenience stores and independent small grocers as they focus on the same consumer groups. Almost all retail operators offer a range of ready-to-eat food and chilled ready-to-cook products. The share of food sales versus non-food sales in supermarkets increased in 2011 to reach 91.5%.

In 2011, supermarkets accounted for the highest retail sales growth within the grocery retailing category with 22% growth compared to 2010 to reach \$84 billion. X5 Retail Group remained the leading player through its Pyaterochka and Perekriostok chains. Overall, the company accounted for a 25.8% share of retail sales in supermarkets in 2011 compared to 17% in 2010. However, the supermarket segment is highly fragmented with nine major companies controlling 36% of the market. The remaining sales were contributed by smaller chains as well as independent grocery retailers.

**Cash & Carry.* A retail outlet of roughly 8,000 sq. meters, working under the principles of small wholesaling (e.g. Selgros, Metro Cash & Carry).

Cash and carry, also known as self-service wholesale store retailing, is a wholesale format aimed specifically at trade customers, generally large-scale big-box stores providing a wide range of goods, primarily grocery but including some non-grocery items. Customers must normally prove they represent

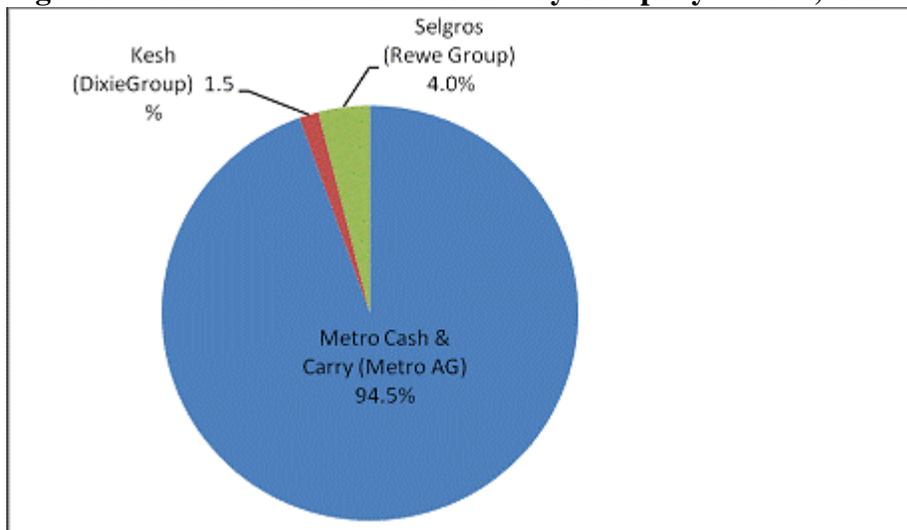
a registered business in order to be allowed to shop at such stores.

In 2011 three companies operated cash and carry outlets in Russia: German Metro Group, Rewe Group and locally-based Dixie Group that operates only one cash and carry outlet, Kesh. Originally Kesh was belonged to Victoria Group which was acquired by Dixie in 2011. Total cash and carry sales increased by 12.8% in 2011 and accounted \$4.8 billion.

The international operator Metro Group is by far the leading cash and carry outlet in Russia. In 2011, the company accounted for 94.5% of total cash and carry sales in the country. The company reached a total of 65 stores by the end of 2011. Selgros opened 2 stores in 2011 and now operates 6 stores in Russia and expects to open up to 50 cash and carry outlets over the next 20 years.

Russian consumers often consider cash and carry and hypermarkets to be the same format. Cash and carries and hypermarkets offer the widest product assortment and have the largest sales areas compared with other retail formats. Both hypermarkets and cash and carry outlets focus on large family packs and operate on a self-service basis. Both also provide additional services such as in-store bakeries or ready meals, along with plentiful parking.

Figure 3. Russia: Retail Market Share by Company in 2011, Cash & Carry



**Convenience stores.* Grocery retail chain outlets selling a wide range of groceries in a small sales space (up to 300 sq. meters), located in urban residential areas. The store serves the local neighborhood market, and is often open 24 hours. In Russia, such retail sales points are increasingly replacing

Modern Grocery Retailers	95,619	86,012	106,534	131,450	141,259	7	48
Supermarkets	70,679	62,286	75,244	90,646	96,344	6	36
Hypermarkets	17,455	16,288	20,988	26,477	28,713	8	64
Convenience Stores	6,873	6,954	9,695	13,603	15,473	14	125
Forecourt Retailers	611	484	607	724	729	1	19
Traditional Grocery Retailers	99,444	86,827	98,378	111,560	107,486	-4	8
Independent Small Grocers	62,836	55,609	63,512	72,642	70,349	-3	12
Food/Drink/Tobacco	5,053	4,353	5,054	5,776	5,607	-3	11
Other Grocery Retailers	31,556	26,865	29,812	33,142	31,530	-5	0
Total Grocery Retailers	195,063	172,839	204,912	243,010	248,745	2	28

Source: Euromonitor International from trade sources and national statistics, 2013

* Vending covers the sale of products via automatic machines operated by introducing coins, bank notes as well as payment cards or other means of cashless payment.

Russia has the largest internet audience in Europe with more than 81 million users (UK 56m, Germany 71m) but very limited online shopping habit.

Advantages and Challenges for U.S. Exporters

Successful U.S. businesses operating in Russia are those that find a local importer/distributor(s) that they can work with closely and are those that understand the local market (see below). Even successful companies need to remain engaged in the market and with their customers. For many staple products, domestic production meets demand. Certain imported food and agricultural products have difficulty competing with domestic products due to the high cost of foreign exchange, high import duties and/or difficulty with the regulatory framework and generally efficient production of unsophisticated food products. Companies from all over the world are looking at the Russian market to try and take advantage of improved market and/or regulatory access given Russia's recent WTO accession. Successful imports tend to be those that add to the variety of foods available on the market and products that are not grown in Russia or for which domestic production is insufficient to meet domestic demand.

Exporters should review some of the advantages and challenges of the Russian retail market (please see Table 3 below) when considering their marketing strategy.

Table 6. Russia: Advantages and Challenges for U.S. Exporters

Advantages	Challenges
Population of 143 million people who are potential consumers. The U.S. is the sixth largest supplier in Russia (by volume) of food and agricultural products.	The relatively low purchasing power of many Russian consumers, particularly in the regions, and the consequent lower demand for durable goods, and premium grocery and non-grocery goods.
Russia's retail sector is growing (7% from 2010-2011), which creates a number of opportunities for prospective	Economic vulnerability, dependence on oil and mineral extraction for economic

U.S. exporters.	growth.
The ongoing development of the organized grocery retail industry will allow producers to route products to the market more efficiently.	Distance in Russia is one of the major barriers complicating logistics for retail chains.
Significant number of consumers can afford purchasing high-quality food products.	Per capita spending in the regions outside Moscow and St. Petersburg remains low.
Urban life style changes increase demand for semi-finished and ready-to-cook products.	Rapid development of local manufacturers of ready-to-cook products creates tough competition for similar imported goods.
American-made food and drinks are still new for the majority of the population, and popular among the younger generation.	Growing number of domestically produced generic products; lack of knowledge of American products.
In general, retailers are open to new products in order to attract customers.	Strong competition with suppliers of similar products from Russia and European Union.
Paying in dollars is advantageous for exporting to Russia compared to Europe due to the lower cost of the Dollar relative to the Euro.	Corruption, difficulties in finding a reliable partner or distributor.
Due to the accession to the WTO Russia is obligated to bind its agricultural tariffs, adding more predictability to the trading relationship and opening export opportunities for the U.S. agricultural industry. WTO membership will also require Russia to abide by science-based sanitary and phytosanitary standards that will help facilitate U.S. exporters' access to the market.	Russian government bureaucracy and grey market. Contradictory and overlapping regulations. Official government opposition to growth in food imports.
Lack of reform in the Russian agricultural sector has led to high raw-material costs and shortages for processors.	Competition with food products imported from the EU and other countries may rise.
The Russian government has committed to spending on infrastructure over the next 10 years, particularly railroads and highways, which should translate to better logistics for expanding retailers.	

Russia's accession to the World Trade Organization (WTO) is expected to create changes that will provide more access for foreign companies into the market as well as much greater domestic competition. Through commitment to WTO rules and norms, the investment in and expansion of the Russian market will become more predictable thus reducing the "risk cost" of the entry ticket into the market.

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

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

Major Retail Trends

Mergers and Acquisitions

The Russian retail market is still fragmented with the 10 largest grocery retailers controlling one quarter of the market. Recent decades, however, saw the development of organized supermarket chains and hypermarkets, which saw notable expansion into Russia's major cities. Supermarkets and hypermarkets accounted for a 47% share of overall grocery retailing in value terms in 2011, and an 88% share of value sales in modern grocery retailers. (Source: Euromonitor International).

The largest transaction of 2011 was the Dixie Group purchase of the supermarket chain Victoria and its 250 stores. Thus Dixie became the fifth largest food retailer in Russia in 2011. Through this acquisition Dixie deepened its current presence in St. Petersburg, Central Russia and the Urals.

In 2012, the X5 Retail Group purchased 23 retail stores in the city of Kirov called Economnaya Sem'ya (Saving Family) and Mir Produktov (World of Products) as well as 24 stores of Tatarstan chain Norodniy (Peoples'). That adds to X5's already large group which grew in 2011 by acquiring the grocery chains "Island" and "Kopeyka".

Foreign retailers such as France's Auchan and Germany's Metro have a strong market presence in Russia but in the past two years both Carrefour and Wal-Mart have withdrawn from Russia ostensibly due to strong domestic competition. Rumors still surface about a return in the future.

In order to expand into the regions, Russian retail chains offer franchising opportunities to local chains. This is advantageous from the point of view of increasing market penetration and reducing cost and, as local players already have a share of the market, the base expenses are only for retraining staff, introducing new technology, and bringing the retail space up to brand standards. Chains that use such a franchise scheme tend to be bought up by the franchise owner at a later date. (Source: EastKommerts Investment Group).

Private Labels

Private label merchandise represents a relatively new phenomenon in Russia, and still has a limited presence in the retail market, which is tied to the low concentration of retail chains outside of the major cities. Companies offering private label products are still not accustomed to competing with brands. Retailers confirm that it is difficult to establish long-lasting and trusting relationships with contractors, as private label manufacturing brings little profit. Although private label products have increasingly come to be associated with quality in mature European markets, in Russia they tend to simply indicate lower prices, and are interpreted to offer lower quality. Also, there are differences in the preparedness of consumers to consider private label products, depending on the category of products in question. Many Russian consumers are still brand-oriented, and they are not ready to buy private label products in large volumes.

According to estimates presented in PMR's** estimates that by 2014 the market will grow to about 950 billion Rubles (\$31.4bn), revealing stable and high growth rates of 26% annually. In recent years, the Russian market of private labels demonstrated active development.

Private label (aka generic) products such as home care products and staple food items such as pasta or rice tend to attract interest from a broader range of consumers, while feminine hygiene products, baby food, pet food, cosmetics and indulgence products, such as chocolate, fare less well, given the more emotional relationship consumers have with these items. Private label products also do well in categories in which products are commodity-based and technological innovation is less important, feeding into categories such as chilled, processed food.

Under the current conditions, only the large retailer chains are able to convincingly compete in private label, given their ability to absorb more costs, drive growth through volume sales, and invest in product development, packaging design and advertising. Amongst the first to enter private label were the X5 Retail Group and Magnit. The X5 Retail Group leads in terms of private label sales, reported at \$1.7 billion in 2011, after its acquisition of the Kopeyka chain, which saw the company adding several private labels to its portfolio.

Magnit offers a wide range of more than 530 private label products, representing around a 15% share of the total assortment of an average Magnit outlet. All private label products in Magnit outlets target low-income consumers. Regional retail operators, namely the Tatarstan-based Bakhettle and the Siberia-based Maria Ra retail chains, have become leaders in terms of the share of private label merchandise within their total sales. In 2011, private label accounted for 35% of Bakhettle's and 20% of Maria Ra's value sales, which was more than in other grocery retailers.

Auchan will continue placing 500-700 private label SKUs annually. However, Seventh Continent's strategy is to ensure their private label share is not too high, since all manufacturers should be present equally in its stores. Nonetheless, retailers see private label products as offering strong advantages in terms of price competition in the longer term. The leading retailers are investing in better packaging and improving the quality of private label offerings. The X5 Retail Group plans to develop premium private label products for distribution through its hypermarkets and high-end Perekriostok Green supermarkets. Azbuka Vkusa launched its Pochti Gotovo private label in its high-end supermarkets in October 2010. In the short-term, Azbuka Vkusa plans to offer premium private label products from Russian farms.

Although the majority of retailers operating in private label tend to focus on the lower-priced segment of the market, the character of private labeling in Russia is changing. Many retail chains intend to increase the percentage of revenue earned from private label over the coming years, and expand their range of private label products. X5 Retail Group aims to increase its private label share of the total range to 30% in Perekriostok supermarkets, to 50% in Pyaterochka outlets and 10% in Karusel hypermarkets. Expansion plans have been reported by all low-end supermarkets, as well. These retailers aim to increase private label's share of total sales in their outlets up to 25- 30% in the short-to-medium term. For more information on food package labeling please see FAIRS report:

http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Certification_Moscow_Russian%20Federation_05.02.2013.pdf

Organic, Healthy and Ready-to-Cook Products

Busier lifestyles, particularly in Russia's largest cities, has created steady growth in demand for products such as chilled ready meals and frozen ready-to-cook products. As a result, supermarkets, hypermarkets, and independent grocery stores have improved offerings of chilled and ready-to-cook

meals. In addition, a health-conscious trend has led to a greater offering of healthy, low-fat, salt-and sugar-free foods, fresh exotic fruits and vegetables. The assortment is wider particularly in large cities such as Moscow and St. Petersburg and in Vladivostok where fresh fruits and vegetables are available from the western United States and China. High-end supermarkets have begun to develop a range of organic foods, and some entrepreneurs have tried to develop supermarkets specializing in organic produce.

The demand for eco-brands and organic products is growing. However, there is a lack of regulation in Russia concerning eco-brands, and firms can freely label products as “bio” or “eco”. This is the reason Russian consumers do not trust the quality of so-called eco-brands, and they are not ready to pay extra for them.

Most organic products are imported from Europe and sold in specialty shops in areas where upper income Russians live, as well as in other premium shops, like *Grunvald* and *Azbuka Vkusa* in Moscow, which are well known for the distribution and promotion of value-added “green” and healthy products. Domestic manufacturers are searching for ways to gain a larger share in this niche, including via voluntary certification for organic products.

In 2012, several Russian producers of so-called “bio” products, e.g. Corporation Organic, the "Planet Health" group of companies, and the Association "EcoKlaster", came out with an open letter to the Russian Minister of Agriculture wherein they raised concerns about the lack of regulation of organic agricultural products in Russia and stressed the need to amend current regulatory rules. These companies introduced proposals to be included into draft regulation “On Producing Ecologically Clean (Organic) Agricultural Products”. Currently the producers are working on detailed suggestions and they will be a part of the group that, together with Russian Minister of Agriculture representatives, will be working out the draft law.

For more information on the Russian organic market please see ATO Moscow’s Organic Market report: http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Russian%20Organic%20Market%20Continues%20to%20Grow_Moscow%20ATO_Russian%20Federation_2-15-2013.pdf

Shopping Malls

Consumers in urban areas prefer to spend less time shopping and consequently choose one-stop shopping malls. As a rule, shopping malls located in city centers have one or more cinemas, restaurants, grocery retailers, durable goods retailers, souvenir stores, cosmetic retailers and beauty salons. Some property developers also allocate space for sports and fitness clubs under the roof of a shopping mall.

Local government authorities have recognized the advantages of megastores in cities and created a favorable environment for the rapid development of hypermarkets, megastores of all types and shopping malls. Shopping malls and megastores are appearing on the sites of former outdoor markets, which have been slowly vanishing.

In 2011, over 25 shopping centers were completed in Russia. Moscow and St. Petersburg still account for the highest number of malls in Russia. At the end of 2011, approximately 45% of all shopping centers in the country were in these two cities. However, the 11 Russian cities with populations over 1 million, (e.g. Novosibirsk, Yekaterinburg, Nizhniy Novgorod, etc.) accounted for more than 110 of the 370 malls operating in the Russian market at the end of 2011. Over 100 shopping centers started

operations in Russia in 2012, according to the research of the InfoLine research agency. The rental rates in Moscow's shopping centers are very high in the range of \$500-\$4,000 (per sq. m. per year) depending on the size of the retail unit and the type of retailer. In 2011, rental rates grew moderately (3-5% per quarter on average). In other Russian cities rental rates are 30 to 60% below Moscow or St. Petersburg levels.

Internet Retailing

During 2011, growth of internet retailing in Russia remained high and exceeded growth rates of store-based retailing although it remains a very narrow market. According to Data Insight research, internet sales in Russia grew by 30% to reach \$11 billion in 2011. More than 50% of consumers who buy goods online live in Moscow or St. Petersburg. The average bill is \$296. Experts estimate the number of online shoppers in Russia will increase by 25% in 2012, while sales turnover will grow by 22% to reach \$13 billion.

There are reported to be in excess of 50 million internet users in Russia, with approximately seven million of these ordering products online at least once a month during 2011. Russia now boasts the most internet users amongst European countries, and is sixth in the world, according to the TNS media research company, with only China, the U.S., Japan, India and Brazil having more internet users. Russian consumers mainly shop online for non-grocery products. In 2011, the online grocery market in Russia was worth \$545 million and accounted for 5% of total internet sales. Russian consumers are not accustomed to shopping for groceries online, and they rarely use the internet for this purpose. It is still perceived to be less stressful and less time consuming to visit the local supermarket than to shop for groceries online. However, significant annual growth in Internet sales in recent years shows that online grocery retailing has great potential.

In March 2012, Utkonos, one of the largest online grocery retailers in Russia, started selling grocery goods using the online retail platform Wikimart, which is forecast to grow Utkonos' turnover by 3-5%, according to the Utkonos' management. In 2011, Utkonos' online sales reached approximately \$300 million annually. Currently, they handle about 10,000 orders per day. One of the obstacles to the faster development of grocery internet retailers is the underdeveloped system of e-payments, related to the scarce use of credit cards. Currently most e-shop operators accept cash on delivery only. Russian consumers do not trust e-payments. Only 10% of e-shops offer the option to pay by debit/credit cards. Industry experts explain that e-shop operators prefer to call to consumers before the final confirmation of purchase. The PayPal system of security for e-payments has recently opened a subsidiary in Russia, but it mainly serves foreign e-shop operators. In Moscow, auto traffic may also be a factor limiting internet and delivery sales.

The internet sites developed by store-based retailers are increasingly important, as the current environment favors well-established chains such as X5 Retail Group, with an established physical presence in major cities and across the regions, which removes some issues related to storage and transportation. The X5 chain launched its E5 project, offering a wide online range of non-grocery products, including books, electronics and home care products, amongst others. Consumers are able to collect products through Perekriostok outlets which are a particularly attractive option to Russian consumers unwilling to pay online, although courier delivery and post office collection are also offered as options. (Source: Euromonitor)

Some market experts estimate Russia will become the largest e-commerce market in Europe by 2019, based on current growth rates. Forecasts remain optimistic on the whole, based on changing consumer lifestyles and emerging retail trends, which are becoming gradually more closely aligned with Western consumer trends.

Legislation Regulating Retail Trade

The Russian Federal Law on Trade came into force on February 1, 2010. This law is aimed at creating transparent conditions for cooperation between domestic suppliers and retailers and boosting competition in the retail sector. The law contains strict antimonopoly regulations, such as capping store openings once a retailer reaches a 25% market share threshold within a city or municipal region, a 10% limit on bonuses paid to retailers by suppliers, and payment terms regulating how fast a retailer has to pay for goods with a certain shelf life, among other provisions.

The core regulations of the new Federal Law on Trade have caused bitter debate amongst suppliers and retailers. Some retailers declare that they will try to find ways to evade the new regulations. For example, the legislation does not cover non-store retailing; therefore store-based operators can develop internet retailing and continue to increase their sales and shares in certain regions. The Law does not preclude companies from franchising and as a result a chain may still exceed the 25% cap on market share in one region if stores are operated by various franchisees.

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

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

For more information on Russian Federal Law on Trade please see Gain Report:

http://gain.fas.usda.gov/Recent%20GAIN%20Publications/The%20Russian%20Federal%20Law%20on%20Trade%20_Moscow%20ATO_Russian%20Federation_8-30-2010.pdf

Section II. Road Map for Market Entry

Advice to Exporters

The World Bank's Ease of Doing Business 2012 report ranked Russia 111th out of 183 countries, a measurable improvement compared to the 2011 ranking of 120th. However, the conditions for starting a business have deteriorated significantly since 2009 when Russia ranked 88th out of 183 countries. This is due to the lack of reform in terms of the time and number of procedures required for setting up a business in the country. While many countries have simplified and streamlined the process, it takes 9

procedures and 30 days in Russia to open a business. This compares unfavorably to an OECD (Organization for Economic Co-operation and Development) average of 5.7 procedures and 13 days. However, the cost of starting a business in Russia is low: only 2.7% of per capita income, compared to an average of 8.3% of per capita income in the Eastern Europe and Central Asia region.

USDA/FAS Services in Russia

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

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

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

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

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

Distribution Channels

Imported food products for Russian retail chains and food service establishments come through importers, distributors, and wholesalers. Large suppliers are typically also importers. Imported products arrive in Russia via land, sea, or air freight into ports or customs warehouses for clearance before proceeding to the next destination. The transportation system for shipping U.S. high value food products into Russia via St. Petersburg and Moscow is well established. Most consumer-oriented food and beverage products enter through St. Petersburg or Moscow for customs clearance. Transit time from the United States to St. Petersburg ranges from 20-27 days (plus an additional 4 days shipping time for final delivery by rail or truck to Moscow).

Outside of Russia, imports are also delivered to Baltic ports and then shipped by truck or rail to St. Petersburg or Moscow. Baltic and Finnish ports had offered greater efficiency, fewer problems with loss or damage, and lower port fees. However, changes in Russian import requirements have largely redirected Baltic shipments to Russian ports: St. Petersburg, Ust-Luga, Vysotsk, Kronshtadt, Novorossiysk and Vladivostok. From Moscow or St. Petersburg, products are shipped further into the interior via truck or rail to cities in Siberia or the Russian Far East (RFE). However, most products destined specifically for the RFE enter through the ports of Vladivostok, Vostochnyy, Vanino, Nakhodka and Magadan. Although Vostochnyy is the region’s largest port by volume, the majority of U.S. food exports to the Russian Far East enter through Vladivostok.

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

Table 7. Russia: Major Retail Chains, 2011 (Retail Value excl. Sales Tax)

Retailer name and outlet type	Ownership	Sales, in million USD	No. of outlets	Locations
Pyaterochka, supermarkets	X5 Retail Group NV, local	17,303	2,525	Moscow and St. Petersburg, and

				16 Russian regions
Magnit, convenient stores & hypermarkets	Magnit OAO, local	13,092	5,112	470 Russian cities
Auchan, hypermarkets	Auchan Group SA, French	4,866	37	Moscow and St. Petersburg, Russian regions
Metro Cash& Carry, hypermarkets	Metro AG, German	4,586	65	44 Russian regions
Perekriostok, supermarkets	X5 Retail Group NV, local	4,294	330	Moscow, St. Petersburg and 43 Russian cities
O'Key, hypermarkets	Dorinda Holding SA, Luxemburg, local, Estonian	3,372	75	St. Petersburg, Moscow and 8 Russian cities
Lenta, hypermarkets	Lenta OOO, 60% local, 40% U.S.	2,740	46	North-Western Russia and Siberia
Dixie, supermarkets	Dixie Group OAO, local	2,326	947	Moscow, St. Petersburg and 11 regions
Karusel, hypermarkets	X5 Retail Group NV, local	2,180	77	Moscow, St. Petersburg and regions
Sedmoi Kontinent, supermarkets	Sedmoi Kontinent, local	1,186	138	Moscow, St. Petersburg, Kaliningrad and Minsk
Spar, supermarkets	Internationale Spar Centrale BV, Dutch and local	1,142	254	Moscow and Central region
Monetka, supermarkets	Element-Trade, local	1,110	384	Yekaterinburg, Ural region
Globus Gourmet, high-end supermarkets	Stolichnaya Torgovaya Kompania, local	1,059	7	Moscow
Liniya, hypermarkets	Korporatsiya GriNN ZAO, local	994	22	9 Russian regions
Maria Ra, supermarkets	Maria Ra PKF OOO, local	921	371	Siberia
Giperglobus, hypermarkets	JR east Retail Net Co Ltd, German	887	5	Moscow region
Victoria Kvartal, supermarkets	Dixie Group, local	887	223	Moscow, St. Petersburg, Kaliningrad and regions
Real, hypermarkets	Metro AG, German	865	18	Central part of Russia
Nash Gipermarket	Sedmoi Kontinent, local	580	20	Moscow and Russian regions
Kirovsky, supermarkets	Kirovsky Supermarket, local	567	130	Yekaterinburg, Ural region

Sources: Euromonitor International, company reports and websites

Section III. Competition

Retailers demand consistent quality and adherence to contract specifications and penalize suppliers for failure to meet requirements. As a result, foreign suppliers continue to be competitive in the Russian market as they can meet strict specifications.

Many U.S. exporters face heavy competition among other foreign suppliers for the Russian market. The European Union enjoys a logistical advantage due to its proximity and ability to ship product overland as well as by air and sea. Brazil occupies a dominant position on the Russian meat market because of a

preferential duty (25% lower than for U.S. meat). China dominates the Russian Far East market in fruit and vegetable sales.

In addition, the Government of Russia has a program of domestic support for domestic producers of food products and a complex system of sanitary and phytosanitary requirements for imported foods. Production of dairy and meat products (sausages, smoked foods), soft drinks, mineral water, juices, beer, confectionery, various appetizers, and chilled chicken meat is still on the increase. Belarus and Kazakhstan, which share a common customs zone with Russia, enjoy duty-free access to the Russian market. Therefore, their agricultural products do not appear in Russia's import statistics. Many imports from the EU and the United States cannot compete on price with regional goods. There is also increasing political pressure on retailers to buy locally.

Due to the WTO accession Russia is obligated to bind its agricultural tariffs, adding more predictability to the trading relationship and opening export opportunities for the U.S. agricultural industry. Because tariff rates are changing for many products please confirm the current applied rate with your importer or contact ATO Moscow.

Table 8. Russia: Top 10 Exporters of Agricultural Products* 2010-2012, in USD

Country	2010	2011	2012	% of share in 2012	% change '11-'12
World	35,045,948,335	41,875,263,037	34,843,579,507	100.00	- 16.79
Brazil	3,830,936,010	3,831,376,628	2,470,504,130	7.09	- 35.52
Germany	2,402,927,700	2,970,318,052	2,322,185,907	6.66	- 21.82
Ukraine	1,971,447,144	2,159,865,575	2,139,147,355	6.14	- 0.96
China	1,588,869,694	2,068,104,079	1,735,014,174	4.98	- 16.11
United States	1,383,576,351	1,675,718,851	1,677,142,904	4.81	0.08
Netherlands	1,721,665,556	1,997,987,576	1,646,055,812	4.72	- 17.61
France	1,453,787,846	1,651,818,020	1,615,072,025	4.64	- 2.22
Turkey	1,476,589,256	1,609,633,768	1,473,469,789	4.23	- 8.46
Italy	1,031,258,527	1,399,394,763	1,339,474,849	3.84	- 4.28
Spain	996,056,816	1,358,313,760	1,314,367,763	3.77	-3.24

Source: Global Trade Atlas

*Agricultural Total

Section IV. Best Product Prospects

The U.S. is the fifth largest supplier to Russia by value of agricultural, fish and forestry products. Based on official data, the U.S. share of Russia's agricultural imports exceeded \$1.6 billion in 2012. This is roughly the same in value compared to 2011. The U.S. share of Russia's total agricultural imports in 2012 was 4.8%, on par with 2011. So far in January-June 2013 the U.S. share of Russia's agricultural imports was roughly \$604 million, down 18% when compared to the corresponding period of 2012.

This is a result of the Government of Russia's ban on U.S. beef, pork, and turkey meat in February 2013 ostensibly due to residues of ractopamine. Top-performing retail-oriented U.S. exports to Russia in 2012 included: poultry and red meats, tree nuts, fresh and processed fruit and vegetables, fresh fruits, snack foods, and fish and seafood.

In 2012, U.S. poultry exports accounted for roughly \$310 million (about 271,000 MT), followed by

pork, beef, tree nuts, fish and seafood. Following WTO Accession, Russia will remain an attractive market for poultry imports in the short-term, particularly for affordable frozen chicken leg quarters which are further processed and do not compete against domestically-produced chilled whole birds.

Russia is the second largest importer of beef and veal products (including offal) in the world and the 2nd largest importer of pork products globally. Russia has demonstrated significant growth as a market in 2012 for beef.

Russia's World Trade Organization (WTO) accession process is expected to bring the country's legal and regulatory regime in line with internationally accepted practices. These changes should include changes to many of the current barriers for poultry, beef, and pork, including veterinary-sanitary barriers that restrict the flow of trade. Also, while Russia's goal to be self-sufficient in categories such as meat and dairy products may eventually limit U.S. exports of those products, they could also create new opportunities for U.S. exporters seeking to supply high protein feeds, live animals, and animal genetics.

In 2012, U.S. live animals exports to Russia grew by 171% and totaled \$267 million. Russia's live animal imports have soared in recent years, as the Federal Government has supported the rebuilding of the beef and cattle sector in Russia. This sector had been in continual decline since the break-up of the Soviet Union, but imports of breeding stock have resulted in a number of modern ranches. The Russian Federal and oblast governments offer a series of support programs meant to stimulate livestock development in the Russian Federation over the next seven years which are funded at hundreds of billions of Russian rubles (almost \$10 billion). These programs are expected to lead to a recovery of the cattle industry. Monies have been allocated for both new construction and modernization of old livestock farms, purchase of domestic and imported of high quality breeding dairy and beef cattle, semen and embryos; all of which should have a direct and favorable impact on livestock genetic exports to Russia through 2020. For more information please see Gain report:

<http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Russian%20Government%20Continues%20to%20Support%20Cattle%20Sector%20Moscow%20Russian%20Federation%206-17-2013.pdf>

U.S. fish and seafood exports to Russia were down by 20 percent in 2012 and totaled \$48 million. That was due to lower than average salmon catch in the United States and salmon roe being the significant export product from the United States to Russia (between 30-40 percent of all U.S. fish and seafood exports to Russia). However, lower exports of those products were partially compensated by increasing shipments of frozen scallops, lobsters and crabs as a result of growing demand from the Russian HRI sector. Because of this growing market, U.S. fish and seafood producers will continue to be able to find new market opportunities in Russia as consumer income rises, demand continues to boom, and consumer habits continue to change. For more information please see Gain report:

<http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Fish%20and%20Seafood%20Production%20and%20Trade%20Update%20Moscow%20Russian%20Federation%207-24-2012.pdf>

The market for commercial pet food has strong growth potential. The growth is related to a greater demand for specific types of pet food. Currently products include both wet and dry food, economic and premium products, and products that meet very specific needs related to the age (for young, adult and older animals), lifestyle (high-energy or light diets), and health condition (for diets that prevent allergies or address certain diseases) of pets. U.S export of pet food to Russia was up more than double in 2012 and reached \$6 million. The increase is a result of renewed economic growth, higher household incomes, an increase in the number of pets within Russian families and higher demand for new flavors

and premium products.

In 2012, overall Russian nut imports totaled at 88,597 tons, valued \$425 million. The growth in nut consumption is driven by the growing popularity of healthy snacks in Russia and increasing use of nut ingredients in food processing. In 2012, the United States exported 22,263 tons of tree nuts to Russia, valued at \$125 million, a twofold increase in volume and value since 2008. The main driver of this growth was the increase in California almond exports. California pistachio sales have been growing since 2010, but volumes fluctuate based on price competitiveness particularly with Iranian pistachios. Almonds shelled and in shell, shelled hazelnuts and shelled cashews enjoy zero tariffs; the customs tariff for other raw nuts is 5 percent. For more information on Russian nuts market please see Gain report:

http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Russia%20Going%20Nuts%20Over%20Almonds_St.%20Petersburg_Russian%20Federation_4-20-2011.pdf

Russia is the world's second largest importer of fruit, and ranks as the number one market for pears. In 2012, overall Russian imports of fresh fruits totaled at 5.8 million MT valued \$5.5 billion. In 2012, Russia imported 15,945 MT of U.S. fruit worth \$23 million. In 2011, Russia was the third largest export market for Northwest Pears. Pears, apples, California table grapes and pomegranates. For more information on the Russian fruit market please see Gain report:

http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Fresh%20Deciduous%20Fruit%20Annual_Moscow%20ATO_Russian%20Federation_12-17-2012.pdf

The most dynamic growth in the high-valued sector compared to 2011 was shown by such categories of U.S. products as popcorn (both raw and microwave), soy sauce, peanut butter, frozen pastry, mixed seasonings, spices, tomato sauces, prunes, wine and beer, nonalcoholic beverages (excluding fruit and vegetable juices), fresh apricots, peaches and nectarines. To get more information on market opportunities for the U.S. products please see the GAIN report:

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

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

Section V. Key Contacts and Further Information

Contact Information for FAS Offices in Russia and in the United States

U.S. Agricultural Trade Office Headquarters, Moscow

Email: atomoscow@fas.usda.gov

Erik Hansen, ATO Director

E-mail: Erik.Hansen@fas.usda.gov

Alla Putiy, Marketing Specialist

E-mail: Alla.Putiy@fas.usda.gov

Olga Kolchevnikova, Marketing Specialist

E-mail: Olga.Kolchevnikova@fas.usda.gov

Tatyana Kashtanova, Financial and Administrative Assistant

E-mail: Tatyana.kashatanova@fas.usda.gov

Street address (for express parcels):

U.S. Agricultural Trade Office

American Embassy

Bolshoy Devyatinskiy pereulok, 8

121099 Moscow, Russia

Fax: 7 (495) 728-5069

Tel: 7 (495) 728-5560

<http://www.usda.ru>

For mail coming from the U.S. (delivery may take 4 to 6 weeks):

Director, Agricultural Trade Office

5430 Moscow Place

Washington, DC 20521-5430

For international mail, especially from Europe:

Agricultural Trade Office

U.S. Embassy - Box M

Itainen Puistotie 14

00140 Helsinki, Finland

Covering Northwest Russia (St. Petersburg):

Svetlana Ilyina, ATO Marketing Specialist

American Consulate General

Furshtatskaya Street 15

191028, St. Petersburg, Russia

Fax: 7 (812) 331-2675

Tel: 7 (812) 331-2880

E-mail: Svetlana.Ilyina@fas.usda.gov

Covering the Russian Far East (Vladivostok):

Irina Konstantinova, ATO Marketing Specialist

American Consulate General

Ulitsa Pushkinskaya, 32

690001 Vladivostok, Russia

Fax: 7 (423) 230-00-89

Tel: 7 (423) 230-00-89

E-mail: Irina.Konstantinova@fas.usda.gov

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

Office of Trade Programs

U.S. Department of Agriculture

Foreign Agricultural Service

1400 Independence Ave., S.W.

Washington, DC 20250

http://www.fas.usda.gov/OTP_contacts.asp

FAS Website: www.fas.usda.gov

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

Holly Higgins, Agricultural Minister-Counselor

Levin Flake, Senior Agricultural Attaché

Chris Riker, Agricultural Attaché

Office of Agricultural Affairs

American Embassy

(address same as above for ATO Moscow)

Fax: 7 (495) 728-5133 or 728-5102

Tel: 7 (495) 728-5222

E-mail: agmoscow@fas.usda.gov

Other Useful Contacts

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

California Prune Board

Suite 18, Harborough Innovation Centre, Airfield Business Park

Leicester Road, Market Harborough

Leicestershire, LE16 7QX, UK

Tel.: + 44 (0) 1858 414218

Fax : + 44 (0) 1858 898123

Email: info@cpbeurope.eu.com

www.californiaprunes.ru

USA Poultry and Egg Export Council (USAPEEC)

Albert Davleev

Address: 127051 Moscow, Russia, Kulakova str., 20, Building 1A

PO Box 305

Fax: 7 (495) 781-9200

Tel.: 7 (495) 781-9201
E-mail: albertdavleyev@yahoo.com
<http://www.usapeec.ru>

U.S. Meat Export Federation (USMEF)
Galina Kochubeyeva (Moscow)
Address: 119049 Moscow, Russia, Leninsky Prospekt, 2, 9th Floor, Business Center
Fax: 7 (495) 230-6849
Tel.: 7 (495) 544-9387
E-mail: moscow@usmef.org, gkochubeeva@usmef.org

Yuriy Barutkin (St. Petersburg)
Address: 190031 St. Petersburg, Russia, Yefimova str., 4a, office 303
Fax: 7 (812) 309-71102
Tel.: 7 (812) 309-1101
E-mail: stpete@usmef.org

Pear Bureau Northwest
Katerina Akulenko
Address: 690090 Vladivostok, Russia, Svetlanskaya str., 37, Office 2
Fax: 7 (4232) 63-8411
Tel.: 7 (4232) 56-5536
E-mail: katerina@newmark.ru
<http://www.usapears.ru>

Ksenia Gorovaya (St. Petersburg)
Address: 194223, St. Petersburg, Russia, Orbeli str., 25/3, office 7
Tel: 7 (812) 702-7151
E-mail: Ksenia@crispconsulting.ru
<http://crispconsulting.ru/>

Almond Board of California
RK Marketing Office,
29/1 Generala Tyuleneva Str., 117465, Moscow, Russia
Tel: 7 (495) 729-3080
Fax: 7 (495) 989-2670
E-mail: office@Almonds.ru
<http://www.Almonds.ru>

Washington Apple Commission
Ksenia Gorovaya (St. Petersburg)
Address: 194223, St. Petersburg, Russia, Orbeli str., 25/3, office 7
Tel: 7 (812) 702-7151
E-mail: Ksenia@crispconsulting.ru
www.bestapples.ru

Katerina Akulenko (Vladivostok)
Address: 690090 Vladivostok, Russia, Svetlanskaya str., 37, Office 2
Fax: 7 (4232) 63-8411
Tel.: 7 (4232) 56-5536
E-mail: katerina@newmark.ru

California Table Grape Commission
Ksenia Gorovaya (St. Petersburg)
Address: 194223, St. Petersburg, Russia, Orbeli str., 25/3, office 7
Tel: 7 (812) 702-7151
E-mail: Ksenia@crispconsulting.ru
<http://crispconsulting.ru>

Katerina Akulenko (Vladivostok)
Address: 690090 Vladivostok, Russia, Svetlanskaya str., 37, Office 2
Fax: 7 (4232) 63-8411
Tel.: 7 (4232) 56-5536
E-mail: katerina@newmark.ru

Wine Institute of California
Olga Tuzmukhamedova
Address: 127521 Moscow, Russia, Staromarinskoe shosse, 14-77
Tel: 7 (495) 616-3829
E-mail: olgatuz@mail.ru
www.california-wines.org
www.wineinstitute.org

The American Chamber of Commerce is another good source for information on doing business in Russia. The Chamber has offices in Moscow and St. Petersburg.
American Chamber of Commerce in Russia (AmCham)
Ul. Dolgorukovskaya, Building 7, 14th floor
127006 Moscow, Russia
Fax: 7 (495) 961-2142
Tel: 7 (495) 961-2141
Email: amchamru@amcham.ru
<http://amcham.ru/>

American Chamber of Commerce in St. Petersburg
Ulitsa Yakubovicha 24, left wing, 3rd Floor
190000 St. Petersburg, Russia
Fax: 7 (812) 448-1645
Tel: 7 (812) 448-1646
Email: all@spb.amcham.ru
<http://amcham.ru/spb/>

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

U.S. Commercial Service

Bolshoy Devyatinskiy pereulok, 8

121099 Moscow, Russia

Fax: 7 (495) 728-5585

Tel: 7 (495) 728-5580

E-mail: moscow.office.box@mail.doc.gov

<http://www.buyusa.gov/russia/en/>

Other Relevant Reports

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

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

The latest FAIRS Report can be found at:

http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative_Moscow_Russian%20Federation_01.02.2013.pdf

RSATO1308 Russia Announces New Resolution on Alcoholic Beverages

http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Russia%20Announces%20New%20Resolution%20on%20Alcoholic%20Beverages_Moscow%20ATO_Russian%20Federation_8-27-2013.pdf

RS1306 Food and Agricultural Import Regulations and Standards – Certification

http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Certification_Moscow_Russian%20Federation_05.02.2013.pdf

RS1215 Market 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

RSATO1110 Retail Report / Annual

http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Retail%20Foods_Moscow%20ATO_Russian%20Federation_9-24-2012.pdf

RSATO1102 Russian HRI Sector

http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20Service%20-%20Hotel%20Restaurant%20Institutional_Moscow%20ATO_Russian%20Federation_12-28-2012.pdf

RSATO1002 Fresh Deciduous Fruit / Annual

http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Fresh%20Deciduous%20Fruit%20Annual_Moscow%20ATO_Russian%20Federation_12-17-2012.pdf

RSATO1109 Russian Organic Market

http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Russian%20Organic%20Market%20Continues%20to%20Grow_Moscow%20ATO_Russian%20Federation_2-15-2013.pdf

RSATO1301 Development of a National Standard for Organic Products in Russia

http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Development%20of%20a%20National%20Standard%20for%20Organic%20Products%20in%20Russia_Moscow%20ATO_Russian%20Federation_2-8-2013.pdf

RSATO1208 Customs Union Technical Regulations on Food Products Labeling

http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Customs%20Union%20Technical%20Regulation%20on%20Safety%20of%20Grain_Moscow_Russian%20Federation_8-16-2012.pdf

RSATO1205 Russian Duma Revises Wine Definitions and Other Alcohol Rules

http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Russian%20Duma%20Revises%20Wine%20Definitions%20and%20Other%20Alcohol%20Rules_Moscow%20ATO_Russian%20Federation_7-13-2012.pdf

RS 1247 Fish and Seafood Trade Update

http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Fish%20and%20Seafood%20Production%20and%20Trade%20Update_Moscow_Russian%20Federation_7-24-2012.pdf

RS 1139 Poultry and Products Annual

http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Dairy%20and%20Products%20Annual_Moscow_Russian%20Federation_11-6-2012.pdf

RS 1144 Livestock and Products Annual

http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Livestock%20and%20Products%20Annual_Moscow_Russian%20Federation_9-5-2012.pdf

RS 1146 Dairy and Products Annual

http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Dairy%20and%20Products%20Annual_Moscow_Russian%20Federation_11-6-2012.pdf

RS1117 Pet Food Market Brief

http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Pet%20Food%20Market%20Brief_Moscow_Russian%20Federation_4-21-2011.pdf

* The International Institute for Management Development (IMD) is a top-ranking international business school located in Lausanne, Switzerland. The IMD World Competitiveness Center (WCC) is a part of IMD. The WCC helps businesses, governments and academics to highlight competitive advantages and uncover opportunities through published since 1989 the

World Competitiveness Yearbook, the leading annual report on the competitiveness of nations.

** PMR Publications is a division of PMR, a British-American company providing high-quality market information and services to businesses interested in Central and Eastern Europe countries as well as other emerging markets.