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Fresh Deciduous Fruit Annual

2009

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Report Highlights:
Russia is the third largest market for fruits in the world in value terms and the number one market for pears. A recovering economy and concurrently improving incomes helped make fruit imports into Russia from countries with relatively stronger currencies and also imports of exotic fruits more affordable so sales have regained their per crisis level. In 2010, fruit production in Russia is forecast to decrease 20 percent due to frost in the South and extraordinary heat and fires in the Central region of the country. The Russian government discontinued federal subsidies for horticultural modernization and as a result the replanting of old orchards has slowed markedly. The United States exported 8 percent more fruit, 30.8 mt, to Russia in MY 2009 (Jul/Jun) valued $22.7 million. Prospects for U.S. produce exports are even better for MY 2010 due to lower crops expected in Europe.

Executive Summary:

In MY 2009, Russia increased imports of fruit from 4.9 million metric tons (mmt) in MY 2008 to 5.2 mmt. Fruit import value reached $4 billion, a 5 percent increase above the record set in MY 2008. Growing incomes and continued appreciation of the Ruble spurred spending and made more expensive produce from countries with stronger currencies as well as exotic fruits more affordable. According to Euromonitor, there is great potential for future increases in fruit sales to Russia. Fruits sales via retail are forecasted to grow as high as 7.3 mmt by 2015.

Domestic fruit production is forecast to decrease by 20 percent this year because of frosts in the South and drought and fire in Central Russia. Fruit cultivation in Russia is largely inefficient and produces low yields, leaving significant potential for growth in the future under the right conditions. However, future production will be affected by the Government of Russia's (GOR) decision to stop paying subsidies for the planting of new orchards. In addition, insufficient crop insurance and outdated technology will impede the development of commercial horticulture in Russia. Despite that, high demand for quality domestic fruit is motivating the industry to continue making what investments they can in intensive orchards, modern crop protection technologies, and modern storage facilities that will have some impact on future production starting as soon as next season.
In MY 2009, Russia imported 30,847 metric tons of American fruit valued $22.7 million, an 8 percent increase in volume. The United States exported 30 percent more apples and 20 percent more pears to Russia compared with the MY 2008 record. The Western Russian market continues to buy American pomegranates (1,800 mt) and lemons (1,710 mt). American oranges enjoy good sales in the Russian Far East. Russian importers are interested in trying American berries in the coming season. Due to the limited crop of apples and pears in Europe and China, American fruit has even better sales prospects in Russia in MY 2010. The Customs Union Agreement between Russia, Belarus, and Kazakhstan was launched in July 2010. Most rules and requirements for fruit imports into Russia remain unchanged. (For more on the Customs Union please find links to our relevant reports at the end of this report.)

Production:

Russian production of fruits and berries increased by 13 percent and reached 2.2 mmt in 2009 (source the Russian Federation State Statistics Committee (Rosstat)). The acreage under perennial plants decreased significantly to 524 thousand hectares in 2009 from 767 thousand hectares in 2000, due to the abandonment of old orchards with low productivity. The aggregated yield per hectare has increased by 1/4 since 2007 led by stronger yields from intensive orchards.

Apples account for 44 percent of the total fruit crop, followed by berries and stone fruits (20 and 18 percent accordingly), grapes were 11 percent (including table grapes), and pears were around 7 percent. Apples and grapes are the only fruits commercially grown in Russia. Other fruits, berries, and nuts are grown mainly on household plots for household consumption and the surplus is sold in local wet markets and doesn't typically enter commercial channels.

The main commercial fruit production is concentrated in the Southern, Central and Volga Valley Economic Districts of Russia. These regions have the most favorable conditions for fruit cultivation.

Some industry experts see opportunity for expanding commercial production of apples, pears and plums in the future here. But 2010 was a very difficult year for Russian agriculture. Russia lost up to 30 percent of its grain and vegetable crops in the Central and the Volga Valley due to the extraordinary drought and fires. Industry experts predict that apple, pear, berry production may decline by 20 percent at least in 2010 but due to poor weather including hail storms and lack of rain.

In this situation, insufficient crop insurance has left some producers struggling and hampers commercial horticultural development in Russia. Even in the Southern areas, crops can suffer from winter frosts as well as hail, heat, or floods. According to producers, an effective crop insurance system is critically important for the further development of commercial horticulture. The growers reported that currently insurance is expensive and highly bureaucratic. Very often this coverage is insufficient and comparable to the insurance fee the farmer pays to the insurance company.

Overall, Russian horticulture remains largely outdated and inefficient. 80 percent of all orchards and berry plantations need to invest in replanting, irrigation, modern storage and packing technologies in order to be more efficient and improve yields. According to industry experts, only 10 percent of the total area of commercial orchards in Russia is planted according to intensive and super-intensive management techniques. Russia's overall orchard replacement rate of 2 to 3 percent is far behind the world's average of 10 percent.

In 2010, the Russian Government stopped domestic support of the horticulture industry. In 2009, 302 million rubles ($10 million) went for subsidies for new orchard planting and treatment. The grower was reimbursed 10 percent of the $30 thousand per hectare investment. The lack of federal subsides combined with the economic crisis led to a twofold decrease in the replacement of old orchards in 2010 in Russia. In 2009, 11,700 hectares of new fruit orchards were planted, according to Selskaya Zhizn' (Agricultural Living), the main agricultural newspaper in Russia. The Federal Government plans to restart the support, but not in 2011. However, Krasdodarski Krai (i.e. "region"), Tambovskaya Oblast and some regional governments continue to provide subsidies to fruit growers for replanting new orchards and berry fields. That encourages continuation of commercial investment into fruit sector.

So now, the industry is carefully pacing its investments in modern growing technologies, storage facilities and improved sorting and packing. The main factor driving the investment flow is good demand for locally grown quality fruits and berries. Industry experts reported that in the Southern and Central District growers with 65,000 hectares of total acreage under apples, grapes, and some plums are seriously working on crop protection programs, replanting the old orchards, and investing into infrastructure renovation. These producers have a real opportunity to increase their yield in coming few years and lift the average yields in seed fruits (7.1 tons per hectare) and grapes (5.5 tons per hectare). One example is in Krasnodarski Krai where today there are only 80,000 square meters (sq.m.) of modern and renovated facilities available for crop storage. A new, 30,000 sq.m. facility is in the process of construction. However, nationwide the storage, packing, and logistical links in the chain need to be upgraded to make the fruit business in Russia more efficient.

Apple Production

The Russian domestic apple market produced 1.23 million metric tons in MY2009 and will be down to 1.0 in MY2010 due to adverse weather.

Based on the official production figure (1.5 mmt of "seed type fruits"), the 2006 All-Russia Census of Agriculture data, and based on interviews with agricultural industry experts Post estimates that in 2009 Russia produced 1.2 mmt of apples, up 10 percent from the 2008 record. More than 85 percent of the commercial apple crop came from the Southern and Central Economic District orchards. Golden Delicious, Red Chief, Semerenka (a Russian light green sour variety), Granny Smith, Ida Red, and Gala are the major apple varieties cultivated in Russia. In 2009, average apple yields grew up to 7 tons per hectare from 5.8 tons per hectare in 2008. Average apple yields in Russia remain well below other developed countries, e.g. six times lower than average yields in Europe.

In MY2010, apple production is expected to decline by 20 percent to around 1 mmt. For example, in the major apple growing region of Krasnodarski Krai harvest will be down 20 percent due to frost and ice in February 2010. The Central region and Volga Valley area suffered from extraordinary heat and fires in summer. Some apples burnt, some had stunted growth leading to smaller sizes, and the winter varieties fell from the trees before harvesting time. The growers will collect up to 30 percent less in some areas of Central Region. At the same time, private orchards in the north and east of Russia are said to have had a better than average crop; the temperatures were higher and better for apple growing.

Krasnodarski Krai is responsible for at least one fourth of the commercial apple production in Russia. Growers continue to plant new orchards using "semi intensive" and "intensive" techniques using Italian root stock. The productivity in these orchards varied from 12 to 20 tons per hectare in 2010, but in a good year it can be significantly higher. The percentage of apples classified as "first category" (7 cm + in size and good color) dropped significantly. This apple is in good demand with wholesalers and according to industry experts demand could increase by up to 30%.

Domestically grown apples are available mainly until December due to their shorter shelf life. According to some Russian distributors, domestically produced apples tend to lack quality and size, and the supply is too inconsistent to satisfy the retail chains. However, the crop from the new intensive gardens is more consistent with the international varieties and has a longer shelf life.

Usually, wholesales buy product and truck it to Moscow, St. Petersburg, Yekaterinburg, Murmansk, other regions for further distribution. In September, wholesale price from the farm for the first grade apple was around 20 rubles per kg (0.7USD). Some growers put the fruit in the storage waiting for the price increase. Lower grade apples (aka "second and third category") made up the bulk of this year's harvest. These are smaller sized apples with possible inconsistent color and for third category small-sized apples with possible damage that will be used to produce juice concentrate. In 2010, third category apples made up 60-80 percent of the crop in some orchards. Despite their plentiful supply, according to growers, the price for these apples increased from 2 rubles (0.06USD) to 4 rubles (0.13 USD) per kg in September due to the lower apple crop in Poland (forecasted 24 percent less according to the World Apple and Pear Association).

Producers reported facing growing competition from the CIS, Poland, and Moldova, due to more consistent quality and lower price. Russian growers claim that Polish growers receive more government support, such as credit that only comes due for repayment once the orchard states to yield. This reportedly yields bank interest of 2-3 percent a year.

Pear production

Pears account only for around 13 percent of seed fruit production in Russia. In MY 2009, the pear crop is estimated at 185,000 tons. 90 percent is grown in private orchards (i.e. home gardens) for personal consumption and surplus is sold on the wet markets. Commercial pear production is mainly developed in the Central and Volga Valley Economic Districts of Russia. In 1990, psyllas severely damaged pears in Southern Russia. Many of the orchards were damaged beyond repair and the growers removed damaged orchards. Commercial pear production is not likely to be restored in the Southern District of Russia because of the strong competition between crops and expensive crop protection technologies.

Table grape production

In 2009, Russia produced 270,000 tons of wine grapes and 30,000 tons of table grapes. Post estimates that in 2010 table grape production will be about the same or slightly less, because winter frosts damaged the vines in February. In the long term, production could increase slightly but it is limited by climate. What commercial production exists is in the Southern part of Russia only. In 2009, 90 percent of all table grapes were produced in commercial vineyards. The yield from classic varieties reached 7-10 tons per hectare; the hybrids reached 10-15 tons per hectare. Expanding of commercial table grape production is restrained by competition from wine grapes, other crops and imports. Table grape production, while reportedly profitable, is very labor intensive, while wine grapes are picked by machines and have a guaranteed channel of sales. Local wineries consume all wine grapes produced in the area. Table grape growers are also successfully selling their product, but Turkey and Azerbaijan are competing with local grapes for market share. In the future, producers plan to keep75 percent of acreage under wine grapes and 25 percent under table grapes. In 2009, the cost of table grape production was around 10 Rubles per kg (0.32 USD per kg) and the wholesale price 20-25 Rubles per kg (0.65-0.81 USD per kg).

Consumption:

According to the Russian Ministry of Economic Development and Trade, per capita fruit consumption rose in Russia to 52.7 kgs per year in 2009. This number likely includes fruits and berries grown in private gardens and consumed by producers themselves without entering commercial channels. According to the Russian Federation Statistics Committee, Russians consumed 10.3 kgs of apples, 6.2 kgs of citrus fruit, 5.6 kgs of bananas, and 2.6 kgs of grapes in 2009. Pears remain popular and per capita consumption is approximately 3.5 kgs, based on the trade and production record.

According to the Russian Fruit and Vegetable Alliance, Russian consumers exhibit the following preferences:

- Favorite Fruits: apples (40 percent of Russians prefer apples to other fruits), bananas (31 percent), and oranges (28 percent);
- Popular fruits: grapes (22 percent) and pears (21 percent);
- Other regularly purchased fruits: apricots, peaches, watermelons, mandarin oranges, grapefruits, lemons, plums, pineapples and kiwifruits (7-18 percent); and
- Other fruits include mangos and avocados (less than 4 percent).

Fruit consumption in Russia is driven by two main factors: income and retail prices. From January to August 2010, salaries increased by 4.9 percent and savings declined thereby increasing purchasing capacity and spurring consumer spending. The inflation rate fell from 16.5 percent in 2008 to 6.6 percent in 2009. The Ruble is also recovering and expected to continue, e.g. the average Ruble/USD exchange rate was RUB 31.7/USD in 2009 versus RUB 24.9/USD in 2008. Currently the exchange rate is roughly RUB 30.7/USD. These factors altogether make it easier for Russians to purchase imported products.

Many Russians are seeking healthier lifestyles and new products to meet that aim. The Russian Government launched a social advertising and education campaign to discourage excessive drinking alcohol, smoking, and overeating. As a result, the number of people tracking calories and nutritional content and eating healthier foods is rising. Diets are changing as consumers choose fresh and dried fruit as a substitute for other snacks. Fruit-based desserts are increasingly available in foodservice, and people are drinking more freshly squeezed juices.

Fruit consumption figures also vary widely depending on geographic location. In rural areas and cities with population under 100,000 people, Russians tend to consume locally grown fruits and vegetables where a lot of canning is traditionally done in order to preserve fruits and vegetables 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 is ecologically safe, and these ideas are perpetuated by the media and government. In summer and early autumn, many families grow their own berries, fruit, and vegetables on private plots. Tending gardens and collecting apples at dachas (summer cottages) is a beloved pastime for Russians. In addition to apples, other popular items include strawberries, pears, plums, cherries, apricots, blueberries, green onion, cucumbers, dill, and other herbs. The demand for imported products is lower when local products are fresh and readily available.

Produce grown in the CIS 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 not usually the highest quality items available on the market, but the varieties and characteristics are familiar and represent the historic "standard" of these products to 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. In the late summer months, more than 40 percent of fruit sold on the Russian market are these seasonal items.

According to Euromonitor, the share of informal retailing in Russia is 10 to 25 percent of total retail sales, depending on the region. However, buying fruits at markets or street fresh produce kiosks is still popular because consumers believe the product is fresher then in retail. Post estimates that the percentage of fresh produce sold through markets is much higher in rural areas and during the summer and fall season, when locally grown fresh produce is available.

That said, buying fresh produce in retail outlets is getting more popular with Russian consumers. The retail chains have improved their assortment of fresh produce and quality as a result of better handling. Retailers are offering fresh produce at different price points for various income levels based on quality

and packaging. X5, Metro, Aushan, Lenta, O'Key, and others continue to expand in big cities and to Russian provinces. They offer competitive prices, discount programs, and convenient locations in residential areas. Please see more information about the retail sector development in Russia, leading retail chains, and purchasing behavior in our 2010 Retail Report at: http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Retail%20Foods_Moscow%20ATO_Russian%20Federation_8-30-2010.pdf

According to Euromonitor, in 2009 total fruit turnover in volume terms was 5.7 mmt and there remains great potential for future expansion in Russia. In comparison with EU countries and the United States, where the per capita consumption of fresh produce is much higher, the Russian market is far from saturated. By 2014 Euromonitor forecasts, fruit sales in Russian will reach 7.3 million tons.

Trade:

Russia is a net importer of fruits, the second largest by volume after the United States. Russia's climate and outdated infrastructure impede development of the commercial fruit growing sector, and thus, the country remains heavily dependent on imports to satisfy consumer demand for fruit.

Russia increased imports of fruit from 4.9 mmt in MY 2008 to 5.2 mmt in MY 2009. Fruit import value reached $4 billion, a 5 percent increase above the record of MY 2008. Rising incomes and continued Ruble appreciation spurred spending for more expensive produce. Imports of Russia's most consumed fruits, apples, oranges, and bananas, were slightly above the 2009 and reached accordingly 1,1mmt, 1,3 mmt and 1 mmt. For the first 8 months of 2010, pear and grape imports have almost reached their pre-crises levels. As well, the exotic fruits category (e.g. pineapples, kiwis, etc.) showed recovery in 2010. Russia imported 9 percent more papayas, 20 percent more pineapples, kiwifruit, and figs. The largest overall fruit suppliers to Russia are Ecuador (bananas), Poland (apples), Turkey (citrus, grapes, and stone fruits), China (apples, citrus, stone fruits), Argentina (apples, pears, and citrus), and Chile (grapes).

From January to August 2010, fruit supplies from members of the Commonwealth of Independent States (CIS, Uzbekistan, Moldova, and Ukraine) remain on par with 2009 and account for 10 percent of total fruit imports to Russia. The CIS countries increased sales of apples, melons, and peaches to Russia. However, Kazakhstan's melon and watermelon exports dropped from 102,000 mt to 11,000 mt. Post suspects that the records don't reflect the full volume of trade between these countries after the Customs Union of Russia, Kazakhstan and Belorussia came into force. These countries have historically supplied fruits to Russia, have a built-in transportation advantage and lower prices. Since Soviet times Uzbek, Azerbaijani, and Tajik suppliers handled the fruit trade throughout Russia and created fully integrated systems of product distribution including imports and wholesale distribution to the regions, as well as sales at wet markets nationwide.

For the first eight months of 2010, Russia increased fruit purchases from EU members, for example, exports of pears from the Netherlands and Belgium doubled, apples from Italy, peaches form Spain and Greece grew in volume and value, as well. However, due to poor weather conditions mid-year, exports for the marketing year beginning July 2010 are forecast down.

Given that Russia is a vast country stretching for 12,000 km from East to West and spanning 11 time zones, the food market in Western Russia differs significantly from the Pacific coast market. There are two points of entry for imported foods to the Russian Federation. The Port of St. Petersburg is the major trade route handling around 80 percent of imported food shipments to Russia. Most consumption is concentrated in the Western market, with approximately 120,000 million people in the territory reaching from the Western border stretching to the Ural Mountains. The fruit market in Western Russia is very competitive because suppliers from the EU, the Middle East, and the CIS are in close proximity to this market. Importers of U.S. products face several difficulties such as, complicated logistics (30-day transit time from the U.S.), lack of awareness about U.S. fruit quality among consumers, and strong competition from neighboring countries. The major importers in Moscow and St. Petersburg know about American product, regularly visit the Produce Marketing Association Expo Fresh Summit in the United States and buy American fruits. They need quality product with long shelf life since some produce will travel for thousands of miles to the place of final sale in different Russian regions. Since 2009, major importers have started direct supply to the retail chains. Here, consistent quality and size become critically important in order to comply with retail demands for premium produce. Failure to meet these standards can significantly decrease future orders. The major retail chains are familiar with Washington apples, American pears, and California grapes due to active marketing programs in Russia.

The fresh produce market in the Russian Far East (RFE) differs from that of Western Russia. The climate in the RFE is not conducive to commercial production of fruit; and therefore, all fruit is imported. Moreover, there is a great distance between the RFE and major fruit suppliers in the EU, the Middle East, and even Russia's fruit growing region. The RFE imports directly around 95,000 tons of fruit, mostly from Asian Pacific countries. Chinese fruit is dominant in the RFE representing more than 75 percent of total fruit imported to the region. The RFE remains a good market for American fruits because the U.S. fruit industry has been present in the market for years and the products are widely recognized for their high quality and taste. U.S. apples and pears have been available on the market for more than 10 years and importers have long-standing relationships with their suppliers on the U.S. West coast. Typical transit time on the water between the U.S. and the RFE is 18 days. According to Russian Customs, in MY 2009, the RFE was responsible for 30 percent of the total volume of U.S. fruit imported into Russia.

In MY 2009, Russia imported 30,847 metric tons of American fruits valued $22.7 million, an 8 percent increase in volume. The Unites States exported 30 percent more apples and 20 percent more pears to Russia compared with the MY 2008 record. The Western Russia market continues to buy American pomegranates (1,800 mt) and lemons (1,710 mt). American oranges enjoy good sales in the Russian Far East. Russian importers are interested in trying American berries in the new season. Due to the limited crop of apples and pears in Europe and China, American fruit has even better sales prospects in Russia in MY 2010.

Trade -- Apples

According to the Global Trade Atlas, during MY 2009 Russia imported 5.2 mmt of fruit, valued $4 billion. Apples are the most popular fruit in Russia and Russia remains the second largest importer of apples in the world. MY2009 import volume reached 1.1 mmt (27,000 mt less than in MY 2008), valued at $578 million.

The major suppliers of apples to Russia in MY 2009 were Poland (327,948 mt), China (157,782 mt), Moldova (137,991 mt), Azerbaijan (81,838 mt), Ukraine (91,285 mt), Italy (60,276 mt) and Belgium (41,506 mmt). The United States does not rank in the top ten. The supply of affordable apples from the CIS countries and Poland grew from 616,294 mt in 2009 to 639,000 mt, 57 percent of the imported apples volume.

New crop apples from Italy, Belgium and France typically arrive in Russian in September and U.S. apples arrive in late November. European apples are the main competitors to American fruit in terms of price and season. European produce has strengthened its position on the Russian market, and apple supply rose by 60 percent in 2009, another indication that Russian consumers are spending more on quality product.

U.S. apple exports to Russia increased 27 percent compared to the volume MY 2008, totaling 12,713 metric tons. Russian consumers like large, richly colored apples, which are characteristics that U.S. suppliers can normally provide. One of the strengths of the American apple is its long shelf life and consistent quality.

Due to the 20 percent decrease in domestic apple production, Russia will likely import 10% more apples in MY2010, or 1.26 mmt. According the World Apple and Pear Association's data, the apple crop in Europe will go down by 11 percent, in China by 9 percent. So American apples have a good chance to expand their market share in Russia.

Trade -- Pears

Pears are not commercially grown in Russia and the majority of domestic pears are grown in private plots, used for household consumption, and don't enter the commercial channels. As a result, Russia remains the world's largest importer of pears with 383,286 metric tons of import volume and $336 million of import value. In MY 2009, Russian imports volume increased by 20 percent and even exceed pre-crises level. Imports are forecast to increase again in MY2010 to 385,000 mt.

In MY 2009, the largest suppliers of pears to Russia were Belgium (116,045 metric tons), Argentina (97,328 mt), and the Netherlands (56,364 mt). Russian pear imports from the EU increased by 50 percent, due to good crop in Europe in MY 2009 and increased production of Conference, the most popular European pear in Russia. Imports from the Southern Hemisphere went up 3 percent and reached 120,700 mt, while the supply from China decreased from 36,540 tons in MY 2008 to 27,960 tons in MY 2009.

U.S. pear imports reached 10,309 tons (total value $7.9 million) up from 7,800 metric tons in MY 2008. U.S. pears are a rather unique product. Some varieties, like Anjou, have no European equivalent. U.S. pears also have good quality and long shelf life, which is critical for regional distribution within Russia. According to the World Apple and Pear Association, in MY 2010, production of pears in European counties will decline by 19 percent and reach 2.1 million tons, the lowest level within last 10 years. This could create an opportunity for U.S. pears to fill the void and strengthen their position in Russia. Post expects sales of American pears to be strong if prices remain steady, and the Ruble remains stable.

Trade -- Grapes

Russia's grape imports have grown steadily since 2002. In MY 2009, Russia imported 388,234 metric tons, worth $466,200 million, down by 2 percent in volume. The main grape exporters to Russia are Turkey (120,897 mt), Uzbekistan (72,173 mt), and Chile (42,826 mt).

Turkey is the largest supplier of standard table grapes to Russia. Importers report that Turkish Kish Mish (white seedless variety) table grapes are highly competitive on the market. They are very popular with Russian consumers because of taste and price. U.S. and Italian grapes are considered premium and niche products. Due to counter-seasonal production, grapes from Argentina, Chile, and South Africa arrive in January and dominate the market until July. The RFE imports grapes from China and the product is available on the market for a long time, competing successfully with Turkish and Uzbek grapes. Grapes from CIS countries capture about 30 percent of total grape imports to Russia. Russian consumers are accustomed to the grape varieties from CIS countries and they are also the least extensive, adding to their popularity. Grapes from CIS countries have a short shelf life and are only available until December.

In MY 2009, U.S. grape imports to Russia dropped twofold to 2,069 MT, valued $2,839.8 million. The main competitor to the U.S. in the premium segment is Italy. A good crop in Italy means very tough competition for American grapes in Russia. Russian importers carefully compare prices between Italian and American grapes, payments for logistics, and investment in prepayments of the product. The product must be excellent quality and competitively priced to have an opportunity on the Russian market.

In July-August of 2010 grape imports totaled 84,840 tons, up 40 percent compared with the same period of 2009, largely because of an 80% increase in supply from Turkey, or 55,400 tons. Shipments of grapes from Italy grew by 30 percent. Post expects that the trend will continue into the new season and there will be room on the market for American grapes, as well.

Policy:

The Customs Union agreement between Russia, Belarus and Kazakhstan was reached on December 2009 and came into force on July 6, 2010, when all three countries ratified it. Some customs procedures at the Russian/Belarusian and Russian/Kazakhstani border have been changed by the Unified Custom Code, but the national customs posts on the borders between the three countries will remain until at least July 1, 2011. Currently, most rules and requirements for fresh fruit imports to Russia remain unchanged. Please see more information about Customs Union in the reports noted in the "Other Relevant Reports" section, below.

In order for imported fruit to be cleared, the importer must obtain a phytosanitary certificate from the Veterinary and Phytosanitary Surveillance Service (VPSS), based on the phytosanitary certificate from the exporting country's national plant protection authority. The necessary documents include:

- Sales transaction documents such as the contract, invoice with packing list, and bill of lading;
- Import permit from VPSS. Importers apply to VPSS for this permit prior to the shipment and it is not uncommon for it to take more than a month to be processed; and thus, the importer should obtain the import permit before the cargo arrives at the port of entry.

- Sanitary–epidemiological certificate (hygienic certificate). The fruit must be accompanied by a sanitary-epidemiological certificate issued by the Federal Service for Consumer Rights and Human Well-Being. This document states that products imported are produced according to the safety standard and do not contain biotech components. The document should contain an attached list of products for imports and the MRLs of harmful substances required by Russian regulation and is valid for several years.
- Phytosanitary certificate from the exporting country's national phytosanitary authority
- Safety certificates, certifying the level MRLs level in the produce issued by certain European laboratories and certificate identifying what pesticides were used during the production of the fruits. Obligatory for some products from some EU countries to cite MRLs.

The fruit shipment should be inspected by the VPSS expert. After the papers examination and the formal note about the cargo inspection, the importer gets the phytosanitary certificate from the Veterinary and Phytosanitary Surveillance Service.

After applying to Customs with the above documents together with a Russian phytosanitary certificate, the importer pays customs duties and value added tax (VAT) and the goods are cleared for import to Russia.

As of August 6, 2009, the customs duties for major fruit items were:

- Apples (HS 080820, excluding for cider production)
  From January 1 to July31 0.1 Euro/kg plus 18 percent VAT
  From July to December 0.2 Euro/kg plus 18 percent VAT
- Pears (HS 080810) 10 percent duty from customs value plus 18 percent VAT
- Grapes (HS 080610) 5 per cent duty from customs value plus 18 percent VAT

Marketing:

In Russia, marketing of fresh produce is less developed than the promotion of snack, alcohol, dairy, and confectionary items. However, within the last few years, exporting countries' trade development agencies, fresh produce associations, and larger exporters and importers have put more effort into merchandising and promotion.

The marketing techniques and programs utilized differ depending on consumer awareness of the product and whether the product is already available on the Russian market. If the product is new or needs marketing support to overcome market access problems, government-funded trade facilitation programs are often used to help build foreign markets for the exporting country. The Chilean government, through its Chilean Fresh Fruit Association, is actively promoting the country as one of the leaders in fresh produce exports from the Southern Hemisphere by hosting educational tours for importers, retailers, and the media. In addition, they run consumer marketing programs, such as product tastings, product merchandising displays, point-of-sale (POS) materials, and media placements. The Governments of Korea and Japan regularly sponsor buyer missions to their counties in which they organize visits to the country's growing regions as well as trade meetings between growers and exporters. These buyer missions are successful in introducing new products to potential buyers and are critical for establishing direct contacts between buyers and sellers.

For the products already available on the Russian market, distributor- and consumer-oriented marketing programs are used to solidify consumer awareness and develop sales. Some distributor- and retail-focused marketing techniques include product handling training, product education materials, and food safety or supply chain seminars. Typical consumer-oriented marketing techniques include internet promotions and giveaways, POS materials, in-store promotions, billboard advertising, and print advertising campaigns.

Other Relevant Reports:

Custom Union Update July 2010. Sanitary/Phytosanitary/Food Safety, Policy and Program Announcements
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Custom%20Union%20Update%20July%202010_Moscow_Russian%20Federation_7-26-2010.pdf

Customs Union List of Imported Products under Phytosanitary Control Sanitary/Phytosanitary/Food Safety
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Customs%20Union%20List%20of%20Imported%20Products%20under%20Phytosanitary%20Control_Moscow_Russian%20Federation_10-4-2010.pdf

Russian Retail Food Sector
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Retail%20Foods_Moscow%20ATO_Russian%20Federation_8-30-2010.pdf

Food and Agricultural Import Regulations and Standards Country Report 2009
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative_Moscow_Russian%20Federation_11.08.2009.pdf

RS 1910 Fresh Deciduous Fruit 2009
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/FRESH%20DECIDUOUS%20FRUIT%20ANNUAL_Moscow%20ATO_Russian%20Federation_12-11-2009.pdf

RS 8308 Fresh Deciduous Fruit Report 2008
http://www.fas.usda.gov/gainfiles/200811/146306497.doc

RS 7335 Fresh Deciduous Fruit Report 2007
http://www.fas.usda.gov/gainfiles/200712/146293158.doc

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

Apples, Fresh Russia	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Jul 2008			Market Year Begin: Jul 2009			Market Year Begin: Jul 2010		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Area Planted [1]	250,000	250,000	250,000	248,000	248,000	225,000			220,000
Area Harvested	190,000	190,000	190,000	188,000	188,000	175,000			170,000
Bearing [2] Trees	85,000	85,000	85,000	80,000	80,000	87,000			88,000
Non-Bearing Trees	35,000	35,000	35,000	40,000	40,000	36,000			34,000
Total Trees	120,000	120,000	120,000	120,000	120,000	123,000			122,000
Commercial [3] Production	775,000	775,000	775,000	820,000	820,000	820,000			655,000
Non-Comm. Production	340,000	340,000	340,000	330,000	330,000	410,000			345,000
Production	1,115,000	1,115,000	1,115,000	1,150,000	1,150,000	1,230,000			1,000,000
Imports	1,147,000	1,147,000	1,147,000	1,100,000	1,170,000	1,120,000			1,265,000
Total Supply	2,262,000	2,262,000	2,262,000	2,250,000	2,320,000	2,350,000			2,265,000
Fresh Dom. Consumption	1,352,300	1,350,000	1,350,000	1,382,000	1,450,000	1,435,000			1,440,000
Exports	2,700	5,000	5,000	3,000	6,000	4,500			4,500
For Processing	887,000	887,000	887,000	840,000	839,000	880,500			800,500
Withdrawal From Market	20,000	20,000	20,000	25,000	25,000	30,000			20,000
Total Distribution	2,262,000	2,262,000	2,262,000	2,250,000	2,320,000	2,350,000			2,265,000
TS=TD			0			0			0

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

Table 2. PSD Table, Pears

	Market Year Begin: Jul 2008			Market Year Begin: Jul 2009			Market Year Begin: Jul 2010		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Area Planted	43,000	43,000	43,000	43,000	43,000	38,000			38,000
Area Harvested	30,000	30,000	30,000	30,000	30,000	29,000			29,000
Bearing Trees	13,000	13,000	13,000	13,000	13,000	12,000			12,000
Non-Bearing Trees	5,000	5,000	5,000	5,000	5,000	4,000			4,000
Total Trees	18,000	18,000	18,000	18,000	18,000	16,000			16,000
Commercial Production	30,000	30,000	30,000	30,000	30,000	32,000			27,000
Non-Comm. Production	150,000	150,000	150,000	150,000	150,000	153,000			145,000
Production	180,000	180,000	180,000	180,000	180,000	185,000			172,000
Imports	316,500	316,000	316,000	370,000	320,000	383,000			385,000
Total Supply	496,500	496,000	496,000	550,000	500,000	568,000			557,000
Fresh Dom. Consumption	425,200	425,000	425,000	480,300	430,000	492,000			487,000
Exports	2,300	2,000	2,000	1,700	2,000	1,400			1,500
For Processing	65,000	65,000	65,000	64,000	64,000	67,600			63,500
Withdrawal From Market	4,000	4,000	4,000	4,000	4,000	7,000			5,000
Total Distribution	496,500	496,000	496,000	550,000	500,000	568,000			557,000
TS=TD			0			0			0

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

Table 3. PSD Table, Grapes

Grapes, Fresh Russia	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Jul 2008			Market Year Begin: Jul 2009			Market Year Begin: Jul 2010		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Area Planted	6,900	6,900	6,900	7,000	7,000	7,400	0		7,500
Area Harvested	5,100	5,100	5,100	5,200	5,200	5,400	0		5,500
Commercial Production	24,000	24,000	24,000	25,000	25,000	29,000	0		27,000
Non-Comm. Production	4,000	4,000	4,000	4,000	4,000	3,000	0		2,500
Production	28,000	28,000	28,000	29,000	29,000	32,000	0		29,500
Imports	397,600	393,000	393,000	380,000	380,000	388,000	0		390,500
Total Supply	425,600	421,000	421,000	409,000	409,000	420,000	0		420,000
Fresh Dom. Consumption	422,800	418,000	418,000	408,100	407,000	417,500	0		417,000
Exports	800	1,000	1,000	900	1,000	500	0		1,000
For Processing	0	0	0	0	0	0	0		
Withdrawal From Market	2,000	2,000	2,000	0	1,000	2,000	0		2,000
Total Distribution	425,600	421,000	421,000	409,000	409,000	420,000	0		420,000
TS=TD			0			0			0

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

Table 4: Forecast Sales of Fruits by Category: Total Volume 2009-2014, in thousand tons

	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
Fruits	5,684.2	5,977.1	6,344.8	6,711.4	7,039.7	7,304.0
Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources						

Table 5. Import Trade Matrix for Apples in Metric Tons, MY 2008-2009

Year	2008		2009
U.S.	9,755	U.S.	12,713
Others		Others	
Poland	378,517	Poland	327,948
China	203,179	China	157,782
Azerbaijan	114,430	Moldova	137,991
Moldova	82,400	Azerbaijan	81,838
France	49,085	Ukraine	91,285
Italy	41,339	Italy	60,276
Ukraine	40,947	Belgium	41,506
Argentina	38,328	France	39,248
Chile	35,484	Chile	36,790
Belgium	33,805	Argentina	36,170
Total for Others	1,017,514		1,010,834
Others not Listed	119,731		109,215
Grand total	1,147,000		1,120,049
Source: Global Trade Atlas			

Table 6. Russia: Imported Apples, U.S. Dollars per Metric Ton, MY 2008-2009

Prices in U.S Dollars/MT			
Year	2008	2009	%
Jul	531	529	-0.45%
Aug	526	524	-0.46%
Sep	436	402	-7.87%
Oct	432	413	-4.38%
Nov	413	422	2.2%
Dec	432	436	0.91%
Jan new CY	523	542	3.73%
Feb	521	553	6.23%
March	524	559	6.74%
April	529	573	9.38%
May	539	570	5.66%
Jun	544	598	9.84%
Source: Global Trade Atlas			

Table 8. Import Trade Matrix for Pears in Metric Ton, MY 2008-2009

Year	2008		2009
U.S.	7,880	U.S.	10,309
Others:		Others:	
Argentina	94,281	Belgium	116,045
Belgium	66,190	Argentina	97,328
China	36,540	Netherlands	56,364
Netherlands	25,809	China	27,960
Spain	22,873	South Africa	17,792
South Africa	17,623	Poland	16,281
France	11,522	Spain	8,338
Portugal	9,015	Portugal	7,652
Chile	4,975	Chile	5,587
Poland	3,964	France	5,579
Total for others	292,792		358,926
Others not listed	15,806		24,360
Grand total	316,478		383,286
Source: Global Trade Atlas			

Table 9. Russia: Imported Pears, U.S. Dollars per Metric Ton, MY 2008-2009

Prices in US Dollars/MT			
Year	2008	2009	%
Jul	837	813	-2.84%
Aug	840	817	-2.74%
Sep	846	823	-2.74%
Oct	849	830	-2.27%
Nov	852	840	-1.40%
Dec	854	847	-0.87%
Jan New CY	899	917	1.96%
Feb	871	908	4.15%
March	842	885	5.07%
April	829	881	6.22%
May	822	873	6.17%
Jun	816	874	7.15%
Source: Global Trade Atlas			

Table 10. Russia: Import Trade Matrix for Grapes in Metric Tons, MY 2008-2009

Year	2008		2009
U.S.	4,100	U.S.	2,069
Others:		Others:	
Turkey	120,897	Turkey	122,930
Uzbekistan	64,359	Uzbekistan	72,173
Kyrgyzstan	41,394	Chile	42,826
Chile	38,244	Kyrgyzstan	29,848
Italy	36,917	Italy	21,609
China	17,721	Moldova	21,023
Moldova	13,997	China	15,811
South Africa	11,104	South Africa	12,291
Argentina	9,714	Argentina	12,041
Tajikistan	4,997	Peru	7,773
Total for Others	359,344	Total for Others	358,325
Others not Listed	34,105	Others not Listed	29,909
Grand total	393,449	Grand total	388,234
Source: Global Trade Atlas			

Table 11. Russia: Imported Grapes, U.S. Dollars per Metric Tons, MY 2007-2008

Prices in US Dollars/MT			
Year	2008	2009	%
Jul	1,624	1,424	-12.33%
Aug	1,242	1,293	-1.22%
Sep	1,153	1,110	-3.79
Oct	1,146	1,003	-12.41%
Nov	1,213	1,026	-15,39%
Dec	1,269	1,445	13.89%
Jan new CY	1,303	1,480	13.57%
Feb	1,366	1,438	5.28%
March	1,371	1,419	3.55%
April	1,372	1,397	1.82%
May	1,384	1,426	3.04%
Jun	1,360	1,524	12.05%
Source: Global Trade Atlas			

[1] The Area Planted , Area Harvested in all PSD Tables is shown in hectares.
[2] The quantity of Bearing Trees and Non-Bearing Trees in all PSD Tables is shown in thousand trees.
[3] Fruit production, consumption , and imports is given in metric tons.