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Country Promotion Plan

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Report Highlights:

This Country Promotion Plan for Russia has been developed based on the current difficult economic conditions facing Russia since the crisis of August 17, 1998. It reflects AgMoscow's best estimate as to which products or product groupings have the best market potential under these circumstances and the extent to which these products will experience a recovery in export sales in the coming years.

Includes PSD changes: No
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Executive Summary: Country Promotion Plan — Russia

Market Development Strategies and Trade in Post-Crisis Russia

In developing a Country Promotion Plan (CPP) for Russia and arriving at a realistic trade and market development strategy with achievable export goals, it is difficult to predict with any degree of certainty what can be achieved in the current economic situation. With monthly U.S. food exports running at between 0 to 20 percent of their pre-crisis (pre-August 17, 1998) levels — \$6 million in U.S. exports to Russia in September compared to the previous \$100 million monthly average — it is particularly challenging to identify which strategies would be most effective in reviving U.S. food and agricultural exports to Russia. This is especially problematic when the condition of most major Russian banks, especially those involved in financing trade, is questionable.

In addition, continuing monetary instability complicates the resumption of normal trade relations, particularly for Russian importers purchasing product from U.S. exporters shipping from U.S. ports. The suspension of the USDA GSM 102 credit guarantee program and other credit programs, coupled with a general lack of confidence and the higher market risk in Russia resulting from events after August 17, further complicate U.S. – Russia trade.

Products With The Best Potential

In fiscal year 1998, U.S. food and agricultural exports to Russia exceeded \$1.1 billion despite the drop in exports in August and September at the end of the fiscal year. In fact, total U.S. exports to Russia were headed for a record year until the August crisis occurred. AGMOSCOW's Country Promotion Plan has identified those product groupings or products which have the best market potential based on Russian import and consumer buying trends. (For more information on the Russian food market, see RS8039, The Russian Market for U.S. Food Exports.) Some products newly added to the CPP are based on recent purchases and policy statements by the GOR as noted below. These U.S. products have done well in the Russian market in the past and have met with acceptance by both intermediate processors and Russian consumers.

Despite the current unsettled Russian market, AGMOSCOW firmly believes that in such difficult economic times the more innovative and entrepreneurial U.S. exporters can increase exports, or discover new Russian buyers, in a market with less foreign competition. In this regard, financial and credit considerations are of paramount importance, as is the fundamental need to carefully assess the capability of the Russian importer to purchase and distribute product. "Due diligence" will take on added significance as U.S. exporters seek to resume trade and commercial relations with their Russian counterparts.

With the above comments in mind, AGMOSCOW believes the products which offer the best prospect for the Russian market are the following: poultry, beef, pork, fresh fruit, fresh vegetables, processed (and dried) fruits, processed vegetables, fish and seafood items, instant soups, wheat and wheat flour, soybeans and soymeal, animal feeds, tree nuts and pet foods.

U.S. Food Assistance

Clearly, the purchase by the GOR of 1.5 million tons of commodities and meat products with P.L. 480, Title 1, credit under the auspices of the U.S. Food Assistance Package will result in significant increases in the export of those bulk commodities which had declined dramatically since the early 1990's. These bulk commodities can

provide a base for some market development opportunity for AGMOSCOW and for cooperators resident in Moscow. Indeed, the desire on the part of the GOR to increase domestic livestock production and output to offset the lack of imported food product in the market could lead to increased demand for feed grains, wheat, soybeans, soybean meal, dried milk and other commodities for further processing. The GOR is expected to purchase U.S. beef and pork that has a potential CIF value of not less than \$110 million (compared to \$235 million in U.S. meat exports to Russia in FY 98). The GOR has stipulated in the Food Assistance Agreement being negotiated with the United States that it will take measures to insure that the sale and use of this product does not damage existing trade patterns.

Increasing Domestic Production Can Impact Trade

One outcome of the crisis has been a growing interest in domestic production and products on the part of some Russian food importers and distributors. This, in turn, has led to the resumption of processing in once idle Russian plants, and increases in output at other processing facilities. As Russian product has become more competitive with imported product, primarily due to a much devalued ruble, this tendency is likely to continue with a resulting negative impact on the sales of certain U.S. processed food items in the Russian market. Undoubtedly, some U.S. companies will shift their focus to domestic production and investment if and when the economy stabilizes. In fact, one large U.S. processor of confectionery products that had expanded its export sales to Russia considerably in the past year has begun planning to manufacture its products in Russia within the next two to three years. It is too early to say how many U.S. companies will follow suit and shift their marketing strategy to one of direct investment in Russia. Moreover, it is too soon to predict how this shift might impact on future U.S. exports to Russia.

The Strategic Elements of The CPP

AGMOSCOW firmly believes that U.S. exporters to Russia must be encouraged to “stay the course” and maintain their trading relationships despite the current lull in Russian imports. This message will be delivered in a variety of ways and is in full harmony with the overall Embassy position regarding U.S. trade with Russia. U.S. companies should not weaken in their resolve to recover their pre-crisis market share. This effort will include encouraging U.S. companies to continue their participation in major trade shows in Russia, particularly ProdExpo and World Food Moscow. It will also include collaborative efforts with resident cooperators, particularly USAPEEC and USMEF, to promote U.S. poultry and meat products.

AGMOSCOW’s CPP is based on the following strategic components to aggressively promote U.S. food and agricultural products and assist U.S. exporters in regaining market share: Market Promotion and Development; Market Intelligence, Information and Analysis; Trade Policy and Constraints; and Regional Outreach and External Communications.

Market Development and Promotion

AGMOSCOW will continue to work closely with the trade to promote and develop activities to recover U.S. market share and expand trade. Specifically, AGMOSCOW will:

- < Promote U.S. products and FAS/ATO programs and services to Russian importers and distributors at Russian Trade Shows throughout FY 99.

- < Develop Sales Missions to Russia such as the Mission planned for the Russian Far East and Siberia scheduled for March 1999 in cooperation with ATO/Seoul, WUSATA and the Western States.
- < Reach out to other regions in Russia with market opportunities for U.S. imports, identifying potential importers, assessing market conditions, meeting with local officials, and promoting the programs and services of the FAS/ATO.
- < Promote trade and food shows within the United States, and those trade shows in Europe and the Pacific Rim which have strong U.S. participation. (Despite the crisis situation, almost 20 Russian companies participated in the Americas Food Show held in Miami in early December.)
- < Develop a Promotional Calendar with U.S. Cooperators to include trade seminars, roundtable discussions, menu promotions, POS advertising materials, special promotions such as cooking contests and other media events to promote U.S. food and beverage products.

Market Intelligence, Information and Analysis

- < Expand market information services to keep U.S. exporters and Russian importers abreast of current developments that can impact U.S. — Russian trade.
- < Develop Market Briefs which focus on changes in Russian intermediate or consumer buying preferences and trends for selected products offering potential for U.S. exporters.
- < Conduct targeted research of selected food industries (such as HRI) to identify niche markets created as a result of the August crisis.
- < Work more closely with the Cooperators in Moscow (through the newly created Cooperators' Forum) in promotional activities, product specific seminars, and in gathering intelligence on market trends.
- < Use the Cochran Program to develop strategic trade partnerships to expand market access for U.S. products.
- < Expand communications with the ATO's Agricultural Trade Advisory Council and broaden Council membership.
- < Monitor trade data more closely to understand and report on the changing dynamic of Russian import trade, especially shifts in U.S. imports.

Trade Policy and Constraints

Changes in Russian trade policy and other governmental actions at the national or regional levels can seriously

impact U.S. trade with Russia in either a positive or negative way. This is especially true in the current financial crisis when regional embargoes and price controls are implemented, or when the GOR reduces tariffs or taxes on selected food items. AGMOSCOW will:

- < Work closely with U.S. cooperators, U.S. company representatives and other trade groups to promptly address issues and actions which affect market access for U.S. exporters including the use of subsidies by the European Union.
- < Monitor and report on proposals by the GOR related to WTO accession, including actions related to SPS issues and trade.
- < Assess the impact on U.S. trade of measures by the GOR to stimulate domestic production or encourage the resumption of trade.

External Communications

Effective and timely communications to both American and Russian traders is important to provide U.S. exporters with maximum marketing advantage. To this end, AGMOSCOW will:

- < Update the Home Page (agmoscow.post.ru) on a regular basis and promote use of this Internet tool to keep the trade fully informed about changes in the marketplace.
- < Expand distribution of both Internet and hard copies of the ATO's *Russian AgTrade Bulletin* and *USAgro Trade News* (Russian language version) to U.S. and Russian traders.
- < Meet with selective Russian trade media to continue to promote FAS programs and services, the quality of U.S. food products, and the importance we attach to trade with Russia.
- < Develop a media strategy for Russia with the Cooperators to insure positive stories on the quality of U.S. products, trade shows in the United States, and other ways to expand trade contacts via media outlets.

The above strategic elements will be carried out in full partnership with the resident Cooperators, where appropriate, and in close cooperation with the Regional Trade Groups and other Cooperators and MAP participants in the United States, as necessary.

Step One: Country Promotion Plan Russia

Table 1. Strategy for U.S. Exports to Russia							
Product Identification and Market Assessment Worksheet							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	
Key Import Products	Current Value of Imports From All Suppliers	Projected rate of Import Growth From All Suppliers	Current Value of Imports From U.S.	Current U.S. Competitive Position	Absolute U.S. Market Share	Performance Goal for U.S. Export Growth Rate	Competitors' market shares
	(\$ MILLION)	(PERCENT)	(\$ MILLION)	(RATIO)	(PERCENT)	(PERCENT)	(PERCENT)
WHEAT FLOUR (11.01)							
FY 1998	97.4	2.5%	8.2	0.21	8.41	3.0%	39.60
ANIMAL FEED CORN (10.05.90)							
FY 1998	24.4	5.0%	0.1	0.01	0.49	10.0%	54.72
TREE NUTS (08.02)							
FY 1998	39.2	1.0%	7.7	0.77	19.57	2.0%	25.48
APPLES (08.08.10)							
FY 1998	184.1	1.5%	9.8	0.13	5.32	2.0%	40.74
PEARS (08.08.20)							
FY 1998	35.0	1.0%	2.5	0.25	7.14	1.5%	28.57
ORANGES (08.05.10)							
FY 1998	85.0	5.0%	2.5	0.10	2.94	5.0%	29.41
TOTAL APPLES, PEAR, ORANGES)							
FY 1997	370.7	2.0%	18.5	0.24	4.99	2.5%	20.77
DRIED FRUITS, AND FRUITS AND NUTS MIXTURES (08.13)							
FY 1998	40.7	5.0%	1.0	0.05	2.46	5.0%	46.68
SOYBEANS (1201)							
FY 1998	3.7	5.0%	0.0	0.00	0.27	5.0%	81.97
SOYBEAN MEAL & CAKE (1208 & 2304)							
FY 1998	27.7	5.0%	2.3	0.15	8.15	5.0%	54.11
POULTRY							
FY 1998	887	-50%	692	9.5	78	-50%	8.2
BEEF							
FY 1998	700	0	70	0.35	10	0	28.6
PORK							
FY 1998	380	0	90	0.6	23.6	0	38.8
SEAFOOD							

FY 1998	225	-30	8.1	0.09	3.6	-20	41.6
PET FOOD							
FY 1998	11.9	-50	1.66	0.28	13.9	-20	50.0
* data for US are taken from the US sources							

Explanatory Notes for Columns:

#2 Due to the unreliability of Russian trade statistics, estimates of total imports from all suppliers are calculated on actual U.S. export values and U.S. market share as reported by Russian customs with the exception of Animal Feed Corn and Soup which are based on actual Russian statistics. Please note that based on the methodology used to calculate figures in this table, most of these numbers may vary substantially from those used by Ag Moscow in FAS commodity reports.

#3 Projection based on Russian customs/trade statistics except for Animal Feed Corn and Soup as explained above. For poultry, beef, pork, seafood, and petfood, projections indicate performance for FY 99 only. Respective projections for FY 2000-2003 are indicated in Step Two.

#4 Actual 1998 FY U.S. export statistics as reported in the BICO Trade Report or by USDA except for Soup and Animal Feed Corn.

#5 Calculated based on Country Promotion Plan formula from FAS.

#6 Absolute U.S. market share based on Russian statistics.

#7 Projections based on Ag Moscow estimates in the current economic climate in Russia.

Step 2. Country Promotion Plan: Russia
Product: Poultry

Market Assessment: U.S. poultry has the major share of the import poultry market at 78%. Although U.S. poultry exports have been growing at record levels, a number of factors will negatively impact the rate of growth that U.S. exporters have benefitted from in recent years. Most significantly, the economic crisis in Russia is rapidly reducing consumer spending, which will push down consumer demand in general. Secondly, the GOR has shown interests and implemented measures which will protect and encourage the domestic production of poultry. A clear message was sent when poultry was excluded from the list of agricultural products for which the GOR reduced import tariffs in October in 1998. Given the dominant position of U.S. poultry, any action by the GOR to restrict poultry imports or raise tariffs can have a significant impact on U.S. poultry exports to Russia. Thirdly, Russian and foreign investors have shown an increased interest in the poultry sector because of its considerable profit potential and fast turnaround of capital. Indeed financial institutions such as banks, as well as Russian meat processing companies have recently begun to invest in the poultry sector. There is also a joint Russian/U.S. chicken production project currently being put in place. The chicken improvement program (the so-called poultry investment project) being developed by USAPEEC to help improve Russian poultry production. In addition, negative articles in the press about the quality of U.S. poultry or the need to protect the domestic poultry industry can lead to further action by the GOR and have a negative impact on consumer buying habits. Given the obviously potential for reduced poultry imports, AgMoscow believes that on-going advertising campaign and other new promotional activities, can help reduce the likelihood that the GOR will take further action to restrict poultry imports, as will regular communication between Ag Moscow and appropriate Russian officials. These activities can also help to counter negative press articles about the alleged poor quality of U.S. poultry. We are projecting a 50 percent reduction in poultry exports in FY1999, but feel that this forecast is optimistic in light of the financial crisis, governmental actions to protect domestic production, and poultry sector investment trends in Russia.

Export Performance Goal	“SWOT”	Strategic Response	GRPA Measures of Performance
<p>Reduction in U.S. Poultry exports by 50% in FY99, then grow at 25 percent annual rate thereafter</p> <p>Baseline: 1997-1998: \$ 784 million</p> <p>1999: \$350 mil 2000: \$438 mil 2001: \$547 mil 2002: \$683.6 mil 2003: \$854.5 mil</p>	<p>1. Weakness: Higher cost of U.S. chicken compared to local product in current financial crisis</p>	<p>1. Strategic Response: Market development and promotion:</p> <p>— Tool/Resources: MAP and AMP:Funds: USAPEEC in cooperation with ATO to conduct a generic educational campaign stressing the quality and wholesomeness of U.S. poultry, highlighting quality of chicken products</p> <p>— ATO to cooperate with industry in organizing tastings with major buyers and media, at local restaurants, hotels, etc.</p>	<p>1. Baseline: As U.S. has dominate market share (78%), vulnerable to Russian or competitors’ actions to weaken U.S. market position</p> <p>— Output/outcome/ time frame: USAPEEC to develop and conduct advertising campaign to promote quality of U.S. poultry, including tastings with major buyers and media coordinated with ATO so as to maintain U.S. market share</p> <p>— Proposed budget: MAP</p>

	<p>2. Threat: Nationalistic sentiments and politics that could lead to quotas or higher tariffs to protect domestic producers</p>	<p>2. Strategic Response: Market Access — Tool/Resources: Ag Moscow to work closely with appropriate Ministries, Western embassies, and others to prevent imposition of quotas, higher tariffs, or other non-tariff barriers. — Tool/Resources: Implementation of USAPEEC chicken improvement program in Russia to provide leverage and demonstrate U.S. industry support for Russian poultry industry</p>	<p>2. --- Baseline: Russian officials and industry groups talk of import quotas and other measures to protect domestic producers --- Output/outcomes/time frame: Ag Moscow will monitor proposed Russian legislation and decrees and coordinate with Western embassies, USAPEEC and others so as to prevent imposition of quotas or higher tariffs on poultry. --- Proposed Budget: NA</p>
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**Step 2. Country Promotion Plan: Russia
 Product: Wheat Flour**

Market Assessment: Rising demand in the Russian Far East should boost U.S. wheat exports. The Russian Far East will be an especially strong market for wheat flour because it lacks both crop acreage and milling capacity and because of its proximity to the U.S.. The 1998-9 U.S. food aid package could be an excellent opportunity to initiate increased promotional efforts and targeted educational initiatives. Under these conditions, U.S. wheat flour exports can grow at a rate (3%) slightly above the total growth rate for all Russian wheat flour imports. The projected value of U.S. exports in 2002 is \$9.0 million.

Export Performance Goal	“SWOT”	Strategic Response	GRPA Measures of Performance
<p>Wheat Flour 3%</p> <p>Baseline FY 1996-1998 average: \$6.7 mil</p> <p>1999: \$8.2 mil 2000: \$8.4 mil 2001: \$8.7 mil 2002: \$9.0 mil 2003: \$9.3 mil</p>	<p>1. Weakness: Low market share.</p>	<p>1. Strategic Response: Market Development and Promotion that will build on food aid: — Tool/Resources: MAP/FMD: In cooperation with the USA Feed Grains Council, increase number of U.S. companies participating in trade shows in Russia; Increase promotional efforts for rice — Tool/Resource: AgExport Connections: AMP: ATO to increase effort among wheat exporters/importers to generate trade leads and buyer alerts</p>	<p>Baseline: Few Russian consumers aware of high quality and convenience of U.S. wheat flour Output/Outcome/Time frame: Work with USA Feed Grains to recruit more U.S. companies to food shows in Russia and to increase promotional efforts to Russian buyers and consumers resulting in an increase in U.S. wheat flour exports to \$9.0 million in CY 98 Proposed budget: NA</p>
	<p>2. Opportunity: Growing need for imports in Russian market. Strong demand for durum flour for use in pasta production.</p>	<p>2. Strategic Response: Strategic Outreach and Market Intelligence: — Tool/Resource: AMP: In cooperation with industry trade group, develop informational/educational outreach initiative to Russian buyers and U.S. wheat flour producers, especially for durum wheat.</p>	<p>Baseline: Little pre-packaged exposure to wheat flour available in Russia Output/Outcome: Work with flour exporters and industry trade council to increase product to market speciality products like durum what flour Proposed budget: NA</p>

	<p>3. Threat: Strong competition from Kazakhstan and Ukraine</p>	<p>1. Strategic Response: Market Development and Promotion: — Tool/Resource: MAP/FMD: Working with industry group and U.S. suppliers, increase promotional efforts targeted to major Russian end users</p>	<p>— Baseline: Little promotional effort now underway — Output/outcomes/time frame: In cooperation with U.S. companies and industry trade association, increase promotional activities targeted to major importers or end users to maintain or increase market share — Proposed budget: \$???</p>
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**Step 2. Country Promotion Plan: Russia
 Product: Corn (Animal Feed)**

Market Assessment: The slowly recovering poultry and livestock industries will require quality feed if the Russian producers are to compete with the quality of Western imported products. The current dominant market share enjoyed by U.S. exporters should be the basis for continued expansion of U.S. feed grain exports, particularly in the Russian Far East or other regional markets. Cooperation between the Feed Grains Council, USAPEEC and USMEF in providing technical assistance to the livestock and poultry sectors can provide an additional strategic marketing advantage for U.S. feed grain exporters. If restored, increased utilization of GSM or other USDA credit facilities could help to improve access to credit for Russian buyers and support expanded U.S. exports. The above efforts and others by the Feed Grains Council and U.S. cooperators are expected to lead to exports of \$11.9 million by 2002.

Export Performance Goal	“SWOT”	Strategic Response	GRPA Measures of Performance
<p>Corn (Animal Feed) 10%</p>	<p>1. Weakness: U.S. holds less than 1% of market share for corn because of a preference for cheap corn from Yugoslavia. Trading companies have long-term relationships with Yugoslavian firms.</p>	<p>1. Strategic Response: Strategic Outreach and Market Intelligence: — Tool/Resource: MAP and AMP: U.S. Feed Grains Council and Ag Moscow to target new regional market opportunities and increase awareness among U.S. producers</p>	<p>— Baseline: U.S. feed corn suppliers have to be ready to capitalize on expected growing need for feed corn as poultry and livestock industries improve in order to maintain or increase market share — Output/outcome/time frame: During the course of the year, Ag Moscow will work with Feed Grains Council to target new regional markets and increase outreach to exporters and importers to increase U.S. exports to \$8.1 million in CY 98</p>
<p>Baseline 1997 - 1998: \$ 7.4 million 1999: \$9.0 mil 2000: \$9.9 mil 2001: \$10.8 mil 2002: \$11.9 mil 2003: \$13.1 mil</p>	<p>2. Market Failure: Russian poultry and livestock industries are expected to start turning around and will require quality feed but lack access to credit. Falling ruble has boosted Russian livestock industry.</p>	<p>2. Strategic Response: Financial Marketing Assistance — Tool/Resources: If program restored, encourage use of GSM program for purchases of feed corn Strategic Response: Long Term Development —Tool/Resource: MAP: Technical Assistance and Training by Feed Grains Council, in cooperation with with ICD/FMD, USAPEEC and private U.S. companies targeted to major poultry and livestock producers</p>	<p>— Baseline: Use of GSM has been limited for importers of feed corn — Output/outcome/time frame: Increase awareness of GSM facility and of future credit programs that may be developed for the market so that GSM is used for Animal Feed Corn purchases — Proposed budget: Existing GSM allocation for Russia if program is restored.</p>

<p>3. Market Failure: Regional authorities have placed restrictions in the past on both the import and export of feed grains</p>	<p>3. Strategic Response: Market Access — Bilateral discussions with Russian officials, as well as outreach to Russian Grain Union to support efforts to restrict future interference in grain shipments by regional officials</p>	<p>Baseline: There are currently many regional restrictions on the import of feed grains — Output/outcome: Ag Moscow to keep Russian officials and others involved in grain trade informed of the negative consequence for Russia of regional interference in private trade so that there are no regional embargoes. — Proposed budget: NA</p>
<p>4. Market Failure: Falling rubles makes U.S. products very expensive</p>	<p>4. Strategic Response: U.S. food aid package is an opportunity to demonstrate superior characteristics of U.S. feeds and offset the exchange rate.</p>	<p>Baseline: Use of U.S. feeds is limited. Successful market promotion would expand use of U.S. products by demonstrating their effects on animal productivity.</p>

**Step 2. Country Promotion Plan: Russia
Product: Tree Nuts**

Market Assessment: Although the current total import market for tree nuts is approximately \$42 million (according to Russian customs), there is significant potential that this market will grow at an increasingly higher rate. This is due to heightened consumer awareness about snack foods and the slow improvements occurring in the Russian confectionery industry as Russian chocolate and candy manufacturers begin to retrofit their facilities with modern processing equipment. The falling ruble will further boost demand for locally produced items. There is potentially high demand for U.S. almonds and pistachios among Russian consumers which has resisted the effects of the economic crisis. The Russian Far East provides the U.S. with a relative advantage in servicing this large market. With greater participation in trade shows, improved targeting of major importers and end users, and increased promotional activity, the U.S. can expand its 20% market share. The U.S. total was \$8.5 million. An annual export growth rate of 5% is projected which will bring the value of nut exports to more than \$3 million by 2002.

Export Performance Goal	“SWOT”	Strategic Response	GRPA Measures of Performance
<p>Tree nuts 5%</p> <p>1996-1998 Baseline: \$4.7 million</p>	<p>1. Weakness: Lack of knowledge of U.S. products, quality and companies</p>	<p>1. Strategic Response: Market Development and Promotion: — Tool/Resource: AMP: Increase effort to encourage U.S. suppliers to take part in trade shows in Moscow, St. Petersburg and Vladivostok</p>	<p>— Baseline: Although the export value is small, U.S. has a 20% market share according to Russian customs — Output/outcome/time frame: Improve recruiting effort for trade shows targeted to current or potential U.S. nut exporters so as to increase participation of new to market companies by 5 by end of FY 98 and to result in U.S. exports of more than \$2.5 million in CY 98 — Proposed budget: NA</p>
<p>1999: \$4.8 2000: \$4.9 * 2001: \$5.0 2002: \$5.1 2003: \$5.4 mil</p>	<p>2. Strength: Potential high demand for almonds, pistachios and other nuts by emerging Russian snack food and confectionery companies</p>	<p>1. Strategic Response: Strategic Outreach and Market Development — Tool/Resource: AMP: AgExport Connections/ATO: Develop importer-exporter education initiative, make better use of trade leads and buyer alerts, and targeted outreach to Russian buyers</p>	<p>— Baseline: Few Russian companies on Foreign Buyer List — Output/outcomes/time frame: Work with industry trade group to improve outreach to both potential U.S. exporters and Russian importers by better use of trade leads, buyer alerts, and electronic media to result in increased U.S. sales of \$5.1 million by CY 2002 — Proposed budget: NA</p>

	<p>3. Threat: Strong competition from Turkey and Uzbekistan.</p>	<p>1. Strategic Response: Market Development and Promotion: — Tool/Resource: MAP/FMD: Working with industry group and U.S. suppliers, increase promotional efforts targeted to major Russian end users</p>	<p>— Baseline: Little promotional effort now underway — Output/outcomes/time frame: In cooperation with U.S. companies and industry trade association, increase promotional activities targeted to major nut importers or end users to maintain or increase market share — Proposed budget: \$10,000</p>
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**Step 2. Country Promotion Plan: Russia
 Product: Fresh Fruit**

Market Assessment: Despite the weak ruble, U.S. exports of fresh fruits will recover after 1998 spurred by a growing demand in the Russian Far East. Apples, oranges, and pears are the major U.S. fresh fruit exports. In European Russia, the U.S. faces strong competition from Greece (oranges), The Netherlands (pears) and Moldova (apples). Nonetheless, U.S. fresh fruit exports to Russia almost doubled between 1995 and 1997 to \$15.5 million although they are unlikely to exceed \$10 million in 1998. With marketing efforts targeted to new regions, particularly the Eastern Siberian cities, and with a greater presence in trade shows in European Russia, U.S. fresh fruit exporters increase in export sales to Russia after 1998. Additional marketing and promotional activities in the Russian Far East can also lead to additional market share in this fast growing market there. The possibility of a Supplier Credit program in Russia can help fuel export growth in this market. We are projecting exports of fresh fruits to grow at a 5% annual rate reaching export sales of over \$12 million by 2002.

Export Performance Goal	“SWOT”	Strategic Response	GRPA Measures of Performance
<p>Fresh Fruit 5%</p>	<p>1. Weakness: Strong competition in European Russia from Greece, the Netherlands, Moldova</p>	<p>1. Strategic Response: Market Development and Promotion — Tool/Resource: FMD: AMP: Encourage more U.S. fruit exporters to participate in trade shows in Moscow and St. Petersburg</p>	<p>— Baseline: U.S. has low market share of apples, pears and oranges in all of Russia but a larger share in the RFE — Output/outcome/time frame: Work with WUSATA and industry trade groups and associations to enlist 5 new to market fruit exporters at trade shows in Moscow and St. Petersburg to increase U.S. export market to \$12.3 million in 2002 — Proposed budget: NA</p>
<p>Baseline FY 1996-1998 average:\$12.5 mil</p>	<p>2. Opportunity: Expand increasing U.S. exports in RFE to include major E. Siberian cities</p>	<p>1. Strategic Response: Strategic Outreach and Market Intelligence: — Tool/Resource: AMP: Conduct marketing outreach to Novosibirsk, Irkutsk and other major E. Siberian cities</p>	<p>— Baseline: Little U.S. fresh fruit being sold in E. Siberia — Output/outcome/time frame: Undertake exploratory marketing outreach to E. Siberian cities to identify 10 major importers of fruits and any constraints to U.S. exports to the region in FY 98. — Develop list of Russian importers and distributors to forward to major U.S. exporters in FY 98 — Proposed budget: NA</p>

1999: \$10.6 mil 2000: \$11.1 mil 2001: \$11.7 mil 2002: \$12.3 mil 2003: \$12.9 mil	3. Strength: Exports of US fresh fruit strong in RFE	3. Strategic Response: Long Term Development: — Tool/Resource:FMD: AMP: Participate in and recruit U.S. exporters for a trade show in RFE, in cooperation with Washington, Oregon and California and industry trade groups (apples, pears, oranges)	— Baseline: U.S. has a larger share of fresh fruit market in RFE than in Russia as a whole with greater potential — Output/outcome/time frame: Identify major trade show in RFE and work with FMD, AGEXPORT Services, WUSATA to recruit U.S. exporters (especially apples, pears, and citrus fruits) and Russian buyers to participate in this show to increase overall U.S. market share — Proposed budgeting
	4. Threat: China is highly competitive in the RFE, a problem that is likely to get worse with the fallen ruble.	4. Strategic Response: Increase market promotion efforts to distinguish U.S. products from Chinese fruit.	– Baseline: U.S. market share fell after the August economic crisis but should recover.

**Step 2. Country Promotion Plan: Russia
Product: Processed, Dried Fruits and Vegetables**

Market Assessment: Processed fruits and vegetables, whether canned, dried or frozen, offer significant market opportunity for U.S. processors and exporters. With the slow recovery of domestic processing industry spurred by devaluation and ongoing modernization, Russian consumers are buying more and more imported processed food products. The current value of imports from all suppliers is almost \$800 million. The U.S. has less than a 2.5% share of a market dominated by European brands. With greater outreach to potential U.S. exporters, more participation by U.S. processors in Russian trade shows, and targeted market research to identify the products with greatest potential, U.S. exports to Russia can grow faster than the 5% annual growth rate currently projected and gradually bring exports back above 1998 levels. We anticipate export sales of processed fruits and vegetables to reach at least \$30 million by CY 2002.

Export Performance Goal	“SWOT”	Strategic Response	GRPA Measures of Performance
Processed Fruits and Vegetables 5%	1. Strength: U.S. has a strong quality image for food products	1. Strategic Response: Strategic Outreach and Market Intelligence: — Tool/Resource: AMP:FMD: Increased outreach and information initiative to prospective and current U.S. exporters	— Baseline: U.S. product has a very low market position (less than 3%) — Output/outcome/time frame: Increase outreach and develop an information initiative so more U.S. exporters are aware of market opportunities in Russia which will result in U.S. exports of \$25.5 million in CY 1999 — Proposed budget:
Baseline: FY 98 \$22 Million	2. Opportunity: Domestic processing industry very slowly recovering	2. Strategic Response: Strategic Outreach and Market Intelligence: — Tool/Resource: AMP: Identify products which have greatest import demand and consumer acceptance and inform potential U.S. exporters through newsletter, Internet, and by other means	— Baseline: Russian processors cannot meet the domestic demand for quality products — Output/outcome/time frame: Conduct market study and do a Market Brief featuring selected processed fruits and vegetables which offer greatest export potential for U.S. exporters — Proposed budget: NA

<p>1997: \$ 32.6 mil 1998: \$ 11.3 mil 1999: \$ 25.5 mil 2000: \$ 26.7 mil 2001: \$ 28 mil 2002: \$29.5 mil 2003: \$31 mil</p>	<p>3. Threat: Intense competition from established European manufacturers and exporters of processed fruits and vegetables</p>	<p>3. Strategic Response: Market Development and Promotion — Tool/Resource: AMP:FMD: Increase participation in Russian trade shows of U.S. manufacturers of processed fruits and vegetables and target major Russian importers for promotional activities</p>	<p>— Baseline: Few U.S. companies participating in Russian trade shows — Output/outcome/time frame: Recruit 8 new to market U.S. companies for participation in food shows in Russia in CY 1998 — Proposed budget: NA</p>
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Step 2. Country Promotion Plan: Russia
Product: Soybeans, Soybean Oil & Soybean Meal

Market Assessment: The slowly recovering Russian poultry and livestock industries will require quality feed to compete with Western imported products. This is especially true of protein-rich feeds like soybeans. Although China is the dominant supplier of soybeans (80 percent of Russian imports), their own increasing livestock production will gradually reduce exports. Argentina is a strong competitor in the meal market. The Russian soybean market should expand because of the increasing priority put on the recovery of the livestock industry by the GOR. Cooperation between the American Soybean Association (ASA), USAPEEC and USMEF in providing technical assistance to the livestock and poultry sectors can provide an additional strategic marketing advantage for U.S. soybean exporters. If restored, increased utilization of GSM or other USDA credit facilities could help to improve access to credit for Russian buyers and support expanded U.S. exports. The above efforts and others by the ASA and U.S. cooperators are expected to lead to exports of \$11.9 million by 2002.

Export Performance Goal	“SWOT”	Strategic Response	GRPA Measures of Performance
<p>Soybeans 5%</p>	<p>1. Weakness: U.S. holds less than 1% of market share for soybeans and less than 10 % for meal.</p>	<p>1. Strategic Response: Strategic Outreach and Market Intelligence: — Tool/Resource: MAP and AMP: U.S. ASA and Ag Moscow to target new regional market opportunities and increase awareness among U.S. producers</p>	<p>— Baseline: U.S. feed soybean suppliers have to be ready to capitalize on expected growing need for soybeans as poultry and livestock industries improve in order to maintain or increase market share — Output/outcome/time frame: During the course of the year, Ag Moscow will work with ASA to target new regional markets and increase outreach to exporters and importers to increase U.S. exports to \$9.0 million in 1999.</p>
<p>Baseline 1996 - 1998: \$ 2.0 million</p>	<p>2. Market Failure: Russian poultry and livestock industries are expected to start turning around and will require quality feed but lack access to credit. Falling ruble has boosted Russian livestock industry. Increased government interest in sector may also spur production.</p>	<p>2. Strategic Response: Financial Marketing Assistance — Tool/Resources: If program restored, encourage use of GSM program for purchases of soybeans Strategic Response: Long Term Development —Tool/Resource: MAP: Technical Assistance and Training by ASA, in cooperation with ICD/FMD, USAPEEC and private U.S. companies targeted to major poultry and livestock producers</p>	<p>— Baseline: Use of GSM has been limited for importers of soybeans — Output/outcome/time frame: Increase awareness of GSM facility and of future credit programs that may be developed for the market so that GSM is used for soybeans purchases — Proposed budget: Existing GSM allocation for Russia if program is restored.</p>

1999: \$9.0 mil 2000: \$9.9 mil 2001: \$10.8 mil 2002: \$11.9 mil 2003: \$12.5 mil	3. Market Failure: Regional authorities have placed restrictions in the past on both the import and export of soybeans.	3. Strategic Response: Market Access — Bilateral discussions with Russian officials, as well as outreach to support efforts to restrict future interference in soybeans shipments by regional officials	Baseline: There are currently federal restrictions on the import of soybeans — Output/outcome: Ag Moscow to keep Russian officials and others involved in soybeans trade informed of the negative consequence for Russia of regional interference in private trade so that there are no regional embargoes.
	4. Market Failure: Falling rubles makes U.S. products very expensive	4. Strategic Response: U.S. food aid package is an opportunity to demonstrate superior characteristics of U.S. feeds	Baseline: Use of U.S. feeds is limited. Successful market promotion would expand use of U.S. products by demonstrating effects on animal productivity.

**Step 2. Country Promotion Plan: Russia
Product: Soup**

Market Assessment: Russian consumers continue to buy fast-food and convenience foods. Ready-to-eat soups are purchased by one-third of Russian families. An estimated 300 firms are importing instant soups into Russia with the largest based in Moscow or St. Petersburg. These products appeal to the higher income, more mobile Russians. Advertising and marketing continue to be the key to successful market development for the major import soup companies with the largest market share. Spain has a 33% market share, followed by the U.S. with 10%. This product has become widely accepted across most of Russia, not just in the big cities. It is anticipated that this market will grow at an annual rate of 5% leading to U.S. export sales of \$11 million by CY 2002.

Export Performance Goal	“SWOT”	Strategic Response	GRPA Measures of Performance
Soups 5%	1. Opportunity: Growing consumption of fast foods by Russians	1. Strategic Response: Strategic Outreach and Market Intelligence: — Tool/Resource: AgExport Connections: AMP: Target Trade Leads and Buyer Alerts to growing number of soup importers and conduct outreach to the major importers and distributors	— Baseline: U.S. has an 10% share of a fast growing market with high potential to increase sales to Russia — Output/outcome/time frame: Increase use of Trade Leads and Buyer Alert by promoting market opportunities to importers and exporters and by outreach to Russian buyers to result in a \$9 million U.S. export market in CY 1998. — Proposed budget: NA
Baseline FY 98 \$8.2 million	2. Strength: U.S. soups brands have second largest share of market	2. Strategic Response: Market Development and Promotion: — Tool/Resource: AMP:FMD: Recruit more U.S. soup exporters to trade shows in Russia	— Baseline: Few U.S. soup exporters participating in Russian food shows — Output/outcome/time frame: Recruit 5 new to market U.S. companies to participate in Russian trade shows in CY 98 — Proposed budget: NA

1999: \$9.5 mil 2000: \$9.7 mil 2001: \$10.5 mil 2002: \$11.0 mil 2003: \$11.6 mil	3. Threat: Imported soups from Spain and Western Europe which are heavily advertised	3. Strategic Response: Market Development and Promotion: — Tool/Resource: AMP:FMD: Encourage U.S. soup exporters to increase marketing and promotional activities for their products	— Baseline: Little U.S. product advertising to compete with European brands — Output/outcome/time frame: Contact U.S. soup exporters to encourage more promotional events and materials including POS material in order to compete aggressively with European brands — Proposed budget: NA
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**Step 2. Country Promotional Plan: Country: Russia
Product: Beef**

Market Assessment: The U.S. share of the Russian beef import market is 10.0 percent, including raw and processed meat products. U.S. imports of processed meat products have grown steadily in the Russian marketplace. In contrast, the market position of unprocessed and semi-processed product appears to be worsening, declining from 1.6 percent in 1997 to 0.31 percent in 1998. The EU food aid package includes 150 thousand tons of beef that may serve as a market hindrance for U.S. exporters. However, with concerns about the quality of European beef, the high image that U.S. beef enjoys internationally provides a strategic opportunity for U.S. beef exporters to increase market share in the long term, assuming that Russian trade will return to historical levels. Given the current economic crisis, and the fact that some 150 thousand tons of beef are included in the EU food aid package, there is little opportunity for U.S. exporters to increase their market share in the near future. In addition, Russian producers and processors have gained a bigger share of a market because the current economic crisis has temporarily put imports out of competition. Given increased governmental protection for the domestic processing industry and reduced consumer spending, less expensive, unprocessed and semi-processed meat items offer the greatest import potential. The major supplier of beef is Ukraine with more than three-fourths of the market. It is possible that the economic crisis will increase opportunity for the import of meats for further processing, as normal trade patterns have been disrupted. Furthermore, the Russian government may take action to restrict Ukrainian exports, as happened with sugar and vodka, which could lead to additional market opportunity for U.S. exporters. AgMoscow believes that strategic marketing will help to maintain current market share in 1999; and that opportunity for long term growth of U.S. meat exports to Russia exists. With increased awareness on the part of U.S. exporters and Russian importers, U.S. market share is projected be maintained in 1999, and grow by 10% annually to 2003.

Export Performance Goal	“SWOT”	Strategic Response	GRPA Measures of Performance
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<p>Beef 10%</p> <p>Baseline 1997-1998 average: \$70 mil</p> <p>1999: \$70 2000: \$77 2001: \$85 2002: \$93.5 2003: \$102.9</p>	<p>1. Opportunity: Quality image of U.S. beef at a time when there are problems with European beef quality</p>	<p>1. Strategic Response: Market Development and Promotion — Tool/Resources: MAP, AMP Work with USMEF to develop promotional campaign targeted to Russian meat importers</p>	<p>1. Baseline: U.S. market share for beef is 10%. — Output/outcomes/time frames: Promotional activities to increase awareness of U.S. quality beef and greater participation in AMI and other US trade shows to increase U.S. market share to 5% — Proposed budget: \$15,000</p>
	<p>2. Strength: Competitive price of U.S. beef products</p>	<p>2. Strategic Response: Strategic Outreach and Market Intelligence — Tool/Resources: AMP: Use Homepage, Internet, Newsletter to communicate with USMEF and regional trade associations about market opportunity for beef exporters</p>	<p>2. Baseline: Few U.S. companies are exporting beef to Russia — Output/outcomes: Use newly developed ATO communications tools and work with USMEF to better inform U.S. beef exporters of market opportunities in Russia and of trade shows — Proposed budget: \$1500</p>
	<p>3. Threat: Concern with Russian import constraints resulting from political pressure to protect the domestic market. In addition, food aid from the EU may reduce U.S. market potential</p>	<p>3. Strategic Response: Market Access — Closely monitor any proposed GOR actions that can affect U.S. export potential for beef products</p>	<p>3. Baseline: Occasional comments by Russian officials and articles critical of food imports in Russia — Output/outcomes: AG Affairs/ATO to work closely with appropriate GOR officials and industry to discourage any actions that would limit or restrict free trade — Proposed budget: NA</p>

Step 2. Country Promotional Plan: Country: Russia

Product: Pork

Market Assessment: U.S. pork exports continue to do well despite the requirements of the Russian certification program. The current European food aid package includes 100 thousand tons of pork products which may hinder U.S. export

opportunity. However, under normal trade conditions, the high cost of EU product makes U.S. product more competitive despite longer transit time for deliveries. The combination of the current economic crisis, lower consumer spending, and measures taken by the GOR to encourage more domestic processing mean that the greatest export opportunities in 1999 will mainly consist of unprocessed and semi-processed items for further processing. Fresh pork market sales will be targeted to retail stores, restaurants, hotels and other food service providers. Cancellation of the GSM 102 and lack of a Supplier Credit program will put U.S. exporters at a disadvantage when U.S. pork prices are high. Pork sales should be targeted to major cities and regions where incomes are high and where there is greater market diversification, especially in light of the current economic situation. It is anticipated that effective implementation of the CPP will help to maintain the U.S. pork exports at current levels.

Export Performance Goal	“SWOT”	Strategic Response	GRPA Measures of Performance
<p>Pork 5%</p> <p>Baseline 1997-1998 average: \$60.4 mil</p> <p>1999: \$60.4 2000: \$63.0 2001: \$66.5 2002: \$70.0 2003: \$73.5</p>	<p>1. Weakness: Europeans have more experience selling in Russia, especially Danes who are well known in the market</p>	<p>1. Strategic Response: Market Development and Promotion: Tool/Resources: MAP and AMP: — USMEF to develop promotional campaign with ATO including advertising by USMEF and US pork exporters and outreach to restaurants, hotels, retail stores and distributors — Increased participation by pork exporters in Russian food shows — In-store promotions of branded products — Organize Pork BBQ or similar event at Spaso House or other sites to increase consumer awareness of pork</p>	<p>— Baseline: U.S. market share and buyer awareness of the quality of U.S. pork products is low — Output/outcomes/time frames: Work with USMEF and pork exporters/importers to develop a promotional campaign to increase U.S. market share of pork and develop a quality image; Recruit more Russian importers for AMI show and more U.S. exporters for Russian trade shows to maintain exports at current levels. — Proposed budget: \$20,000</p>
	<p>2. Threat: On-going political complaints about imports in general and poor quality of imports</p>	<p>2. Strategic Response: Outreach and market intelligence — Tool/Resources: Work with USMEF to organize media events focusing on quality of U.S. pork products — Ag Moscow will carefully monitor proposed actions by GOR which can affect U.S. pork exports and be prepared to take necessary action</p>	<p>2. — Baseline: Regular negative comments amount quantity and quality of imported product in Russia — Output/Outcomes/time frame: Organize, in cooperation with USMEF and other U.S. cooperators a Quality Image campaign for U.S. meat products targeted to selected media (see above) to counter negative press and imposition of quotas</p>
	<p>3. Weakness: The Russian inspection process which can lead to arbitrary cutoffs</p>	<p>3. Strategic Response: Long term development/Strategic Outreach: Tool/Resources: Training of Russian veterinary officials in the US and industry tours to educate officials on quality control standards, etc., for pork processing (ICD/FMD/Cochran) perhaps in connection with AMI show — Tool/Resources: Exporter Education initiative to better inform U.S. exporters of Russian import requirements</p>	<p>3. — Baseline: Occasional delays at customs for U.S. exporters of meat products — Output/Outcomes: Discussions with appropriate GOR officials to minimize or prevent problems for U.S. exporters as well as educational training for Russian vets to build their confidence in U.S. inspection process</p>

	<p>4. Market failure: Due to lack of substantial credit, Russian importers can have a more difficult time importing pork due to its higher cost.</p>	<p>4. Strategic Response: Financial marketing assistance: — Tool/Resource: Utilize GSM or Supplier Credit Program (if available for the Russian market)</p>	<p>— Baseline: Russia received \$95 million in GSM 102 support for FY 98. The program is currently suspended. The Supplier Credit program is not currently operational in Russia — Output/outcome: Promote GSM program for use by Russian pork importers when reinstated — Proposed budget: Within GSM allocation for Russia</p>
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Step 2. Country Promotion Plan: Russia
Product: Seafood

Market Assessment: The Russian import market for seafood expanded at a fast pace until the economic crisis hit on August 17, 1998. Based on CY 1996-1997 Russian Customs data, the projected growth from all suppliers was 60%. The U.S. market share is negligible, mostly fresh, chilled or frozen fish. Despite lower consumer spending in Russia, expensive fish items are marketed to hotels, restaurants, and supermarkets targeting foreigners and wealthy Russians who 1) can still afford these items; and 2) prefer high quality imported fish products. Most U.S. product in the marketplace is of high quality and very expensive. When normal trade patterns resume, there will be significant growth opportunities in a variety of processed seafood products including canned, pickled, bottled or smoked items. There is little product in the low to medium-priced range which offers growth potential for U.S. exporters. Canned products are especially popular in Russia as they provide longer shelf-life and are easier to handle and store. The promotion of branded U.S. fish products at food shows in a wider assortment would appeal to Russian importers and distributors. In recent years, U.S. processed crabs and crab meat have appeared in the market and have done quite well. The Scandinavian and French have large market shares, a wide and interesting assortment of products, and aggressive marketing. However, the current economic conditions indicate that U.S. exporters will experience a difficult time in the short term competing with cheap imported fish products from nearby countries. AgMoscow predicts that in 1999, the value of U.S. exports of fish products will decline by 20 percent.

Export Performance Goal	“SWOT”	Strategic Response	GRPA Measures of Performance
<p>Processed Fish -20 percent decline in FY 99, with a 14% growth in outlying years</p>	<p>1. Strength: U.S. has excellent reputation for quality</p>	<p>1. Strategic Response: Strategic Outreach and Market Intelligence: — Tool/Resource: AMP: Through Market Brief, newsletter and other communications encourage U.S. exporters to actively promote branded fish products, especially canned and processed seafood products, at Russian trade shows</p>	<p>— Baseline: U.S. has a very small share 3.6 percent of this import market — Output/outcomes/time frames: Throughout the year, Ag Moscow will work actively to increase U.S. interest in the market, especially for processed fish items, and target 5 new exporters for Russian trade show participation and promotional activities to maintain U.S. market share at 80 percent of FY 98 levels in FY 99 — Proposed budget: NA</p>
<p>Baseline 1997-1998: average: \$6.93 mil</p>	<p>2. Opportunity: Little medium-priced U.S. fish sold in Russia and lower-priced fish products can capitalize on the image established by the higher end product</p>	<p>2. Strategic Response: Market Development and Promotion: Tool/Resource: AMP/Ag Moscow in cooperation with U.S. seafood exporters will conduct some targeted tastings for key buyers featuring selected U.S. processed seafood products</p>	<p>— Baseline: Very few medium and low cost U.S. fish products in the market — Output/outcomes: Ag Moscow in cooperation with U.S. seafood exporters will organize seafood promotion at local restaurants for buyers and media to increase consumer awareness — Proposed budget: \$1000</p>

1999: \$6.3 2000: \$7.2 2001: \$8.3 2002: \$9.5 2003: \$10.8	3. Weakness: Few well-developed buyer/seller relationships	3. Strategic Response: Strategic Outreach and Market Intelligence — Tool/Resources: AgExport Connections: AMP: Increase awareness among U.S. exporters of market opportunities and increasing Russian imports of seafood items by using Trade Leads, Buyer Alert	— Baseline: Very few U.S. seafood exporters active in the market — Output/outcomes/time frames: Develop informational campaign for U.S. exporters and Russian importers with reliance on Trade Leads and Buyer Alert to add 10 new seafood importers to these programs — Proposed budget: NA
	4. Weakness: The Scandinavian and French have large market share, wide assortment of products and aggressive marketing	4. Strategic Outreach and Market Intelligence: — Tool/Resource: Promote U.S./Russian participation in trade shows especially those that might be targeted to processed seafood products	— Baseline: Few U.S. seafood exporters participate in Russian trade shows — Output/outcomes/time frame: Improve recruitment effort targeted to U.S. exporters and Russian importers of seafood products to result in 10 new Russian seafood companies in trade relationship with U.S. exporters by end of FY 99. — Proposed budget: NA

**Step 2. Country Promotion Plan: Russia
Product: Pet Food**

Market Assessment: The value of U.S. petfood exports to Russia has grown impressively in the last 5 years, from less than \$10,000 in 1993 to over \$1.5 million in 1998. Most pet food items are imported from Germany, with the U.S. holding a 10 percent market share. Although the value of U.S. exports is currently small, this number can grow significantly as more and more Russian pet owners purchase pet foods. In large cities, one in four families has a dog or cat with preference given to dry pet foods. Most of the pet foods are sold at specialty pet shops or kiosks. In addition, the market can accommodate both high end and low end products. The current total Russian market for imported pet food of \$16.2 million is expected to grow at a 5% annual rate if the Russian economy gets back on track. U.S. branded pet food products have an excellent reputation in the Russian marketplace, and expanded in value by approximately 50 percent between 1997 and 1998. The impact of the economic crisis indicates that prospects for expensive pet food products may be dampening in the short term; however, continued growth is predicted when the financial picture brightens. With greater market development and outreach activities, and better communications to pet food exporters and importers, the U.S. can seize an even bigger share of this market. Accordingly, U.S. exports of pet foods are expected to grow at a faster rate (10%) than the overall import market.

Export Performance Goal	“SWOT”	Strategic Response	GRPA Measures of Performance
Pet Food 10% Baseline: 1997-1998: \$ 1.4 million 1999: \$.96 2000: \$1.1 2001: \$1.16 2002: \$1.28 2003: \$1.41	1. Strength: U.S. quality image	1. Strategic Response: Strategic Outreach and Market Intelligence — Tool/Resources: AMP: Increase awareness of market opportunities for pet food manufacturers via Market Brief, targeted mailings, Internet, newsletter, etc.	— Baseline: US has about 10% of the market share for pet food. — Output/outcomes/time frames: Increase outreach to U.S. pet food exporters and Russian buyers by improved market information via Internet, newsletters, Market Brief, etc., to increase market share to 15% — Proposed budget: NA: Use existing resources of AMP Budget

<p>2. Opportunity: Increasing awareness of pet food benefits and convenience by Russian pet owners and vets</p>	<p>2. Strategic Response: Market Development and Promotion — Tool/Resources: AMP: Work with industry trade group to increase promotional activities for pet foods — Inform growing number of Russian private vets about quality and availability of U.S. pet foods</p>	<p>— Baseline: Little direct mail and advertising by U.S. pet food companies — Output/outcomes/time frames: Increase customer awareness of U.S. pet foods that will lead an increase in U.S. exports of 15% — Proposed budget: NA</p>
<p>3.Threat: Strong competition especially from Germany</p>	<p>3. Strategic Response: Market Development and Promotion — Tool/Resources: :Promote U.S. and Russian trade shows to current and potential pet food exporters and importers</p>	<p>— Baseline: Small number of U.S. pet food companies participate in Russian trade shows and there is little direct advertising and communication to Russian private vets — Output/outcomes/time frames: Recruit 5 company representatives to at least one Russian trade show in FY 99 — Proposed budget:NA</p>
<p>4. Weakness: Potential problems with vet certification</p>	<p>4. Strategic Response: Long Term Development Tool/Resource: ICD and Cochran training for Russian officials and private veterinarians</p>	<p>— Baseline: Problems with Russian veterinary officials is not uncommon and can hinder market access — Output/outcomes/time frames: Continue to encourage training by Cochran/FMD for key Russian veterinary officials and expand training to private Russian vets — Proposed budget: \$20,000</p>