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Russian Federation

Fresh Deciduous Fruit

Annual

2000

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Report Highlights:
Russian production of seed type fruit (apples, pears and quinces) is expected to be a relatively normal 1.3 million tons. May frosts in 2000 which caused only minor losses, were much less harmful than a year ago where losses were high. As a result, the total domestic supply of apples and pears is forecast to be higher than a year ago, causing imports of these products to decline further. The composition of imports will continue to shift in favor of cheaper fruit such as bananas and citrus products.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

Russian production of seed type fruit (apples, pears and quinces) is expected to be a relatively normal 1.3 million tons. May frosts in 2000 which caused only minor losses, were much less harmful than a year ago where losses were high. Warm weather, good moisture, and high cyclical productivity of apple orchards are likely to result in high yields. As a result, the total domestic supply of apples and pears is forecast to be higher than a year ago, causing imports of these products to decline further. The composition of imports will continue to shift in favor of cheaper fruit such as bananas and citrus products.

Apples

Summary

Apple production in 2000 is expected to increase by 35 percent from 1999 to 1.3 million tons, which is close to the 5-year average. The May 2000 frosts were not as severe as in May 1999 because they came mostly before flowering. The consumption of fresh apples is forecast at the 5 year average of 700,000 tons while industrial consumption is forecast at 680,000 tons, a 15 percent recovery from 1999/00 which was well below the 5 year average. Consumption will not rebound quickly because of low imports caused by the ruble devaluation and problems in the banking sector. As a result, imports stayed low in 1999/00 and are expected to stay low despite increased demand for apples. Imports are also expected to come mostly from low-cost producers such as China, especially in the Far East. Imports from Europe are also expected to take a high market share because of lower prices and subsidies, despite their lower quality. However, because of the better 2000 harvest, post forecasts consumption of apples to increase in the summer and the fall 2000 to average levels, especially in European Russia. Consumption will fall in winter 2000 and spring 2001 as stocks of highly perishable Russian apples run out and imports are unable to cover this gap.

PSD, Apples, Metric Tons, 1998-2000

PSD Table						
Country:	Russian Federation					
Commodity:	Apples					
		1998		1999		2000
	Old	New	Old	New	Old	New
Market Year Begin		07/1998		07/1999		07/2000
Area Planted	454400	454400	460000	449400	0	450000
Area Harvested	363600	363600	300000	365200	0	365000
Bearing Trees	124000	124000	100000	110000	0	135000
Non-Bearing Trees	38300	38300	64300	50000	0	30000
Total Trees	162300	162300	164300	160000	0	165000
Commercial Production	875000	875000	640000	600000	0	875000
Non-Comm. Production	374400	374400	300000	364500	0	425000
TOTAL Production	1249400	1249400	940000	964500	0	1300000
TOTAL Imports	175000	175000	270000	144750	0	150000
TOTAL SUPPLY	1424400	1424400	1210000	1109250	0	1450000
Domestic Fresh Consump	640000	640000	600000	490000	0	700000
Exports, Fresh Only	800	800	200	1250	0	1000
For Processing	675000	675000	515000	590000	0	680000
Withdrawal From Market	108600	108600	94800	28000	0	69000
TOTAL UTILIZATION	1424400	1424400	1210000	1109250	0	1450000

Production

Apple production in 2000 is expected to match the 5-year average of 1.3 million tons. In 1999, the last year where regional breakdowns are available, was much different. Production of apples in 1999 decreased by 29 percent to 964,500 tons, including a 75 percent drop in production in the Black Earth region from 239,000 tons to 61,400 tons, and a 30 percent decrease in the Central region from 261,400 tons to 181,600 tons. Production in the Volga Valley region was down 20 percent from 350,900 tons to 286,600 tons. The situation in the Volga Valley would have been much worse if Samara and Saratov had not been spared frost damage. Production in the Northern Caucasus was 14,000 tons (7 percent) larger than in 1998. In other territories of Russia, which are not big producers of apples and other fruits, production was higher than the average.

In 2000, post expects the structure of apple production to continue its move away from state farms, with the share of crop area possibly falling below 40 percent for the first time ever. In 1999, the share of state owned orchards production fell by 1 percent, totaling only 19 percent of all apple production. In the major producing regions where the normal level of production is more than 200,000 tons, this share varied from 55 percent in the Black Earth region to 7 percent in the Volga valley region. In other parts of the Russian Federation (North, North-West, Ural, Siberia, Far East) where the normal level of apple production is below 100,000 tons, the share of the state farms is less than 4 percent.

Table 1. Apple Orchard Area, Output and Yields, MY 1994-1998

	1994	1995	1996	1997	1998	1999
Area planted, 1,000 ha	471.4	473.9	467.8	471.3	454.4	471.3
Share of State Farms*, %	53	48	47	46	44	40
Share of Private Farms**, %	47	52	53	54	56	60
Area of fruit producing orchards, 1,000 ha	360.6	365.3	358.3	363.2	363.6	365.2
Share of State Farms*, %	52	47	47	46	43	42
Share of Private Farms**, %	48	53	53	54	57	58
Production, 1,000 tons	1,154	1,094	1,755	1,414	1,249	965
Share of State Farms*, %	34	34	28	30	20	19
Share of Private Farms**, %	66	66	72	70	80	81
Yields, tons/hectare	3.20	3.00	4.90	3.93	3.44	2.64
State Farms*	2.08	2.16	2.48	2.53	1.59	1.20
Private Farms**	4.41	3.75	6.65	5.11	4.84	3.67

Source: Official data does not distinguish between apples, pears and quinces. Post estimates are calculated on the basis of the Russian State Statistical Committee (GOSCOMSTAT) annual data and the last fruit orchard census held in 1985.

* State farms include also those former state farms that were officially reorganized in 1993 into joint stock companies and cooperatives but not fully privatized.

** Private farms are those where the collective or state farm was divided and distributed among workers. They also reflect very small orchards grown on private plots where a country home or “dacha” may be located.

Table 2. Apples – Area Planted, Harvested, Production and Yield by Region, MY 1999

	Planted, 1,000 ha	Harvested, 1,000 ha	Production, 1,000 tons	Yield average, ton/ha
Russia	471.3	365.2	964.5	2.64
North	1.7	1.7	5.2	3.06
North West	15.3	14.9	37.0	2.48
Central	105.1	90.9	181.6	2.00
- Bryansk	20.1	17.0	6.7	0.40
- Moscow	14.2	10.6	29.3	2.76
- Oryol	15.3	12.3	36.6	2.97
- Ryazan	11.7	11.7	21.3	1.81
- Tula	22.5	18.7	20.7	1.11
Volgo-Vyatka	19.3	16.5	26.0	1.57
Central Black Soil	83.5	73.5	61.4	0.84
- Belgorod	14.9	10.7	1.5	0.14
- Voronezh	25.6	25.6	22.5	0.88
- Kursk	16.2	14.4	12.9	0.89
- Lipetsk	19.3	13.4	16.5	1.23
- Tambov	12.3	9.3	8.2	0.87
Povolzhye	77.4	60.4	286.6	4.75
- Tatarstan	9.1	6.1	14.5	2.38
- Volgograd	15.5	13.8	90.7	6.56
- Penza	8.1	7.0	11.3	1.62
- Samara	15.9	12.0	96.8	8.07
- Saratov	16.7	11.7	50.2	4.30
North Caucasus	129.3	75.0	223.0	2.97
- Dagestan	12.5	10.2	21.0	2.07
- Kabardino-Balkaria	16.0	9.5	59.4	6.24
- Krasnodar	43.1	24.2	80.0	3.30
- Stavropol	14.7	7.2	11.3	1.57
- Rostov	32.5	18.1	41.0	2.27
Ural	21.6	16.6	72.9	4.40
West Siberia	12.1	11.2	55.0	4.91
East Siberia	2.9	2.4	7.9	3.27
Far East	3.8	2.2	5.4	2.47
Kaliningrad	2.5	2.5	2.6	

Consumption

The supply of apples fell in MY 1999/00 by 22 percent reflecting both the low production in 1999 and a longer trend of falling apple consumption in favor of less expensive fruit. Fresh apples are a seasonal fruit for low and middle income people that are replaced in winter and spring with bananas and cheaper citrus fruits such as tangerines and oranges. Demand for apples by wealthier consumers is stable all around the year, and higher than that for most other fruit such as kiwi, grapefruit, and grapes. Industrial consumption of apples and imports of juices in bulk are forecast to increase significantly along with the development of Russian juice production.

Trade

The relatively high cost of apple imports has resulted in a large shift in favor of bananas and citrus fruit. This trend is expected to continue.

Russian Federation: Imports of Major Fruits in MY 1999

	1997/98	1998/99	1999/00	1997/98	1998/99	1999/00
	Tons	Tons	Tons	percent	percent	percent
Apples	502,116	174,276	146,068	24	18	12
Pears	187,772	69,296	76,222	9	7	6
Bananas	655,240	351,486	447,258	31	36	38
Citrus	661,441	339,438	449,051	31	34	38
Grapes	120,344	54,446	69,087	6	6	6
TOTAL	2,126,913	988,942	1,187,686	100	100	100
Dried fruits	37,350	28,181	28,077			

Export Trade Matrix for Apples, 1998-1999

Export Trade Matrix			
Country:		Units:	Metric Tons
Commodity:			
Time period:			
Exports for	1998		1999
U.S.	0	U.S.	0
Others		Others	
Kazakhstan	740	Lithuania	550
Kyrgyzstan	40	Kazakhstan	600
Tajikistan	10	Kyrgyzstan	30
		Tajikistan	10
Total for Others	790		1190
Others not listed	10		60
Grand Total	800		1250

Import Trade Matrix for Apples, 1998-1999

Import Trade Matrix			
Country:		Units:	Metric tons
Commodity:			
Time period:			
Imports for	1998		1999
U.S.	2,640	U.S.	1,500
Others		Others	
China	34,670	China	48,000
Poland	25,450	France	25,000
France	24,000	Argentina	18,000
Argentina	23,000	Netherlands	15,500
Moldova	12,800	Belgium	14,000
Netherlands	10,200	Spain	8,500
Italy	9,740	Poland	7,500
South Africa	6,600	South Africa	6,000
Belgium	3,100		
Chile	2,800		
Total for Others	152,360		142,500
Others not listed	20,000		750
Grand Total	175,000		144,750

Trade Policy

Customs tariffs and sanitary regulations for apples remain unchanged from 1999. For apples imported in bulk from September 16 through December 15 for cider production (HS 0808 10 1000 0), as well as for other apples imported from August 1 through December 1 (HS 0808 10 920 0, 0808 10 940 0, 0808 10 980 0), the import tariff is 0.2 Euro per kg. The tariff is 0.1 Euro per kg for apples imported during other times of the year,

Imported apples also face reference prices at the border unless they have supporting documents necessary to prove a low invoice price is valid. The VAT on apples and other fruit is 20 percent. At the retail level, customers must also pay various local and municipal sales taxes, which vary from 2 to 5 percent across the regions.

Marketing

There is no official data on marketing of all apples. The Russian State Statistical Committee only collects information on marketing of fruits from state and collective farms. In 1999 the state and collective units reported marketing of 85 percent of their output or 165,000 tons of apples. Twenty percent of these apples were sold to the state purchasing organizations (regional, local, and cooperatives in the system of Tsentrosoyuz), while 54 percent was sold to the private purchasers (traders and processors), 18 percent was sold at the farms to the workers or through the farms' own retail trade systems (street stands, markets, etc.), and 9 percent of apples was exchanged on barter terms for equipment, input supply, chemicals, fertilizer, etc. Private producers usually sell their apples and other fruit (what is left after on-farm consumption) themselves either at retail markets, at roadside stands or to large processors for juice and jam production. To ensure stable input supplies, the bigger juice and jam processors have started to develop the direct contracting of apple production from reliable apple farms.

Distribution channels

Importers and wholesalers are often part of the same company. Large firms sell by the truckload to local clients or partners in other regions and are not interested in containerized shipments. The medium sized importers may participate in vessel shipments but make smaller orders. Some of these companies supply to supermarkets and retail stores. The small importers have a larger assortment of products but also mark-up products substantially. They usually limit their activities to within a region but have strong contacts with stores, restaurants, food processors and rynoks (outdoor markets).

The largest markets for US apples are in Moscow, St. Petersburg and potentially, the Far East. In order to avoid currency risk, reduce paperwork and to get better terms, more fruit in the Far East is being sourced from European Russia, which creates a competitive disadvantage for US exports.

Pears

Production

The Russian pear harvest in 2000 is forecast near the 5-year average of 180,000 tons, which is 30 percent higher than in 1999.

PSD Table, Pears, Metric Tons, 1998-2000

PSD Table						
Country:	Russian Federation					
Commodity:	Fresh Pears					
		1998		1999		2000
	Old	New	Old	New	Old	New
Market Year Begin		07/1998		07/1999		07/2000
Area Planted	65230	65230	65000	63700	0	65000
Area Harvested	54000	54000	54000	54200	0	54000
Bearing Trees	16900	16900	15000	15000	0	15000
Non-Bearing Trees	6400	6400	8300	8300	0	8300
Total Trees	23300	23300	23300	23300	0	23300
Commercial Production	81000	81000	60000	60000	0	80000
Non-Comm. Production	100300	100300	60000	76600	0	100000
TOTAL Production	181300	181300	120000	136600	0	180000
TOTAL Imports	70000	70000	100000	76000	0	76000
TOTAL SUPPLY	251300	251300	220000	212600	0	256000
Domestic Fresh Consump	195000	195000	169000	161600	0	200000
Exports, Fresh Only	50	50	0	0	0	0
For Processing	55000	55000	50000	50000	0	55000

Pears -- Area Planted, Harvested, Production and Yields by Region, 1999

	Planted 1,000 ha	Harvested 1,000 ha	Production 1,000 tons	Yield T/ha
Russia	63.7	54.2	136.6	2.5
Central	5.5	4.7	9.5	2.0
- Bryansk	0.9	0.9	0.4	0.4
- Moscow	0.6	0.6	1.5	2.6
- Oryol	0.8	0.7	1.8	2.8
- Ryazan	0.7	0.7	1.0	1.5
- Tula	1.2	0.9	1.0	1.1
Volgo-Vyatka	1.2	0.9	1.5	1.6
Central Black Soil	15.1	12.9	11.0	0.8
- Belgorod	2.3	1.9	0.3	0.1
- Voronezh	5.0	4.5	4.0	0.9
- Kursk	2.9	2.5	2.3	0.9
- Lipetsk	3.1	2.4	2.9	1.2
- Tambov	1.9	1.7	1.4	0.9
Povolzhye	13.0	10.6	51.1	4.8
- Tatarstan	1.6	1.1	2.5	2.3
- Volgograd	2.8	2.5	16.0	6.5
- Penza	1.7	1.2	2.0	1.6
- Samara	2.7	2.2	17.1	7.8
- Saratov	2.4	2.1	6.1	2.9
North Caucasus	24.5	18.7	58.9	3.1
- Dagestan	3.0	2.5	5.3	2.1
- Kabardino-Balkaria	3.3	2.4	14.9	6.3
- Krasnodar	8.2	6.1	21.1	3.5
- Stavropol	2.7	1.8	3.2	1.8
- Rostov	5.6	4.5	11.1	2.4
Ural	1.2	0.8	3.9	4.6

Source: Russian State Statistical Committee

Trade

The low pear crop in 1998 stimulated imports, which increased from 70,000 tons in 1998/99 to 76,000 tons in 1999/00. Because consumption of imported pears is strongly related to income levels, most imports go to the largest metropolitan areas of Russia. Because of this, forecast pear imports are at the same level as in 1999, while the better 2000 harvest will push up the domestic fresh pear consumption to 200,000 tons. This is still 35 percent lower than in the middle of 1990's. The import tariff for pears remains 10 percent and the VAT is 20 percent. China and the EU are the most formidable competitors.

Export Trade Matrix for Pears, 1998-1999

Export Trade Matrix			
Country:		Units:	Metric Tons
Commodity:			
Time period:			
Exports for	1998		1999
U.S.	0	U.S.	0
Others		Others	
Kazakhstan	40		
China	5		
Total for Others	45		0
Others not listed	5		
Grand Total	50		0

Import Trade Matrix for Pears, 1998-1999

Import Trade Matrix			
Country:		Units:	
Commodity:			
Time period:			
Imports for	1998		1999
U.S.	450	U.S.	200
Others		Others	
Argentina	13000	China	17000
France	11900	Belgium	10000
China	10100	France	9000
Netherlands	9800	Netherlands	8000
Belgium	6600	Argentina	7350
Chile	4250	Spain	8500
South Africa	4000	Chile	2500
		South Africa	2250
Total for Others	59650		64600
Others not listed	9900		11200
Grand Total	70000		76000

Other Fruit and Fruit Products

Citrus

After a sharp decline after the 1998 crisis, imports of citrus fruit increased in 1999 by 28 percent, pushing up the share of citrus fruit imports in total fresh fruit imports. Most citrus fruit was imported from Morocco (32 percent), Turkey (21 percent), Argentina (14 percent), South Africa (7 percent), Spain, China, Uruguay (5 percent each) and Greece (4 percent).

Bananas

Because of their low price and year-round availability, banana imports remain strong with almost all bananas coming from Latin America. Leading exporters to Russia include Ecuador (64 percent), Colombia (24 percent), Cost Rica (8 percent), Panama (3 percent) and the Philippines (1 percent).

Grapes

Most grapes and raisins are imported from the Middle East and Central Asia. The largest exporters are Afghanistan (30 percent), Iran (20 percent), Uzbekistan (11 percent), Turkey (8 percent), Italy (4 percent), Moldova (3 percent), South Africa (4 percent) and Kazakhstan (3 percent).

Dried Fruit

Most Russian dried fruit imports come from Central Asia. Leading exporters include Tajikistan (28 percent), Kyrgyzstan (23 percent), Uzbekistan (17 percent), Iran (10 percent), Turkey (7 percent) and France (5 percent).

Juices

The fruit juice market in 2000 has revived after shrinking after the August 1998 crises. The market juice fell because of falling Russian incomes and a spike in prices of imported ingredients for juice production and the prices of packaged imported juices. The recovery in 2000 is a result of expanding Russian juice production that have lower production costs. These Russian companies often use cheap domestic inputs, modern packaging technologies and increasingly promote their brands on a national level. The recovery of the juice market will help improve vitamin consumption in the population, and are expected to cut demand for fresh fruit among average income people. In order to help development of the juice market, Russian created the standards for juices and juice-type products that will become effective on January 1, 2001. Starting June 16, 2000, Russian Government also reduced rates of import duties on juices concentrates imported in containers (barrels, cisterns, tanks) (report RS0025, sent May 25, 2000).