USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - Public distribution

Date: 10/11/2008

GAIN Report Number: RS8308

Russian Federation

Fresh Deciduous Fruit

Annual

2008

Approved by:
Mary Ellen Smith
U.S. Embassy

Prepared by:
Dana Johnson, Svetlana Ilyina

Report Highlights:
Russia is a net importer of fruits. While Russia is expected to continue investing in commercial production of apples, the market remains highly dependant on fruit imports. In MY 2007 total fruits imports in Russia reached 4.7 million metric tons valued at more than 3.3 billion dollars. Russia is the largest importer of apples and pears and is one of the top-five importers of grapes and stone fruit.
Due to global financial crisis and economic uncertainty in Russia, the fruit imports are forecast to decrease in MY 2008.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
St. Petersburg [RS3]Petersburg [RS3]Petersburg [RS3]Petersburg [RS3]Petersburg [RS3]Petersburg [RS3]Petersburg [RS3]Petersburg [RS3]Petersburg [RS3]Petersburg [RS3]
[RS]

Table of Contents

Executive Summary

Russia's Imports of fruits are forecast to decrease due to the global economic crisis and economic uncertainty in Russia. Financial instability has already negatively impacted many spheres of the Russian economy. Rapid expansion and an over reliance on credit for working capital has left many companies scrambling to cut overhead expenses. Investment and expansion projects are on hold, employers are canceling bonuses and reducing the size of their workforce, companies are beginning to close some outlets or move operations to less expensive work space. These conditions coupled with the weakening of the ruble are decreasing consumer purchasing power and consumption is shifting to the most necessary and affordable items.

The Russian government is infusing cash into the banking system in order to lessen the impact of the economic crisis and keep major industries running. Other government intervention has occurred, including a government plea to retail suppliers to extend credit to retailers, hotel restaurants and the institutional food sector beyond the traditional 30 days to 90 days.

Despite the crisis, Russia is a net importer of fruits. While Russia is expected to continue investing in the commercial production of apples, the market remains highly dependant on imports. In MY 2007, total fruit imports in Russia reached 4.7 million metric tons valued at more than 3.3 billion dollars. Russia is the largest importer of apples and pears, and is one of the top-five importers of grapes and stone fruit. Post expects that American products will become less price competitive due to the U.S. dollar's recent improvement over the ruble. Importers and retailers already recognize the high quality and unique characteristics of American fruit and post expects importers to continue to buy American products but warns that buyers will demand lower prices or they will shift to lower quality and less expensive varieties. The specialty and high-end retail chains such as Azbuka Vkusa and Globus Gourmet where American fruit can often be found seem to be the segment of the food-retail market least affected by the crisis, largely because their target customer has more disposable income and their profit margins are greater than middle- and low-end supermarkets.

Post notes that Russian fruit importers did not seem deterred by economic conditions when 30 importers visited the Produce Marketing Association show in Orlando, Florida in October 2008 to meet with partners and negotiate deals for the coming season

Production

Commercial production of apples in Russia has been increasing since 2005 in response to the growing demand for local product from the processing industry and consumers. Official statistics[1] reported that Russia produced 2 million metric tons (MMT) of apples in 2007, 40 percent over the 2006 level. However, according to fruit industry specialists, the total apple crop in Russia reached 1.8 million metric tones, which post consider more realistic. Russia harvested 320,000 hectares and planted 385,000 hectares. Russian producers explain that 2007 was a very successful year for apples and call it "apple year". Also, the intensive gardens which were planted several years ago produced their first harvest. The yield of intensive gardens can exceed several times the old style orchards and add to the average

[1] The Russian Federation Federal State Statistics Service

record yield in Russia.[2] In 2007 the average apple yield grew to 5.6 tons per ton, up from 4.3 tons in 2006.

Consumer preference for locally grown product, the world's deficit in apple supply, and raising prices for apples make commercial apple production more and more attractive in Russia. Commercial fruit production in Russia is concentrated in three main growing regions: Krasnodar (44%), Voronezh (15%), and Lipetsk (8%) regions. The major commercial apple orchards are old gardens, usually planted in Soviet times. The major apple varieties cultivated: Red Chief, Golden Delicious, Semerenka (a Russian light green sour variety), Granny Smith, Gala, and Fuji. Currently more than 10 big apple growers like Sad Gigant (70,000 tons of apple crop), Voronezhaskaya Centralno-Chernozemnaya Kompania (32,000 tons), Sadi Pridonia (30,000 tons), and Viktoriya-92 (10,000 tons) are involved in commercial apple production in Russia. According to the research done by Expert magazine,[3] 80 percent of all trees are more than 35 years old which exceeds the maximum productive life of a tree and urgently need to be replanted. The above mentioned major apple producers stared the replacement of the old-style gardens and planting new apple orchards.

Several projects financed by foreign investment were initiated in the Southern part of Russia. More investment in apple production and upgrades came from the food processing industry. Juice and baby food producers are interested in developing a higher quality raw material for their production. New gardens are planted using intensive garden technology. The technology uses specially selected apple breeds, smaller in size and with higher productivity. The number of trees in new gardens can exceed 1500 per hectare (300 trees in traditional old garden). The garden starts to yield within 3-4 years after planting. Within favorable weather conditions and investment the average apple yields in Russia can go up, but not very significantly. However, only about 8 percent of total planted area is intensive. The overall garden replacement rate in Russia is still low and is estimated at two to three percent compared to the world average which is eight to 10 percent.

According to Expert Magazine, one hectare of intensive garden costs around $20,000 with irrigation, equipment, plus the expenses for the storing and packaging facilities. To make the garden efficient and profitable it should be not more than 100 hectares and yield more than 30 tons per hectare. Besides financing apple growers in Russia face several serious challenges such as: 1) Russia does not produce enough quality planting stock domestically. 2) Research has been underfinanced for the past 15 years. 3) The industry is not satisfied with existing breeds because they are incapable of providing the high yields, quality, and shelf life that can compete with imported fruits. 4) Only one company in Russia is specializing in commercial production of planting material. Therefore, many growers grow their own planting material or buy imported material not well suited for the Russian climate. 5) There is not sufficient storage facilities and packaging technology to preserve the crop year-round.

In 2007 the rapid growth in apple production can be explained improved yields and the new gardens' first crops. The post expects that the current financial crisis will impede further growth and investment in the industry. The shortage of available credit is perhaps the greatest hurdle which will likely keep plans for long term apple garden projects on hold until there is an economic recovery. On the other hand, local apples are the most affordable

---

[2] LLC Victoria-92, the fruit grower in Krasnodar started the investment in intensive apple garden and irrigation systems in 1995. It took the company ten years to raise apple yield from 9 to 34 tons per hectare.

[3] Monthly analytical magazine for industry professionals

option and consumer demand is expected to grow. The 2008-2009 season is expected to be down year in the apple production cycle. Considering intensive gardens crop may make up for this cyclical downturn, the apple production will likely remain at the 2007 level.

Apples are the only fruit in which there has been a consistent increase in commercial production in 2007. Other major fruits such as berries and nuts are grown on household plots for family needs. These fruits are consumed fresh or canned and any surplus fruit is sold in local wet markets during the season.

According to post estimates, Pear domestic production grew 9 percent and reached 170 metric tons in 2007. In previous years, post considered commercial production of pears reached 40 percent of domestic pears production. The All-Russia Agricultural Census results[4] states that only 20 percent of the crop is produced by agricultural establishments in Russia and used commercially, and 140 metric tones is grown on private plots.
However, some processing factories contract pear crop for canning and jam processing from private sector. It is developing trend in Russia when middle processing factories contract local small producers and buy the crop previously agreed on variety, quality and quantity.

[4] the All-Russia Agricultural Census results of 2006. The last analogous research works in Agriculture in Russia dates back to 60th. The Census results afford to provide more accurate estimation of the fruit production in Russia.

Table 1. PDS Table, Apples, Metric tons

PSD Table										
Country	Russian Federation									
Commodity	Apples, Fresh (HA) (1 000 TREES) (MT)									
	2006	Revised		2007	Estimate		2008	Forecast		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market year begin		07.2006	07.2006		07.2007	07.2007		07.2008	07.2008	
Area Planted	348000	348000	348000	360000	360000	385000			390000	(HA)
Area Harvested	290000	290000	290000	305000	305000	320000			325000	(HA)
Bearing Trees	100000	100000	100000	110000	110000	125000			126000	(1000 TREES)
Non-Bearing Trees	31500	31500	31500	30000	30000	40000			42500	(1000 TREES)
Total Trees	131500	131500	131500	140000	140000	160000			168500	(1000 TREES)
Commercial Production	810000	810000	810000	1000000	1000000	1250000			1250000	(MT)
Non-Comm. Production	440000	440000	440000	400000	400000	550000			550000	(MT)
Production	1250000	1250000	1250000	1400000	1400000	1800000			1800000	(MT)
Imports	908000	908000	908000	1000000	1000000	940000			800000	(MT)
Total Supply	2158000	2158000	2158000	2400000	2400000	2740000			2600000	(MT)
Fresh Dom. Consump	1027000	1027000	1027000	1140000	1140000	1361200			1292000	(MT)
Exports, Fresh	2000	2000	2000	3500	3500	3800			3000	(MT)
For Processing	1129000	1129000	1129000	1256500	1256500	1365000			1300000	(MT)
Withdrawal From Market	0	0	0	0	0	10000			5000	(MT)
Total Distribution	2158000	2158000	2158000	2400000	2400000	2740000			2600000	(MT)

Source: Russian Federation Federal State Statistics Service , All-Russia Agricultural Census results, Global Trade Atlas

Table 2. PSD Table, Pears, Metric tons

PSD Table										
Country	**Russian Federation**									
Commodity	**Pears, Fresh** (HA) (1 000 TREES) (MT)									
	2006	Revised		2007	Estimate		2008	Forecast		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market year begin		07.2006	07.2006		07.2007	07.2007		07.2008	07.2008	
Area Planted	38000	38000	38000	55000	55000	58200			58000	(HA)
Area Harvested	25800	25800	25800	36000	36000	39000			39000	(HA)
Bearing Trees	8200	8200	8200	9500	9500	12200			12400	(1000 TREES)
Non-Bearing Trees	8700	8700	8700	8000	8000	7600			6000	(1000 TREES)
Total Trees	16900	16900	16900	17500	17500	19800			18400	(1000 TREES)
Commercia Production	52000	52000	52000	65000	65000	30000			30000	(MT)
Non-Comm. Production	78000	78000	78000	90000	90000	140000			145000	(MT)
Production	130000	130000	130000	155000	155000	170000			175000	(MT)
Imports	376000	376000	376000	410000	410000	397000			345000	(MT)
Total Supply	506000	506000	506000	565000	565000	567000			520000	(MT)
Fresh Dom. Consumpt	411600	411600	411600	460000	460000	450800			411000	(MT)
Exports, Fresh	1400	1400	1400	1000	1000	2000			1000	(MT)
For Processing	93000	93000	93000	104000	104000	110000			105000	(MT)
Withdrawal From Market	0	0	0	0	0	4200			3000	(MT)
Total Distribution	506000	506000	506000	565000	565000	567000			520000	(MT)
Source: Russian Federation Federal State Statistics Service , All-Russia Agricultural Census results, Global Trade Atlas										

Table 3. PSD Table, Grapes, Metric tons

PSD Table										
Country	**Russian Federation**									
Commodity	**Grapes, Fresh** (HA) (1 000 TREES) (MT)									
	2006	Revised		2007	Estimate		2008	Forecast		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market year begin		06.2006	06.2006		06.2007	06.2007		06.2008	06.2008	
Area Planted						10200			10200	(HA)
Area Harvested						10000			10000	(HA)
Commercial Production						10			10	(MT)
Non-Comm. Production						43			45	(MT)
Production						53			55	(MT)
Imports						413000			343000	(MT)
Total Supply						413053			343055	(MT)
Fresh Dom. Consump						413053			343055	(MT)
Exports, Fresh						0			0	(MT)
For Processing						0			0	(MT)
Withdrawal From Market						0			0	(MT)
Total Distribution						413053			343055	(MT)
Source: Russian Federation Federal State Statistics Service , All-Russia Agricultural Census results, Global Trade Atlas										

Consumption

In 2007 the Russian fruit market reached 6 million metric tons. Currently, there is no official data published on fruit consumption in Russia. Four years ago the Russian Federation Federal State Statistics Service research showed that average fruit consumption in Russia reached 34 kg of fruit per person. The trade and production record indicates that per capita fruit consumption rose in Russia to 42 kg, which is very close to consumption level in China at 50kg, and far behind the consumption in Europe and US. According to the post estimates the average Russian consumer at 11.9 kg of apples, 3.2 kg of pears and 2.8 of grapes in 2007. The consumption varies widely depending on factors such as level of income and geographic location. Rural inhabitants usually consume locally grown fruits and vegetables. They traditionally do a lot of canning in order to preserve fruits and vegetables for out of season consumption. Fruit consumption, especially imported fruits, is substantially higher in urban areas. According to the Fruit and Vegetable Alliance research Russian consumers favor the following fruits:

- Apples (40 percent of Russians prefer apples to other fruits);
- Bananas (31 percent) and oranges (28 percent);
- Grapes (22 percent) and pears (21 percent);

- Apricots, peaches, watermelons, mandarins, grapefruits, lemons, plums, pineapples and kiwifruits (7-18 percent); and
- Pineapple, mango, avocado (less than 4 percent).

Russian consumers like locally grown fruits because they believe that local fruit and vegetables are fresher, contain less pesticides, and ecologically safe product. This idea is prevalent in the media and is publicly promoted by government officials. In the summer and early autumn, many families use berries and fruits grown on their private plots or buy the local fresh produce at wet markets, which is why demand for imported products is low in these seasons. A beloved pastime of Russians is to tend gardens and cultivate fresh produce at the dachas (summer cottages) is very popular. Ninety percent of local fruit, berries, and nuts are grown on these private plots. Some of what is produced is simply grown for personal consumption, while others sell their homegrown produce in order to supplement their income. Items include strawberries, apples, pears, plums, cherries, apricots, blueberries, green onions, dill and other herbs.

Produce grown in the former Soviet republics of Uzbekistan, Ukraine, Tajikistan, Georgia, and Moldova is popular among Russians, accounting for over 40 percent of fruit market in summer season.

Healthier lifestyles are becoming more popular in Russia. People are increasingly quitting smoking, beginning exercise regimens, tracking calories and nutritional content, and eating healthier food. Diets are changing as consumers chose more fresh and dried fruit as a substitute for other snacks. Fruit-based deserts are increasingly available in foodservice, and people are drinking more freshly squeezed juices.

Industry experts estimate, that almost 65 percent of all fruits is sold through wholesale and wet markets. Russian consumers prefer shopping at markets over retail stores because they believe the prices are lower and the product if fresher because there are fewer people involved in the supply chain. However, within the last year retail chains have become more popular for fruit consumers because the larger chains such as METRO, AUSHAN, LENTA, Pytoyrochka are spreading to smaller cities in provincial Russia and because of their volume, they can offer competitive prices and convenience. Shoppers prefer to do one weekly procurement. In addition to the one-stop-shopping convenience, retail chains offer expansive fresh produce selection (both imported and locally-produced), more sophisticated merchandising, and numerous choices in consumer packaging.

There is not a sufficient supply of locally-produced fruit to meet demand. The quality and shelf life often does not satisfy retailer's standards. Retailers prefer imported product because the supply and quality is more consistent. This year American apples have been presented in the major supermarkets in Moscow and Eastern Russia.

The food processing industry in Russia is another major buyer of apples. According to industry experts, an estimated 1.3 MMT of local apples and 110,000 tons of pears are processed into to juice, puree, baby foods, and canned fruit. A growing trend in fresh juice processing is to buy locally-grown fruits because Russian consumers prefer its "ecologically safe" image. The locally-grown fruit is also less expensive and there is a built-in transportation advantage.

Depending on how long the current situation continues, rising consumer prices and concerns over unemployment may lead to changes in fruit consumption patterns in Russia. Economic uncertainty and decreased purchasing power will likely drive consumers to shift toward the most necessary and least expensive food items.

Trade

In 2007, Russia remained one of the biggest importers of fresh produce in the world. According to the World Trade Atlas, Russia imported 4.7 million metric tons of edible fruit and nuts worth $3.3 billion in CY 2007. Climate conditions, poor infrastructure, and low quality growing stock have impeded the development of a commercial fruit sector in Russia, and thus, imports of fruit are necessary to satisfy demand. Russia imports fruit from all over the world. Apples and pears are traditionally imported from European countries. Grapes, dried fruit, and nuts are imported from Middle Eastern counties, and pears, grapes, and exotic fruits are imported from the Southern Hemisphere. Newly Independent States: Uzbekistan, Tajikistan, Ukraine, Kazakhstan have also increased sales of fresh and dried fruit Russia. Last year China became the main suppler of apples to Russia. U.S. apple sales to Russia went up 40 percent and reached a record 17,000, tons. Sales of U.S. pears and grapes increased as well and are increasingly available on the retail market. Test shipments of nectarines, peaches, and plums are coming to the Russian Far East.

Russia is a vast country stretching for 12,000 km from East to West and spans 11 time zones. Not surprisingly, the food market in Western Russian differs significantly from the Pacific coast market. There are two points of entry for imported foods to Russian Federation. The Port of St. Petersburg is the major trade route handling around 80 percent of imported foods shipments to Russia. Most consumption is concentrated in Western market, with approximately 120,000 millions people in the territory beginning at the Western border and stretching to the Ural Mountains. The fruit market in Western Russia is very competitive because supplies from Europe, the Middle East and former Soviet republics are in close proximity to this market. Importers of U.S. products faces several difficulties: complicated logistics (30 days transit time from the U.S and possible St. Petersburg port overload), and a common lack of awareness about U.S. fruit quality among consumers. American apples, pears, and grapes are fairly new to this market, but importers and retailers appreciate the long shelf life and great quality of the product and are eager to work with fresh U.S. produce

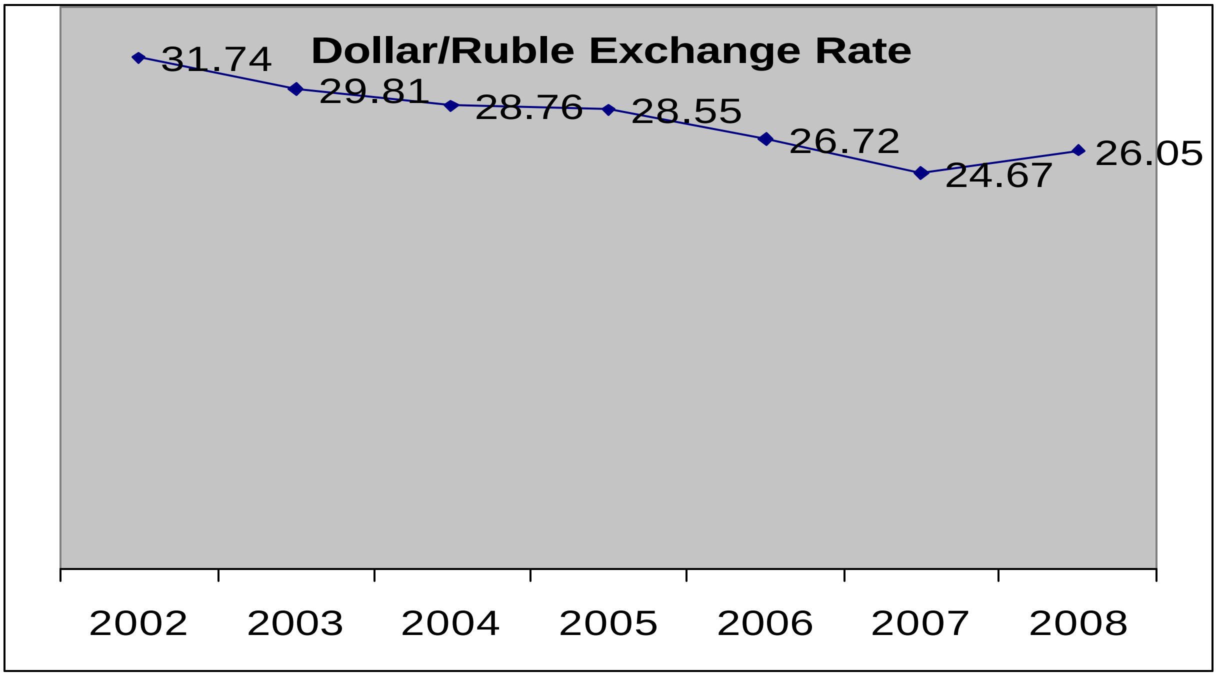
Due to the climate conditions, the Russian Far East (the RFE) cannot grow fruits commercially and all fruit is imported. The RFE imported 160,000 tons of fresh produce in 2007, mostly from Asian Pacific countries, with China as the dominate exports. Total fruit imports from China reached around 95,000 tons in 2007, 86 percent of the total fruit supply to the RFE. Over a period of 10 years, U.S. apples and pears have been available on the market and are recognized by consumers for taste and quality. Local importers have long-standing relationships with U.S. West Coast exporters. It takes 18 days for U.S. fruit to reach the Port of Vladivostok, the Eastern gateway for U.S. food exports to Russia. U.S. fruit is available in Eastern Russia for at least eight months out of the year. Apples, pears, and grapes are readily available. U.S. oranges, limes, and cherries have also been imported for several years. Peaches, nectarines, and plums were shipped to test the RFE market. Prices of Chinese produce have increased while safety concerns of Chinese food products have also increased, which presents a unique opportunity for U.S. fruits expand sales in Eastern Russia.

Table 4. Russian Far East: Fruit Imports, MY 2005-2007

	2005		2006		2007		Total imports to the RFE in tons 2007
	Metric tons	1000 dollars	Metric tons	1000 dollars	Metric tons	1000 dollars	
Apples	1,590	$1,047	2,048	$1,337	4,021	$2,167	70,083
Pears	1,850	$1,062	2,382	$1,482	3,547	$2,348	17,948

Grapes	102	$146	99	$190	263	$358	12,565
Oranges	86	$52	102	$64	813	$522	10,780
Lemon, lime					109	$190	3,405
Source: Russian Far East Customs data							

Figure 1. Dollar/Ruble Exchange rate, 2002-2008



Apples

Apples are the most popular fruit in Russia. Apple production reached 1.8 million metric tons, which is double the volume imported. More than half of local production 1.3 million metric tons is used in juice, canned fruit, and baby food production. The total apple market is estimated to be 2 million metric tons.

According to the World Trade Atlas, Russia remains the largest importer of apples in the world with a record 949,000 metric tons imported in 2007.
China became the leading supplier of apples to Russia in 2007 and is responsible for 25 percent of total imports (232,000 tons). On the contrary Poland apple exports decreased by four times decreased in 2007 and totaled to 85,000 metric tons.

The cumulative supply from the European Union remains steady at 150,000 tons.

U.S. apple exports increased 50 percent and reaching 17,700 tons (4,000 tons of which was exported) to the RFE. Apple imports to Western Russia included an impressive number of Washington Apple varieties in 2007, including Red Delicious, Golden Delicious, Granny Smith, Gala, Cameo, Cripps Pink, Braeburn, Rome, and even Ambrosia, Honey Crisp and Grapples.

Uzbekistan, Poland, China, and Ukraine supply the mass product. Europe, Argentina, Chile and U.S. apples tend to be more expensive, niche products.

In the summer and autumn, when locally-grown fruit and berries are available, apple imports decline. Local apples are usually the most inexpensive on the market and remain available until December. As soon Russian apples are sold out, the prices increase.
Apples from Western Europe and Poland appear in mid-Autumn on the Russian market. Apples from the U.S. usually arrive in November and compete with apples from France, Italy, and Belgium. Europe has a built-in transportation advantage over U.S. apples. According to importers, when U.S. apples are 50 cents per kg more expensive than European, some importers will probably buy US apples. U.S. apples have proven to have good shelf life and great quality standards. Last season the following varies were available on the market: Red Delicious, Golden Delicious, Granny Smith, Gala, Cameo, Cripps Pink, Braeburn, Rome and interest is growing in the lesser known varieties such as Ambrosia, Honey Crisp, and Grapple.

Table 5. Import Trade Matrix for Apples, MY 2006-2007, Metric Tons

Country	Russian Federation		
Commodity	Apples, Fresh		
Time Period		Units:	Metric tons
Imports for:	2006		2007
U.S.	9,457	U.S.	17,707
Others		Others	
Poland	251,018	China	232,784
China	177,078	Azerbaijan	86,723
Argentina	59,913	Poland	85,651
Italy	54,319	Argentina	81,467
Azerbaijan	53,531	France	57,693
France	47,585	Italy	52,760
Ukraine	38,085	Moldova	45,720
Belgium	30,377	Belgium	41,597
Chile	29,458	Serbia	38,296
Germany	23,177	Chile	37,218
Total for Others	764,541		759,909
Others not Listed	134,004		180,037
Grand Total	908,002		939,946
Source: World Trade Atlas, based on data from the Russian Customs Service.			

Table 6. Russia: Prices of Imported Apples, MY 2006-2007, US Dollars per Metric Ton

Country	Russian Federation		
Commodity	Apples, Fresh		
Prices in	US Dollars	per uom	Metric ton
Year	2006	2007	% Change
Jul	482	542	12%
Aug	477	434	-9.025%
Sep	425	429	1.07%
Oct	428	430	0.28%
Nov	424	422	-0.51%
Dec	441	435	-1.36%

Jan new CY	504	513	1.67%
Feb	511	512	0.31%
Mar	502	522	4.02%
Apr	516	529	2.57%
May	515	536	4.07%
Jun	523	566	8.23%
Source: World Trade Atlas, based on data from the Russian Customs Service.			

Table 7. Apples: Average apple prices in Moscow supermarkets, MY 2007, US Dollars per kilo.

Month, year	Variety	Countries of origin	Price range, $ per kilo
July 2007	Red Delicious	Chile	1.79-2.271
	Granny Smith	Italy	2.66-2.48
	Local varieties	Russia	1.50-1.89
	Other varieties $1.70—3.49		
August 2007	Gala	France	2.21-2.71
	Red Delicious	Argentina	1.65-2.29
	Local varieties	Russia	0.73-1.24
	Other varieties $0.84-3.15		
September 2007	Granny Smith	Italy	2.21-3.18
	Jonagold	Belgium	2.12-3.21
	Fuji	China	1.44-2.64
	Other varieties $1 .10—3.97		
October 2007	Granny Smith	France	1.80-2.16
	Red Delicious	USA	3.59-3.88
	Golden	Italy	2.07-2.47
	Idared	Poland	1.47-1.84
	Other varieties $ 1.22-3.88		
November 2007	Idared	Poland	1.55-2.02
	Golden Delicious	France	2.06-2.64
	Red Delicious Red Rome	USA	4.57 4.09
	Other varieties $1.55-4.57		
December 2007	Red Delicious	Italy	2.66-3.85
	Golden Delicious	France	2.11-2.86
	Fuji	China	2.52-3.65
	Fuji Red Delicious Red Rome Cameo	USA	13.39 3.29-8.77 4.55-9.54 7.22

continued on next page

	Other varieties $2.04-13.39		
January 2008	Gala Royal	Germany	2.47-2.95
	Braeburn	Belgium	2.84
	Fuji	China	2.56-4.17
	Red Delicious Golden Delicious Red Rome	USA	3.23-4.50 6.53-7.71 4.39-5.18
	Other varieties $2.11-8.79		
February 2008	Gala	Italy	2.96
	Braebern	France	4.07
	Red Delicious Red Rome Cameo	USA	3.56-4.71 4.11-5.40 5.12-9.68
	Granny Smith	Chile	6.26
	Other varieties $2.12-13.55		
March 2008	Red Delicious	Argentina	2.50-4.54
	Red Delicious	USA	3.81-6.45
	Granny Smith	Italy	2.82-5.08
	Other varieties $2.16-11.51		
April 2008	Fuji	China	2.73-3.50
	Golden	Argentina	2.28-2.73
	Red Delicious	USA	3.75-5.78
	Other varieties $2.06-5.11		
May 2008	Red Delicious	Argentina	2.75-4.16
	Red Delicious	USA	5.03-5.41
	Gala Royal	France	3.64-4.20
	Granny Smith	Argentina	2.94-4.18
	Other varieties $2.07-8.50		
June 2008	Gala	Chile	4.27-5.04
	Gala	France	2.68-3.41
	Red Delicious	USA	3.37-3.88
	Other varieties $2.17-5.59		
Source: Listed prices in Moscow supermarkets			

Pears

Russia imported 397,000 tons of pears in addition to the 170,000 tons of domestically-produced product. Russia remains the world's larger importer of pears. Pears are becoming a popular fruit category following behind the top three favorites: apple, banana, and citrus. According to Post calculations, pear consumption per capita in Russia is approximately 3.2 kg. The major suppliers to Russia were Argentina (117,100 tons), Belgium (115,200 tons), Netherlands (46,800 tons), and China (38,900 tons).

U.S. exports to Russia increased 40 percent in MY 2007 reaching 7,700 tons, including 3,500 imported to the RFE. The total pear market in the RFE is estimated at 17,900 tons. China is the largest supplier of pears to the RFE with 76 percent of the market; and China's Bartlett variety is similar to the U.S. variety. European pears are 10 percent of the RFE market which travel to the RFE by rail. Overall transportation cost contributes to significantly higher prices in the RFE compared to Moscow. Furthermore, the extended transportation time results in more product damage. The U.S. market share of the pear market is about 20 percent. The U.S. pear supply to the RFE has doubled since 2005.

Table 8. Import Trade Matrix for Pears, MY 2006-2007, Metric Tons

Country	Russian Federation		
Commodity	Pears, Fresh		
Time Period		Units:	Metric tons
Imports for:	2006		2007
U.S.	4,385	U.S.	7,728
Others		Others	
Belgium	104,535	Argentina	117,174
Argentina	91,078	Belgium	115,205
China	49,826	Netherlands	46,820
Netherlands	46,272	China	38,932
France	17,457	South Africa	23,651
Spain	14,925	France	11,341
South Africa	12,196	Spain	8,994
Portugal	10,437	Portugal	5,180
Uzbekistan	6,294	Italy	4,660
Italy	4,127	Chile	4,553
Total for Others	357,147		376,510
Others not Listed	19,092		20,976
Grand Total	380,624		397,486
Source: World Trade Atlas, based on data from the Russian Customs Service.			

Table 9. Russia: Prices of Imported Pears, MY 2006-2007, US Dollars per Metric Ton

Country	Russian Federation		
Commodity	Pears, Fresh		
Prices in	US Dollars	per uom	Metric ton
Year	2006	2007	% Change
Jul	560	795	41%
Aug	575	762	38%
Sep	591	805	36%
Oct	603	812	34%
Nov	613	819	33%
Dec	620	827	33%
Jan new CY	745	902	21%
Feb	749	874	16%
Mar	749	855	14%
Apr	772	843	9%
May	783	836	7%
Jun	788	836	6%
Source: World Trade Atlas, based on data from the Russian Customs Service.			

Grapes

Russia's grape imports have grown steadily since 2002. Russia imported 412,967 metric tons of grapes, a significant increase compared to the 107,000 metric tons in 2002. The main grape exporters to Russia are Uzbekistan (118,597 tons), Turkey (86,016 tons), Chile (48,463 tons), China (38,984 tons). The former Soviet republics Uzbekistan, Kyrgyzstan, Moldova, Kazakhstan and Tajikistan play an increasingly important role in fruit supply to Russia. These republics traditionally supplied all fruits to Russia, and have a transportation advantage and developed distribution channels. From Soviet times Uzbek and Tajik suppliers handled the fruit trade all over the Russia and created fully integrated system of product distribution including imports, wholesale to the regions, and sales on the wet market throughout Russia. Russian consumers are accustomed to these varieties and prefer product from these regions when they are in season. The products do not have long shelf life and are available on the market from August to December. Grapes from Chile, Argentina, and South America are imported during the period from January to June. California grapes are a new product for the Russian market. Exports grew five fold over last year's level and reached 1,700 metric tons.

The grape market in the RFE differs from Western Russia. Grapes from Uzbekistan dominate from August to November, but China is the main supplier of grapes to the region throughout the year. Chinese grapes are 30 percent less expensive then California varieties.

Table 10. Import Trade Matrix for Grapes, MY 2006-2007, Metric Tones

Country	Russian Federation		
Commodity	Grapes, Fresh		
Time Period		Units:	Metric tons
Imports for:	2006		2007
U.S.	350	U.S.	1,679
Others		Others	
Uzbekistan	139,442	Uzbekistan	118,597
Turkey	51,548	Turkey	86,016
Chile	30,321	Chile	48,463
Italy	24,204	Italy	24,881
Argentina	16,568	Kyrgyzstan	21,128
South Africa	12,721	Argentina	19,600
Tajikistan	8,644	China	15,484
Iran	8,309	South Africa	14,653
China	7, 647	Moldova	11,083
Kazakhstan	4,374	Kazakhstan	10,363
Total for Others	303,778		370,268
Source: World Trade Atlas, based on data from the Russian Customs Service			

Table 11. Russia: Prices of Imported Grapes, MY 2006-2007, US Dollars per Metric Ton

Country	Russian Federation		
Commodity	Grapes, Fresh		
Prices in	US Dollars	per uom	Metric ton

Year	July 2006/2007	July 2007/2008	% Change
Jul	907	1,400	54%
Aug	964	1,302	35%
Sep	945	1,166	23%
Oct	1,019	1,075	5.4%
Nov	1,052	1,068	1.5%
Dec	1,068	1,086	1.7%
Jan new CY	1,368	1,169	-14%
Feb	1,377	1,073	-22%
Mar	1,384	1,181	-14%
Apr	1,388	1,242	-10%
May	1,393	1,280	-8%
Jun	1,396	1,302	-6%
Source: World Trade Atlas, based on data from the Russian Customs Service			

Policy

A sanitary-epidemiological inspection certificate from the Russian Federal Veterinary and Phytosanitary Surveillance Service (VPSS) must accompany all fruit imports into the Russian Federation. In addition to VPSS approval, importers must obtain a product certificate from an authorized Russian certification agency for customs clearance. To obtain a product certificate, importers must have the following documents:

- Signed contract and transportation documents;
- Certificate of origin;
- Phytosanitary certificate from the exporting country's national phytosanitary authority;
- Quality certificate;
- Importer's license;
- Certificate of Conformity.

Tariff rates on apples vary depending on the season to protect domestic producers. From January 1 to July 31 the tariff rate is 100 Euros per metric ton. From August 1 to December 31 it is 200 Euros per metric ton.

For other fruits, the tariff rate is a percentage of taxable value. For pears and grapes the tariff rate is 5 percent.

Marketing

In Russia marketing of fresh produce is less developed than promotion of snack, alcohol, dairy, and confectionary industry. However, within the lasts few years countries-exporters, fresh produce associations, big exporters, and importers have put more effort in positioning and promotion of their product in Russia.

The programs and tools differ depending on the product awareness and presence in Russia. If product is new or has more sales potential the countries-exporters develop business oriented programs to encourage trade. Chilean Fresh Fruit Associations promote the country as one of the leaders of fresh produce exports from the Southern Hemisphere. Starting with education tours for business and journalist, and press they plan to continue marketing programs for final consumers. Korea, and Japan regularly sponsor buyer missions to their countries to introduce importers to growers and encourage new product imports. Practice showed that press tours to the countries, the buyer missions, field visits, and on one meeting work very well for new producing areas and products introduction to potential buyers and are critical for establishing the direct contacts between businesses.

For the products already presented in country, we see more distributor and consumer oriented marketing programs to broaden final consumers' awareness and expanding product sales. Some European exporters are working through their Russian partners providing promotional materials and sponsoring in store promotions. Over the last two years there have been more attempts at branding more expensive fruits and vegetables. However, branding is more complicated in Russia, where you can find the damage fruits on the display or inaccurate information about fruit varieties or country of origin.

Retail chains in Russia are interested in hosting in-store promotions, tastings, and materials display. The retail sector understands that these actions raise their sales of fresh produce. Some chains schedule promo events regularly for their customers, are open for cooperation, and appreciate educational programs for their personnel.

ROMIR Monitoring Agency has recently published the results of latest research of consumer advertising. According to the research results 60% of Russian consumers believe that TV ads do not have any influence on their purchasing decisions. Even less people pay attention to outdoor advertisings, brochures in their mail boxes and ads on the public transportation. Positive comments were given only for in-store advertisings. People are more interested in obtaining additional information about the products if they came to the store to make their choices and purchases. That is why they pay attention to «point of sale» materials and other in-store communication. Mass Connections Marketing Agency calculated that about 15% of the store visitors read or look through advertising brochures distributed in the store, while only nearly 1% of consumers read materials distributed on the streets and less than 0.3% pay attention to promotional information received by mail. In Moscow the number of chain supermarket customers is high. At least 93% of Moscow residents visit such stores at least ones a month.

Russian websites are is another strong marketing tool. The internet has already become the main source of information for younger generation and well educated people with better income. A well promoted site can provide 24 hours of advertisement. Such sites reach final consumers providing information re the product varieties, nutrition value, recipes, interesting facts about growing areas, coming promotions programs. Additionally these sites can help importers to find the valuable information for business like a list of exporters, crop data, and schedule of trade events.

Three American fruit associations are active in Russia including the Washington Apple Commission, North West Pear Bureau, and California Table Grape Commission. These groups have been promoting U.S. fruits as safe and healthy products. We encourage other U.S. associations to investigate Russia's growing market.

Other relevant reports:

RS7334 Exporter Guide
http://www.fas.usda.gov/gainfiles/200711/146293117.doc

RS8055 Annual FAIRS Export Certification Report
http://www.fas.usda.gov/gainfiles/200808/146295480.doc#_Toc204171223