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Date: 1/29/2005

GAIN Report Number: RS5301

Russian Federation

Food Processing Ingredients Sector

Annual Report

2005

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Report Highlights:

Russia's food processing industry has been growing rapidly in recent years, with a significant output increase of 25 percent in 2003 which was valued at \$32.5 billion. In 2004, reports are that the industry grew 18 percent, but final output figures are not yet available. Due to the growing preference for Western style food and beverages, rising consumer incomes, and a 145 million population, Russia is an excellent prospect for exporters to supply food processors. Consumer markets are not yet saturated with products. These trends are expected into the future keeping prospects bright for continued development. Most local food processors trying to compete in the market are quality-oriented, rather than price-oriented ingredient consumers. Many companies report that raw resources and specialized ingredients for meat, bakery, confectionary, juice, and dairy processing available from Russia domestically are not sufficient to satisfy their needs in the future. U.S. exporters may participate in a USDA sponsored U.S. pavilion in November 2005, at Ingredients Russia, in Moscow by writing atomoscow@usda.gov.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Moscow ATO [RS4]
[RS]

This report was prepared in draft by Qualitel Data Services.

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SECTION I. MARKET SUMMARY

In the early 90-s, imported, manufactured products had a dominant position in the Russian food sector because of the hard economic situation in Russia and the near total stagnation of the food processing industry at that time. After the 1998 financial crisis the local food industry started to grow each year at a very rapid pace. Products manufactured locally in Russia were more affordable for local consumers, compared to imported products and local producers started to manufacture better quality products to seize a larger market share. From that time on, the local food industry has become one of the most dynamic sectors of the Russian economy, with an average increase of 15-20 percent per year. This pace is expected to continue in upcoming years.

The opportunities to supply the market are quite large. Respondents in a recent poll by Ernst and Young reported that, among companies participating, 46 percent source raw materials from foreign suppliers. As well, according to that survey, "some of the fastest growing segments are alcoholic drinks, soups, seasonings, baby and dietary foods, and water and non alcoholic drinks. Dairy products and confectionary products and snacks, historically large markets in Russia, will also continue to grow, but at a slower pace." Russia's imports of raw materials for processing is already quite large, in particular for the meat, dairy, fruits and vegetables, nuts, sugar, fish, and vegetable oils, exceeds \$6 billion annually and is growing quickly. Trade potential for specialized ingredients in food processing is understood by examining essential oils. In this category, Russian imports are growing 18% per year and in 2003 were \$113 million. At present growth this figure will double by 2008.

The factors that restrain faster growth in the food-processing sector are as follows:

- Low supply of processors with high quality raw materials;
- Very high prices of high quality raw materials;
- Continuous growth of prices for energy resources and railway transportation;
- Irregular payments and mutual debts between suppliers of raw materials, processors and food traders; and unreasonably high credit fees.

Overall net profit within the sector nearly doubled in 2003 in comparison with 2000 and reached \$32.5 billion. The overall GDP share of the food processing sector ranks fourth and makes up 11-12 percent of the Russian economy.

Table A. Russian Food Processing Sector Development over 2000-2003

	2000	2001	2002	2003	2003/2002 (%change)
Number of businesses, in thousand	25.4	24.7	23.3	21.9	-6.1
Value of food production, in billion USD	18.7	22.8	25.9	32.5	25.4
Net profit, in billion USD	1.2	1.5	1.5	1.7	13.3
Bread/bakery products, in million tons	9.0	8.6	8.3	8.0	-3.6
Pasta products, in thousand tons	704	764	831	858	3.2
Confectionery, in million tons	1.62	1.79	1.95	2.09	7.4
Meat, incl. offal in million tons	1.19	1.28	1.39	1.60	15.7
Sausages, in million tons	1.05	1.22	1.44	1.61	12.0
Dairy products, in million tons	6.2	6.7	7.5	8.1	8.0
Canned/preserved foods, (in million cans)* *Standard can = 335 grams					
- Vegetables, excl. juices and tomatos	386	417	489	479	-2.1
-Fruit juice	705	1,419	2,199	3,418	55.4
-Fruit and berries	114	118	153	121	-20.9
-Tomato juice, paste, sauces	215	278	323	346	7.1
-Dairy products	620	677	714	750	5.0
-Fish/seafood	531	610	598	677	13.2
Mineral water, in million deciliters	98	122	170	190	11.8

	2000	2001	2002	2003	2003/2002 (%change)
Vodka, liquor products, in million deciliters	123	131	139	135	-2.9
Wine, grape, in million deciliters	24	27	32	36.5	14
Beer, in million deciliters	516	637	702	757	7.8

Source: Goskomstat (Russian State Statistics Committee)

Confectionery companies have been constantly increasing their production volume from year to year, having reached a total output of 2.1 million tons in 2003. In comparison with the confectionery sector, the bakery sector has been lowering its production volume, with 8 million tons of products in 2003.

The structure of the market has dramatically changed over the last ten years. Today about 35-40 percent of all products are produced in Moscow and St. Petersburg, but in Soviet times the regions supplied these two largest cities of Russia with food products.

Rapid growth of the Russian food industry has stirred up active investments into the food sector. Russian companies took advantage of the economic crisis and rapidly started to improve quality of their products, expand their production facilities, and renovate production equipment. Growth of food consumption in Russia has further fueled investments into the local food processing industry. By the end of March 2004, the total amount of accumulated investments reached \$57 billion, a 32.6% increase compared to the same period in 2003. Besides renovation of production equipment, Russian food companies have become active consumers of imported food ingredients. The constant struggle for improvement of product quality inspired the local food producers for a constant search of high quality ingredients in order to increase their shares at the marketplace. While Germany is the largest investor in manufacturing generally, for food processing the United States and the United Kingdom are tied in the value of their investments, surpassing Germany. This is due likely to the taste preferences of Russians for products they are familiar with from the dominance of the US and UK in setting tastes among consumers globally.

One of the latest trends in the Russian food sector is business consolidation by establishing large agricultural and industrial companies and holding companies to get more stable supply of raw materials in the local market. Further business consolidation through mergers and acquisitions by both local and foreign business groups is typical for the Russian food-processing sector. This will encourage foreign exporters to increase ingredient supplies to Russia.

Many industry participants are integrating their operations and cooperating. One of the first industry associations to be established in the Russian market is the "National Alcohol Association" which includes local strong alcohol and beer producers. Soon after that many other food associations were established. 'Agricultural and Industrial Makfa Group', one of the largest Russian pasta producers, is among them. Makfa Group currently has a large processing complex with production and packaging facilities. AIG "Agros" is another large food association in Russia. The largest confectionery associations are 'Guta Group' and 'Sladko', both built by merging Russian confectionery factories, and 'Rossiya', set up by acquisition of a few Russian confectionery companies by Nestle. The major objective of such associations is to control quality of production and market products throughout Russia and abroad.

Consumer demand for high quality products has been constantly growing. For example, turnover in the food retail sector amounted to \$68 billion in 2003, a 10% increase than in 2002. Competition among the local and foreign retailers is getting tougher from year to year. The foreign retailers - Ramstore, Metro, Auchan, Spar, AVA - are currently active in opening their stores not only in Moscow, but also in the Russian regions. The Russian retail chains - Perekryostok, Pyatyorochka, Seventh Continent, Paterson and Kopeika - are very aggressive in expanding their business to the regional markets too. Russian producers are forced to conform to high quality standards under such tough competition.

Participants of World Food Moscow, one of the largest food exhibitions in Russia, were questioned on their attitude towards American products and usage of U.S. ingredients in the local food production. Most Russian companies exhibiting at the show use locally produced ingredients due to their cheaper prices. Seventeen percent of those questioned have a very positive attitude towards U.S. ingredients. They

regularly or occasionally use some of them in food production, and they recognize high quality and safety of U.S. ingredients. Other participants of the exhibition did not reject the possibility of using of U.S. ingredients. At the same time, food producers/importers noted a lack of information about U.S. ingredients. The respondents who rejected usage of U.S. ingredients use exclusively Russian ingredients focusing on the fact that Russian ingredients have a reputation of being more natural.

Russia's economic situation provides a lot of opportunities to Russian food processors and U.S. ingredient exporters, particularly for suppliers of raw, specialty and semi-processed food ingredients. Besides a wide range of advantages, U.S. exporters might face some challenges on the road to the Russian food market.

ADVANTAGES AND CHALLENGES FOR U.S. EXPORTERS

Advantages	Challenges
Economic situation in Russia has generally stabilized (constant growth of GDP of 6.9% in 2004). Consumer income keeps growing on average by 10%.	Russian consumers' income is growing in general, but inflation cuts into this increase.
Local processors more and more must meet international quality standards. They pay more attention to quality of ingredients they use.	Most Russian processors do not have enough information about U.S. food ingredient suppliers, in particular. Besides, financial cost factors are decisive in the food processing industry.
Russian food processing companies continue to expand and modernize their production facilities. This stipulates their demand for high quality ingredients.	Russian producers of ingredients have significantly improved the quality of their products. Besides, European exporters have geographical advantage in doing business with Russia, and exporters from the Middle East offer lower prices.
Growth of well being of the Russian population leads to increase of consumer demands for better quality products, forcing processors to use high quality ingredients.	Imperfection of tariff legislation and its constant changes sometimes lead to customs clearance delays, contract disputes, and unpredictable expenses.
Cash-in-advance system of payment is still a common trade practice in Russia, eliminating credit risks and expenses from letter of credit.	Remaining high credit rates that are fixed by local Russian authorities create obstacles for inflow of foreign investments into Russian industry.
Business credit is used in the local food production more and more frequently by Russian and foreign banks.	Russian ingredient processors constantly work on improvement of their products quality striving for reaching world standards, at the same time retaining their prices at the same level.

SECTION II. ROAD FOR MARKET ENTRY

A. Entry Strategy.

Below is the list of the major recommendations for successful entry into the Russian market.

- Most Russian processors are unaware about the quality characteristics of U.S. ingredients. The least cost approach for spreading such information is participation in specialized exhibitions. "Food Ingredients Russia", held in Moscow in November, is the best ingredient exhibition in Russia. Becoming more and more popular among Russian processors, the exhibition focuses on a variety of food ingredients for all processing industries. In addition, Prodexpo (Moscow, February) and World Food (Moscow, September), the two largest food and beverage exhibitions in Russia, represent an excellent opportunity for U.S. exporters. Almost all major Russian food and beverage producers/suppliers take part in this exhibition. Foreign food and ingredient exporters regularly participate in these shows also to present their new products to the local market. For those who

plan to enter the regional markets participation in other cities' regional food shows is a big advantage.

- Regardless of availability or lack of a representative office in Russia, it is preferable to have well-established contact with a Russian importer. The choice of local partners should be made on the basis of references from other foreign exporters or local reputable processing companies. The right importer can solve many problems, as business relations in Russia depend on personal contacts. In addition, the local partner can help you better understand the local market and its peculiarities that will affect the success of your business in the marketplace.
- Apart from having a local partner or representative office in Russia, it is also necessary to establish direct contacts with large and rapidly growing Russian food companies. The best location for the representative office is Moscow, where many food processing companies and representative offices of foreign and regional food companies are concentrated. Moreover, almost all large local distribution networks have their center of operations or a representative office in Moscow.
- Above all, U.S. exporters must market the products they sell. Ingredient importers and processing companies expect market and sales support services. Russian companies producing quality ingredients pursue serious, focused training for their food technologists and exporters can contribute to continued sales by involving themselves heavily in this process.

In the course of a survey conducted at World Food Moscow participants were questioned about consumers' perception concerning the major trends of promotion of U.S. ingredients at the Russian market. Lack of information about American ingredients in the Russian market was among the key factors affecting trade between U.S. ingredient exporters and local importers. Show participants listed the following proposals as possible recommendations for solving this problem:

- American suppliers should participate in general and specialized food exhibitions, both in Moscow and in regions; and
- America should publish information about U.S. food products/ingredients in the local press.
- American exporters must market the products they sell. Russia is a sophisticated and complex market. Importers expect help from the exporter to market the product to wholesalers and the regions.

According to Russian consumers' perception, American companies lack sufficiently developed business contacts with Russian importers, leading to improperly completed transaction paperwork and thus delays at customs. Another obligatory step in doing business in Russia is the right choice of a reliable distributor for the regions outside Moscow. The exhibition participants also stressed that U.S. ingredients have a reputation of high quality products among Russian buyers of ingredients in contrast to consumers' sometimes low regard of imported food. This gives U.S. ingredients a high competitive advantage in the market.

B. Market Structure

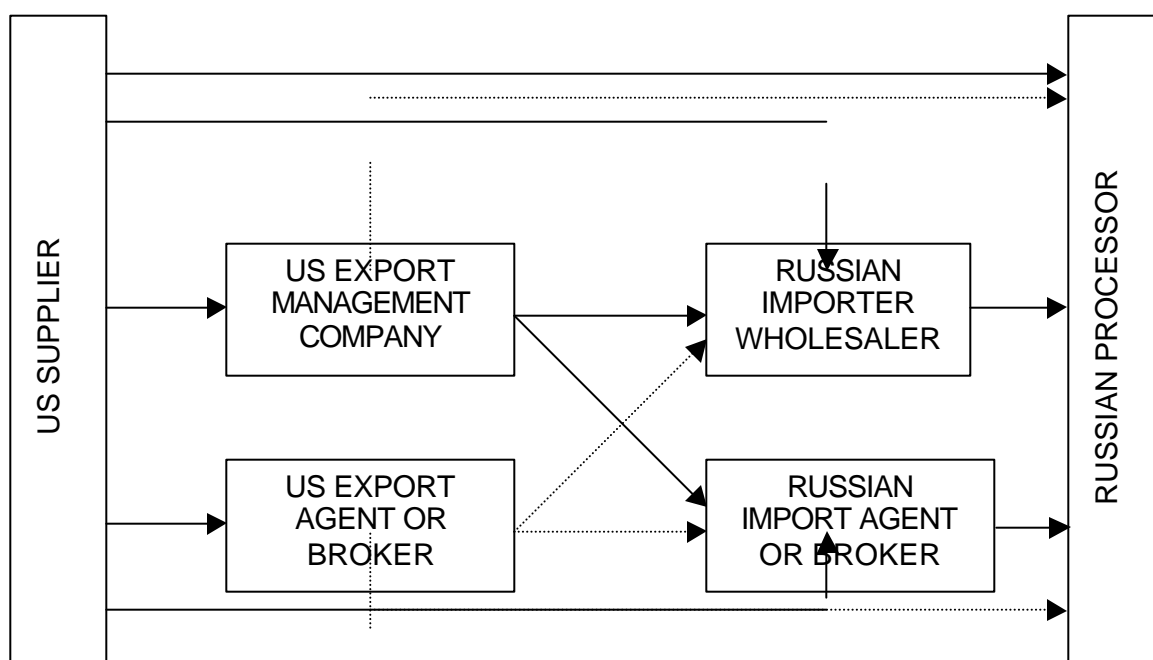
Below are three possible ways of working with ingredient processors in Russia.

- Supply products directly to a local food processor;
- Trade via Russian importer/broker to a local food processor; or
- Supply products via a Russian importer/wholesaler to a local food processor.

In Russia, there are today a number of large food ingredients importers and distributors. One of the key market trends is concentration of the largest food importers/distributors/processors in Moscow and St. Petersburg, expanding their reach and influence into regions by forcing out and absorbing small local distributors. In the past, there was one key distributor in a Russian region working with all local large processors and small wholesale companies. A few years ago, large Moscow/St. Petersburg-headquartered companies held all distribution channels using their affiliates and partners in the regions.

Russian food processors prefer working through local wholesalers, as wholesalers can offer the whole range of ingredients with attractive discounts. Processors supply their products to wholesalers and also to

large food retailers whose share of the market has recently grown. The latest local market trend is a growing demand for high quality food products despite the higher prices. This is a positive sign for foreign ingredient suppliers, as demand for high quality ingredients has been growing leaving far behind locally produced ingredients in terms of their quality. A key task to solve for the exporter along with establishing distribution channels for selling products throughout Russia is a search of an experienced and reputable customs broker who would be able to solve numerous problems and disagreements related to customs



C. Company Profiles

Russian food processors can be divided into the following main groups:

- Large vertically integrated holdings focused on development of their production facilities using their own raw material resources (began in the mid 90-s), such as Cherkizovsky meat-processing plant, Wimm-Bill-Dann juice and dairy producer, etc.
- International manufacturers having their production facilities in Moscow suburbs and other large regions of the country (started to appear in early mid 90-s), such as Danon (France), Campina (Germany), Mars (USA), Dirol Cadbury (UK), San Interbrew (Belgium), etc.
- Russian holding companies with participation of foreign capital, such as OJSC "Baltika" Brewery Company, KamposMos, and others.
- Regional food processing companies that started their activity under the Soviet times and successfully passed through the period of structural management and production reorganization in the second half of the 90-s.
- Small regional producers/entrepreneurs most of whom produce and sell their products in the region where they are located.

The following table includes information about major food processors by different categories. The statistical data given in the table is provided by Goskomstat (Russian State Statistics Committee). This comprises about \$10.9 Billion in sales annually, and many are wholly Russian, or joint stock companies.

Table B. Company (Product types)

Company (Product types)	Sales in 2003 (\$ Mil)	End-Use Channels	Production Location	Procurement Channels
Cherkizovsky (pork, beef, sausage)	\$145	Retail, HRI	Russia (9)	Importers Distributors
KamosMos (pork, bacon, sausage, etc.)	\$118	Retail, HRI	Russia (1)	Importers Distributors
Omsky Bacon (pork-bacon, sausage, etc.)	\$100	Retail, HRI	Russia (1)	Importers Distributors
Ostankinsky meat processing complex	\$94	Retail, HRI	Russia (1)	Importers Distributors
'Meat complex Klinsky'	\$982	Retail, HRI	Russia (1)	Importers Distributors
'Mikoyanovsky meat complex'	\$201	Retail, HRI	Russia (1)	Importers Distributors
Nord (fish, seafood, raw frozen semi-products)	\$28	Retail, HRI	Russia (1)	Direct Self
Inmarco Refrigeration Complex	\$28	Retail, HRI	Russia (1)	
Kreker Moskovsky food complex	\$855	Retail	Russia (1)	Importers Distributors
Wimm-Bill-Dann (dairy products, fruit juices)	\$940	Retail, HRI	Russia (21) Ukraine (2) Kyrgyzstan (1)	Importers, Direct, Distributors
Nestle ice-cream factory	\$391	Retail, HRI	Russia (1)	Importers, Direct Distributors
"Sam Po" ice-cream factory	\$12	Retail, HRI	Russia (1)	Importers Distributors
Metelitsa ice-cream factory	\$30	Retail, HRI	Russia (1)	Importers, Direct, Distributors
Campina (yogurts)	\$579	Retail, HRI	Russia (1)	Importers Distributors
Danon (yogurts)	\$760	Retail, HRI	Russia (1)	Importers Distributors
Sladko (confectionery)	\$547	Retail, HRI	Russia (1)	Importers Distributors
Babayevsky (confectionery)	\$120	Retail	Russia (4)	Importers Distributors
Krasny Oktyabr (confectionery)	\$109	Retail	Russia (8)	Importers, Direct Importers
Rot Front (confectionery)	\$967	Retail	Russia (1)	Importers Distributors
Mars (confectionery)	\$359	Retail	Russia (1)	Importers Distributors
Dirol/Cadbury (chewing gum)	\$92	Retail	Russia (2)	Importers Distributors

Company (Product types)	Sales in 2003 (\$ Mil)	End-Use Channels	Production Location	Procurement Channels
Kreker (cookies, cakes, crackers)	\$855	Retail	Russia (1)	Importers Distributors
Bol'shevik (cookies, cakes)	\$37	Retail	Russia (1)	Importers Distributors
Cheryomushky Confectionery-bread/bakery complex	\$317	Retail	Russia (1)	Direct, Distributors
Udarnitsa (confectionery)	\$432	Retail	Russia (1)	Direct, Distributors
Multon (fruit juices)	\$120	Retail, HRI	Russia (1)	Importers Direct, Distributors
Lebedyansky (fruit juices)	\$270	Retail, HRI	Russia (1)	Importers, Direct, Distributors
Extra ? (pasta products)	\$20	Retail, HRI	Russia (1)	Importers Distributors
Russky Produkt (pasta products, soups, instant coffee)	\$412	Retail, HRI	Russia (1)	Importers, Direct, Distributors
Makfa (pasta, instant cereal)	\$66	Retail, HRI	Russia (1)	Importers, Direct, Distributors
Ravioli	\$222	Retail, HRI	Russia (1)	Importers, Direct, Distributors
Dar'ya (semi-products)	\$66	Retail, HRI	Russia (1)	Importers, Direct, Distributors
Baltimor (ketchup, mayonnaise, sauces)	\$750	Retail, HRI	Russia (4)	Importers, Direct, Distributors
Kristall (vodka)	\$108	Retail, HRI	Russia (1)	Importers, Direct Distributors
Baltika 3 (beverages, beer)	\$420	Retail, HRI	Russia (1)	Importers Distributors, Direct
Ochakovo (beverages, beer)	\$245	Retail, HRI	Russia (1)	Importers Distributors
Heineken (brewery)	\$177	Retail, HRI	Russia (1)	Importers Distributors, Direct
Ostankinsky brewery plant	\$148	Retail, HRI	Russia (1)	Importers Distributors

Source: Russian State Statistics Institute

D. Sector Trends

Processing Trends

- Russia's food processing industry keeps growing very quickly, with an annual increase of 15-20 percent.

- Food processors often build their production facilities close to a source of raw materials.
- International food processors are very active in investing money in the local food processing industry. They prefer to have control over the company's management as well.
- Rapid development of the food processing sector has made most market participants aware of the need to use high quality food ingredients in order to produce high quality products. This helps the local processors to compete with other food manufacturers in the market.
- Rapid consolidation of all sectors of the food industry continues the process of integration of smaller companies into bigger holdings.
- Russian processors keep implementing new production technology. To do this, the local companies have to purchase high quality food ingredients from abroad.
- Changes in the food-processing sector have a positive impact on the agricultural sector in Russia pushing the need of producing more raw materials for further processing. However, the current status of the agriculture in Russia is far from meeting demand for raw materials in the local food-processing sector.
- Setting up new production facilities in central Russia and in the regions as well leads to a growing demand of the processors for high quality ingredients in that region.
- Imports of ready-for-consumption products keeps decreasing, most foreign companies prefer to open their production in Russia in order to make products affordable for the largest number of Russian consumers.

Consumption Trends

- The number of middle class people is growing in Russia (around 20% of the population or 30 million people). This creates growing demand for wider variety of higher quality food products.
- Russian consumers are giving more preference to domestically produced (or processed) products because they are natural (or healthy) with a national taste and affordable.
- Russian consumers have started studying carefully product labels
- The market of high quality food products is developing rapidly, involving not only high-income consumers, but middle class consumers as well.
- Russian food consumers are ready to pay more for branded products, associating them with products of high quality.
- 'Ready to eat' products have become popular among Russian consumers because of the life-style changes (lack of time for home food preparation).
- Consumption of some food products, including beer, wine, and yogurt, is rapidly growing and is getting close to that in European countries and the U.S.
- Russian consumers have a strong negative attitude towards genetically modified products, though their awareness of such kind of products is low and not complete due to lack of objective information. In majority of cases genetically modified products are associated with U.S. products for Russian consumers.
- The recent trend towards a healthy way of life among Russian people has generated a market niche for diet, healthy and non-fat food products. Almost every large processor in Russia has non-fat food products in his assortment.
- The share of high quality food products, past the rank of the common market basket of simple foods, is growing; local consumers are looking more and more for 'something delicious'.

SECTION III. COMPETITION

Based on the survey at World Food Moscow, Russian suppliers of ingredients were named the key competitors of U.S. ingredient exporters, followed by European suppliers. However, Russian food processors that use U.S. ingredients for their food production noted that the quality of U.S. ingredients is so high that there is no other supplier in the market who is strong enough to compete with U.S. ingredient suppliers.

Local food processors are becoming more and more competitive in the food ingredient market. However, the agricultural sector in Russia is just at its initial stage of revival. The Russian government is trying to support domestic food processors with protective measures and import quotas. Quantitative quotas and

tariff rate quotas (TRQs), introduced for meat and poultry in 2003, are aimed at lowering the share of imported products into the country and strengthening market competitiveness of Russian producers. Soybeans, meat, and poultry are at the top of the list of food raw materials that present a big opportunity for U.S. exporters in the Russian market.

Table C. Major Suppliers Of Selected Specialized Ingredients in Russia

Cultures	Chr Hansen	Compounds	Danisco
	Danisco		
	Rhodia		
Emulsifiers	Danisco	Pectin	CP Kelco
	IFOP (local)		Danisco
	Palsgaard		Degussa
	Quest		Herbstreit&Fox
Flavors	Quest	Enzymes	Danisco
	Danisco		Novo
	Dragoco		Dohler
	IFF		Wild
	Firmenich		Aromatika (local)
	Aromatika (local)		
Stabilizers	Danisco		
	Hahn		
	Rhodia		
	Palsgaard		

Source: Russian State Customs Committee

European food ingredient suppliers are the major competitors of U.S. exporters in the sub-sector of specialized ingredients. Apart from competition in price category, European suppliers have an incontestable advantage over U.S. suppliers, i.e. quick delivery of products and low transportation costs. However, under the current favorable the U.S. dollar/euro rate and with an alternative way of product delivery and creation of a high standard distribution network, U.S. suppliers can easily compete with European suppliers.

Table D: Major Suppliers for Selected Product Categories by Countries

Product Category	Major Supply Source in 2003	Strengths of Key Supply Countries
Poultry Meat Net Import 1,168,171 tons \$672 million	USA – 67% Brazil – 17% Germany – 4%	US price competitive, provides tech support, benefits from country-specific TRQ; Brazil competes on price, offers favorable terms
Pork Net Import 469,567 tons \$540 million	Brazil – 59% Poland – 13% EU – 12 % USA – 4%	US price competitive on some cuts/ trimmings; Brazil/Poland compete on price/ credit terms
Beef	EU – 32% Ukraine – 19%	EU, Ukraine, Brazil enjoy historical trade ties, short shipping time

Product Category	Major Supply Source in 2003	Strengths of Key Supply Countries
Net Import 422,226 tons \$530 million	Brazil – 18% USA – less 1%	
Offal Net Import \$149.4 million	USA – 45% Denmark – 16% Germany – 13%	US price competitive; Denmark, Germany enjoy short shipping time
Fish & seafood Net Import 552.150 tons \$338 million	Norway – 52% Latvia – 9% UK – 5% USA – 1%	Norway enjoys quality reputation, traditional trade ties. Offers strong promotional support
Egg Products Net Import 1,021 tons	Denmark – 68% Belgium – 22%	Denmark, Belgium enjoy historical trade ties, short shipping time
Dried Fruit Net Import \$42.4 million	Iran – 33.1% Turkey – 12.3% Afghanistan – 11% USA - less than 1%	Principal suppliers enjoy traditional trade ties, competitive prices and short shipping time
Tree Nuts Net Import 46,420 tons \$26,7 million	USA – 28% India – 9% Iran – 8%	USA dominates almond trade, which expands sharply; India and Iran dominate cashew and pistachio markets, respectively
Fruit Juices and Concentrates Net Import 376 million liters \$140 million	Brazil – 32% Netherlands – 20% USA – less than 1%	Bottled/ packaged juice imports typically sold in premium market; Brazil major supplier of orange juice concentrate for processing due to competitive price
Protein Isolates & Concentrates Net Import \$20.1 million	Netherlands – 36% Denmark – 19% Israel – 10% USA – 5%	Principal suppliers enjoy traditional trade ties, competitive prices and short shipping time
Potato Flakes, Flour and Meal Net Import \$3.4 millions	Germany – 45% France – 13% Finland – 12% USA – 6%	Principal suppliers enjoy traditional trade ties, competitive prices and short shipping time
Essential Oils Net Import \$3.6 million	USA – 40% Germany – 21% Austria – 9%	Principal suppliers enjoy traditional trade ties, competitive prices and short shipping time
Hops	Germany – 78%	Many brew masters are German or German-

Product Category	Major Supply Source in 2003	Strengths of Key Supply Countries
Net Import \$17.7 million	USA -15%	trained, favor German hops; short shipping time; competitive prices
Lacs, gums, veg extract Net Import \$42.3 ???.	Spain – 37% Germany – 21% USA – 2%	Principal suppliers enjoy traditional trade ties, competitive prices and short shipping time

Source: Russian State Customs Committee