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Market Development Reports

Moscow Food Market Expanding 2005

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Report Highlights:

Moscow currently accounts for 20 percent of Russia's foodstuff consumption. More important for food exporters, strong disposable-income growth is expected in this city, the economy of which is characterized by a large marginal increase in food consumption per additional unit of income. Therefore, the capital is expected to be an even more important market in the future.

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Executive Summary

The Moscow food market is growing in both volume and as a share of Russia's total consumption. What is more, further expansion is considered likely, as the city grows, and necessary, as current consumption of basic products is below recognized nutrition standards. Several public and private sector officials offered their perspective on this topic at the recent "Agriculture and Food Market 2005" international conference held in Moscow, and also provided additional details on actions taken by the Moscow city government to ensure a stable food supply.

The Moscow Food Market is Growing!

During the conference, Mr. Viktor Olkhovoy, first deputy head of Moscow's Department of Food Resources, described the local market in the following terms:

- Moscow consumes seven million metric tons (mmt) of food products annually, including 1.1 mmt of meat, 0.8–1.2 mmt of grain, 60,000 metric tons of butter, 120,000 metric tons of vegetable oil, 50,000 metric tons of fish, and approximately 600,000 metric tons each of sugar, potatoes, fruits, vegetables.
- By 2010, total annual food products consumption in Moscow will reach ten million metric tons. According to Mr. Olkhovoy, such consumption will mean that overall per capita nutrition norms will be reached. For some product groups, including sugar and vegetable oil, this level has already been met. However, consumption of other basic foodstuffs is lagging behind norms. For example, meat availability must be increased by 250,000–300,000 metric tons per year to reach these standards.

According to other speakers, food product retail sales volume in Russia has increased, especially for cheese, alcohol, vegetable oil and other products. However, distribution is becoming more concentrated, primarily in European Russia, with Moscow's overall share exceeding 20 percent of Russia's total. In Moscow, per capita consumption of more expensive food products like fish and meat is almost 25 percent higher than the national average, but the gap between actual consumption and recognized norms is still about ten kilograms per capita per year in the capital.

Per capita food consumption in Moscow and the gap between current intake and recognized standards are given in the table below:

Table 1. Consumption estimates and norms in Moscow

Per capita consumption, kg/year	2002	2004	Nutrition Standard
Fish	16	17	20
Meat	70	73*	82
Vegetables	76	81	140
Fruits and Berries	54	56	80

Source: Presenter's estimates

* The corresponding figure for all of Russia is 56 kg.

The Moscow City Government's Role

According to Mr. Olkhovoy, the Moscow city government supports and develops its food supply by:

- Protecting Moscow's food industry enterprises from bankruptcy,
- Creating and assisting in the creation of large food distribution (wholesale) centers in Moscow and in Moscow oblast,
- Assisting the integration of Moscow food processing and food trade companies with agricultural producers in different regions of Russia. For this integration, the Moscow government envisages two billion rubles will be allocated from the city budget. Mr. Olkhonoy noted that 19 Moscow food companies own or have stable agreements with 70 agricultural enterprises in the oblasts, and 15 percent of Moscow's fresh meat supply comes from these farms. Some 60 percent of Moscow's grain consumption is stored in Moscow-based flour mills,
- Allocating soft loans (four billion rubles annually) to keep Moscow's supply of agricultural raw produce stable,
- Keeping an emergency cash reserve to ensure Moscow's food supply [is stable],
- Creating a very efficient information center and database to track food availability in the city,
- Concluding special agreements with suppliers of high-quality food. Under these agreements, the Moscow city government can terminate the leasing agreement (including building leases) with companies that supply "produce of inadequate quality" to Moscow.

Comment

The population of Moscow and its suburbs is 16 million, as large as the seventh-largest country in the European Union (EU), with the food demand increasing as quickly as the second-ranking EU country.