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Report Highlights:

The ATO's September Newsletter includes articles about Starbucks opening their first cafe in Russia, the ATO at a culinary festival in Vladivostok, and the POTATO RUSSIA International Conference.

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SEPTEMBER HIGHLIGHTS

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- Russia TV Crew Travels to U.S
- Wine Tasting in Belarus
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Starbucks Comes to Russia



Starbucks opened their first café in Russia last Thursday, September 6, marking a great success for the Starbucks chain and the U.S. food service industry. The new café is located in Mega Khimki, a shopping center located outside the city limits of Moscow. Starbucks presence in Moscow will enhance the image of the United States here; Many Russians mistake America as only a fast food nation.

Starbucks joins five other coffee chains in Mega Khimki and will face similarly tight competition throughout Moscow. Coffee shops have been aggressively expanding for the last five years. Starbucks opens two years after a legal issue surrounding the Starbucks trademark was resolved.

Russia is characterized as a difficult market to enter and operate in. Starbucks Manager, Mojtaba Akbari, described an extensive process to get all of their products and equipment certified. Nevertheless, Akbari said entering the Russian market was not any more difficult than his previous experience entering the market in Greece. "We are a transparent company, so sometimes it takes longer."

Although the new Starbucks has been open for just over a week, management has already noticed some interesting customer trends. The food business has been larger than expected with 30-40% of customers purchasing food with their coffee. Only 10-20% of Europeans purchase food when entering Starbucks and an even smaller fraction of Americans. Marketing director, Maria Timonina, helps explain this behavior as Russians' propensity to try new things. The high food sales can also be explained by Russia's "see it and eat it" culture.

Starbucks will be selling a variety of locally-produced foods which should look and taste familiar to Russians. They will also sell pastries and cakes from Sweet Street, an American frozen gourmet dessert company based in Reading, Pennsylvania. Starbucks usage of Sweet Street is particularly significant as U.S. exporters try to develop a reputation for food and beverages beyond the fast food industry. Starbucks is also selling their U.S.-manufactured Tazo brand teas and U.S.'s Tropicana Juice.



A 270-square foot model Starbucks kitchen and counter used to train Starbucks employees is located in Starbucks's downtown office. This will help train Russian employees, who may never have been inside a Starbucks café before, to deliver the standard Starbucks quality beverages and service. Managers have tried to create compensation packages to attract workers. In general, employees seek high hourly wages instead of packages with extensive pensions and healthcare.

There are plans to open another store on Stariy Arbat, a street in downtown Moscow famous for shopping and tourists. Starbucks has already sent five Russian store managers to Seattle for extensive training. Instead of focusing on expansion plans, Akhbari seemed focused on the larger Starbucks strategy to develop individual relationship between customers and Starbucks high quality coffee.

ATO at Culinary Festival in Vladivostok

The Fourth Annual Culinary Festival brought together over 10,000 experts and professionals from the hospitality industry (hotels, restaurants, and cafés) from all corners of the Russian Far East.

The American Product School organized by the Agricultural Trade Office's (ATO) Svetlana Ilyina was widely recognized as one of the most interesting events.



The new Consul General in Vladivostok, Tom Armbruster, greeted participants and organizers during the opening ceremony and was interviewed by one of the prominent Far East TV stations, TVTS. During the interview, Armbruster stressed the importance of developing the hospitality industry as a key to regional prosperity and to attract international investment.

The ATO is a regular participant in the Culinary Festival. More than 350 attendees visited the ATO's informational booth to learn more about American foodservice products available in Vladivostok. Recipe books for U.S. poultry, California almonds, US peas, and American pork were very popular. Twenty-six new products from American producers arrived to Vladivostok a week before the festival including: sauces, canned tomatoes, other vegetables and fruits, and five different kinds of pasta for Italian cuisine. These products joined the products that have been promoted in the past: pork, cheesecakes, turkey, chicken meat, California almonds, pears, and apples.

The master classes helped attract even more attention to the ATO booth and American products. One master class was funded by the ATO and promoted almonds, American chicken quarters, and Lamb Weston's potatoes. The second class was funded by the U.S. Meat Export Federation and promoted U.S. pork. The classes attracted over 130 people.

Sergey Klimenko, a famous Vladivostok chef who hosts a weekly Culinary TV program, managed to demonstrate preparation for 4 courses dinners during each master class. Klimenko turned the classes into part of his regularly broadcast show which meant that in addition to him cooking, he took questions from the audience, and engaged guests in active participation.

CARGILL Co independently hosted a master class during the fourth Culinary Festival with their local partners promoting Australian beef and U.S. pork. The American presence in the Culinary Festival in Vladivostok continues to expand, hopefully resulting in growth of U.S. product sales.



POTATO RUSSIA

The POTATO RUSSIA International Conference took place in August 2007 in Moscow, Russia. Hundreds of representatives from companies involved in potato production, breeding, chemicals, machinery, and research and development were present. It was organized as a collaborative effort of the Russian Ministry of Agriculture and the Dutch organization Europoint.

Before POTATO RUSSIA began, the Seed Potato Section of the United Nations Economic Commission for Europe (UNECE) Working Party on Agricultural Quality Standards met to discuss promotion of the UNECE Standard on Seed Potatoes.

Russia is the second largest potato producer in the world, but the average yield is still well below the global average. Low potato yields can largely be explained by the fact that 93 percent are produced on privately-owned family plots of about 0.06-4.00 hectares, farm plots do not have access to adequate farm inputs, and producers may underreport production.



The Russian Veterinary and Phytosanitary Surveillance Service (VPSS), has imposed a de facto ban on imports of fresh potatoes from the United States by declaring a list of quarantined pests and diseases that exclude U.S. exports. Because of import restriction on fresh potatoes, U.S. potatoes are primarily going to Russia in frozen form. The volume of imported potato flakes, granules, and pellets is still relatively low but growing. There is potential for U.S. processed potato exports to grow.

Potatoes are a staple food for Russians, often referred to as their second bread. Although Russian consumers generally prefer traditional potatoes with white flesh, they are warming up to potatoes with yellow flesh or red skin. Potatoes are being sold in smaller, more convenient packages. Quality and convenience are becoming increasingly important to consumers attracting them to processed products. Potatoes in Russian stores and markets are being marketed by variety.