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## Russian Federation

### Wine

### St. Petersburg Wine Market

### 2005

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**Report Highlights:**

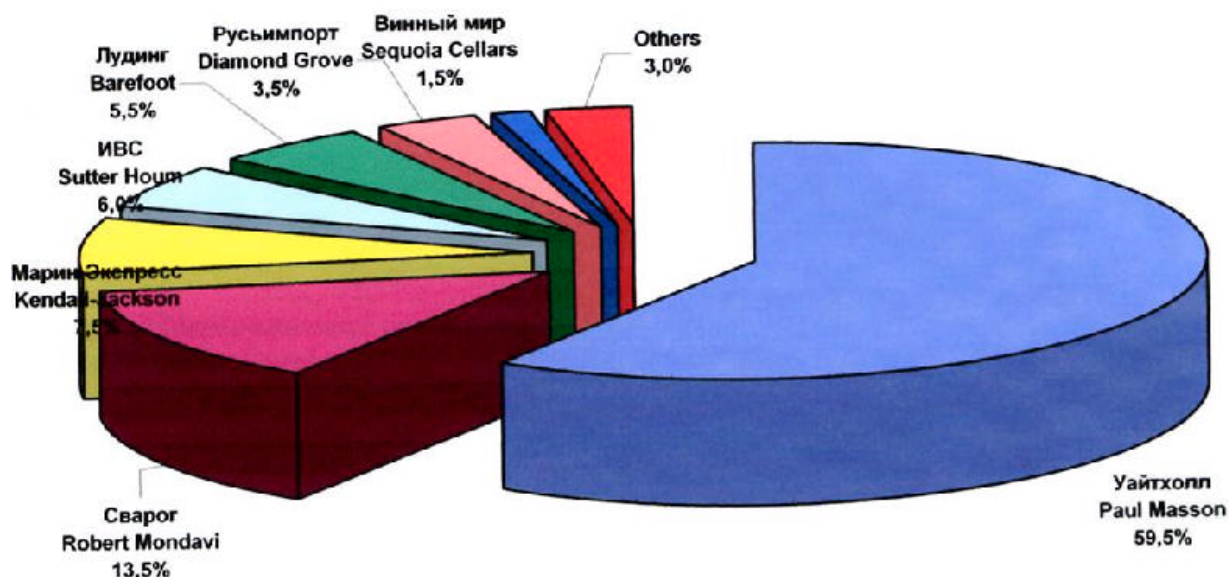
While St. Petersburg, Russia's "Window to Europe", often falls in Moscow's shadow, the wine market is rapidly developing and holds many opportunities for U.S. producers. St. Petersburg based wine importers carry three of Russia's top five best selling U.S. wines, and earn nearly 30 percent of the country's California wine sales. An increasing number of Moscow's major importers are opening wine schools and boutiques in the city and it will soon be home to Russia's first internationally accredited wine education institute.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Moscow ATO [RS4]  
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### Market Overview

According to Business-Analytica, Moscow accounts for 70 percent of Russia's California wine consumption, St. Petersburg accounts for eight percent and all other regional cities account for 22 percent. California wine consumption in St. Petersburg in 2005 reached over 20,000 9-liter cases, as of September 2005, according to a report issued by Svarog, an importer. Moscow may remain the market leader in U.S. wine sales, but St. Petersburg based wine importers carry three of Russia's top five best selling U.S. wines, and had a nearly 30 percent market share on sales of California wine in the country. In addition, nearly all of Moscow's major importers have distributors who actively work in St. Petersburg. Moscow based importer DP Trade has their own highly popular wine boutique in the center of St. Petersburg. Moscow importer Simple Wine Co., who specializes in rare, expensive and elite wines, has recently opened a Petersburg office and is due to inaugurate a branch of their wine-tasting school Enotria and their specialized boutique Grand Cru in the city as well.



Percent of sales of bottled California wine in St. Petersburg in 2005.

*"Business Analytica", GTK and market research by Svarog company.*

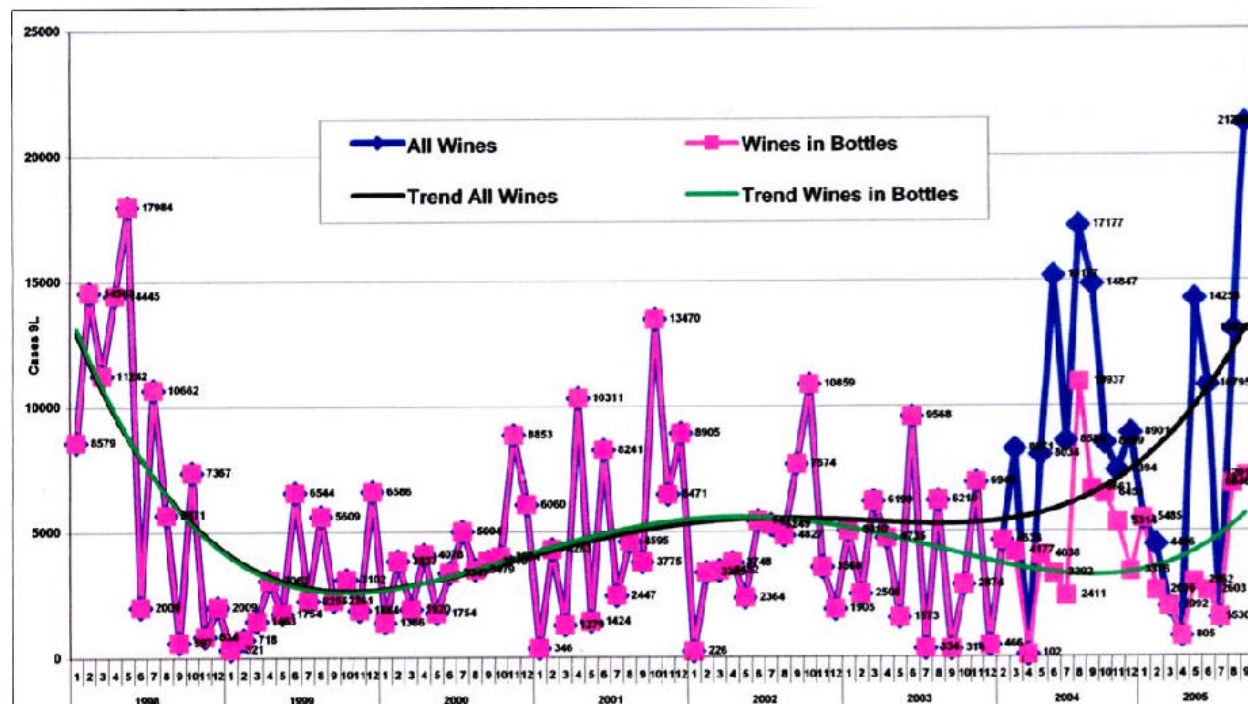
As this chart indicates, St. Petersburg based importers carry the second, third and fourth best-selling California brands: Robert Mondavi represented by Svarog, Kendall-Jackson represented by Marine Express, and Sutter Home by Eastern Wines and Spirits. Together, these three brands account for 30 percent of California wine sales in Russia.

### Market Trends

It is estimated that boxed wines currently account for nearly one third of California wine sales in St. Petersburg. Various sources conjecture a 10 –15 percent decline in overall California wine sales, due to aggressive competitor marketing, but ATO has found no documented report that actually demonstrates this trend. ATO believes the entrance of new quality-for-value bottled wines will pave the way for dramatic growth and improved U.S. wine sales in St. Petersburg.

When boxed wine brand, Franzia, represented by the St. Petersburg importer Mozel, first came onto the Russian market in 2004, California wine sales grew dramatically, reaching a record sale since 1998 of 17,000 cases. As the chart below indicates, sales then plummeted and only began to rise again in April 2005, the same month Kendall-Jackson

came onto the market with a new distributor. Kendall-Jackson has grabbed an amazing 7.5 percent of California wine sales within its first 6 months on the market. The brand is now available in every super and hypermarket chain in St. Petersburg, in independent wine boutiques in the city and throughout the region. Remarkably, wine is offered by the glass at the city's two most popular wine bars and at a few trendy medium-priced restaurants. ATO believes that Kendall-Jackson is setting a trend for other California brands to follow; the trend will bring new opportunities for both trade and consumer buyers to experiment with U.S. wines and increase opportunities to build brand awareness.



Import of California wine from 1998-2005 in 9-liter cases.

*"Business Analytica", GTK and market research by Svarog company.*

## HRI Sector

The city's 4,000 restaurants and 15 world-class hotels present considerable on-trade possibilities for U.S. wine labels. Italian, German, Japanese and Russian cuisine are the most popular. Industry sources report a 10-15 percent increase of Japanese restaurants in Petersburg over the last 3 years. According to trade specialists, the hotel and restaurant sector in St. Petersburg has dramatically expanded since the city celebrated its 300<sup>th</sup> anniversary in 2003. The HRI industry is becoming increasingly sophisticated in response to the growing popularity of the city as an international tourist destination and the city's growing economy. With four million annual visitors and tourists, local restaurants have to cater to foreign tastes. This is both an advantage and disadvantage when it comes to placing U.S. wines. While some restaurateurs pride themselves on their extensive wine lists that cover the best from all over the world, others prefer to concentrate their wine selection on CIS produced wines, Georgian in particular, because tourists consider them to be authentic and local. The industry acknowledges that local customers are often hesitant to order a bottle of wine from a region they haven't tried before. Thus, some of the more enterprising restaurants have begun to experiment serving U.S. wine by the glass in order to build up a client base for U.S. wines. Many restaurants have only begun to initiate wine-by-glass promotions. For a more detailed report on the HRI sector in St. Petersburg, please see FAS Gain Report RS5060.

**St. Petersburg versus Moscow**

Russia is often said to be a nation of two capitols. However, only the residents of St. Petersburg think so. How does the market in St. Petersburg differ from Moscow? According to Aleksei Veselago, Regional Director of Marine Express, the St. Petersburg market is more cautious and more loyal than its Moscow counterpart. Muscovites, Veselago says, are fickle consumers; they are constantly looking for the next hottest trend, while Petersburgers are more traditional and loyal. It may take longer to establish new brands and win over consumers in St. Petersburg, but according to Veselago, the long-term investment is worthwhile. He also noted that the St. Petersburg consumer is more receptive to brands than his Moscow counterpart, and there are more opportunities for sustained brand-building in the local market.

The Woodbridge and Robert Mondavi labels from Saint-Petersburg importer Svarog are excellent examples of this. Svarog first began importing Robert Mondavi in 1997. According to Svarog's Marketing Director, Evgeniy Galkin, over the last several years the Woodbridge and Mondavi labels have gained a steady client base that consistently remains loyal to the brand. "It would be very difficult for them to be convinced to switch over to another California producer," Galkin says. In Spring 2006, Svarog will open a wine institute in St. Petersburg jointly sponsored by the Wine and Spirits Education Trust in London. This will be the first internationally accredited wine school in Russia.

**Upcoming Events**

The XIII International Wine and Vodka Fair will take place in St. Petersburg June 7-10: [www.drinks.lenexpo.ru](http://www.drinks.lenexpo.ru) For more information on visiting the market and taking advantage of these opportunities, write to [agstpetersburg@usda.gov](mailto:agstpetersburg@usda.gov) or to [atomoscow@usda.gov](mailto:atomoscow@usda.gov).

U.S. wine sales opportunities are growing in Russia, as the nation experiences another year of rapid economic development and consumers look for new products. U.S. wine exporters or producers should check in with the Wine Institute of California which will conduct a tasting in Moscow, June 2006 as part of its European Tour for producers. As part of its support for U.S. wine sales, ATO Russia will organize a tasting of U.S. wines available on the Russian market with the American Chamber of Commerce in February 2006, also supported by the Wine Institute of California. In March 2006, U.S. wines currently available on the Russian market will be presented to regional buyers in Vladivostok, organized by the ATO office in the Russian Far East. ATO will support U.S. producers wanting to showcase their wines at a competition and master class in April 2006 at Vinniy Mir, organized by Vitrina Magazine.