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Russian Federation

Exporter Guide

Opportunities in Russia

Approved By:
Deanna Ayala, ATO Director

Prepared By:
Olga Kolchevnikova, Marketing Specialist

Report Highlights:
Despite the economic recession of 2008-2009, Russian began the process of recovery in 2010. Russian consumer markets offer many opportunities for U.S. companies as domestic competitiveness is still low. The U.S. is the third largest supplier to Russia (by value of food and agricultural products). In 2009, the consumer oriented sector accounted for 79 percent of total agricultural, fish and forestry imports from the United States, worth $1.7 billion according to Russian customs statistics. Market opportunities for U.S. products include red meats, poultry, fish and seafood products, tree nuts, wine, pet foods, fresh and dried fruits, food preparations and livestock genetics.

Post:
Moscow ATO

Author Defined:

SECTION I. MARKET OVERVIEW

The Russian economy's long period of stellar growth came to an end in the fourth quarter of 2008 due to the global recession. Real GDP shrank by 7.9 percent in 2009. In April 2009 Russia's Government began to implement a fiscal stimulus. It included large increases in military spending, tax cuts and other financial support to strategic industries. Altogether, the value of support measures amounts to about 14 percent of nominal GDP and the measures are spread out over 2009 and 2010. In 2010, domestic demand, which collapsed in 2009, has begun to gain strength. The Russian Government continues to focus on fundamental changes in the economic structure over the long term. Their goal is to reduce dependence on the energy sector. Currently, the economy remains heavily dependent on oil and natural gas exports, which account for two-thirds of export revenues. Government officials expect the economy to return to pre-crisis levels by 2012. Real GDP growth of 4.3 percent is estimated for 2010 with higher oil prices and a supportive policy mix driving the economy.

According to Euromonitor International, per capita annual disposable income reached RUB169,083 (US$5,324) in 2009, lower than most Central and Eastern European countries but higher than ex-Soviet republics such as Ukraine (US$1,695), Belarus (US$2,958) and Kazakhstan (US$3,645). Consumer credit availability has increased significantly during last years due to the rapid development of the financial sector, and while the economic crisis led many banks to tighten lending conditions, the already fairly strict regulation of consumer credit prevented any significant increase in bad credit from taking place. Consumer credit is likely to see healthy development in the short and medium term as a growing number of Russian consumers gain access to banking services.

Labor costs in Russia are fairly low. In 2009, the minimum monthly wage stood at RUB 4,330 (US$136). This, however, was higher than in many peer economies including Ukraine (US$80.2). However, labor productivity has remained low due to obsolete manufacturing and management practices and poor infrastructure, as well as limited opportunities for continued qualification and re-qualification. Personal income tax is set at a flat rate of 13.0 percent for residents (for individuals spending at least 183 days in a given tax year in Russia) and 30.0 percent for non-residents.

The unemployment rate, which had declined from 7.8 percent of the economically active population in 2004 to 7.0 percent in 2008, soared again in 2009, to 8.4 percent. Labor productivity is not only low but workers are far less mobile than in Europe and the United States. The number living below the official poverty line is still high at 22 million but fell significantly during the period of high oil prices. Although the middle-class has grown substantially, the number is still matched by those living in poverty.

The major long-term challenge for Russia's labor force is the country's serious demographic crisis. The population has been declining since 1995 and will continue declining through to 2020, dropping from 142 million in 2009 to 139 million by 2020. With Russia's labor force shrinking and ageing at a rapid pace, it is becoming increasingly difficult for the country to develop the labor skills needed to sustain economic growth.

Table 1. Russia – Economic Activity

	2005	2006	2007	2008	2009	2010e	2011f
Nominal GDP, billion rubles	21,609.80	26,917.20	33,247.50	41,428.60	39,100.70	43,901.20	49,014.90
Nominal GDP, billion dollars	753	1,022.30	1,354.30	1,410.00	1,293.00	1,493.00	1,751.00
Real GDP growth, % change y-o-y	6.4	8.2	8.5	5.2	-7.9	4.3	4.4
GDP per capita, US$	5,182	6,710	8,813	11,304	8,682	10,532	12,398
Population, mln	143.2	142.5	142.1	142	141.9	141.8	141.2
Unemployment, % of labor force, eop	7.1	6.7	5.7	7	8.4	7.3	7

Notes: e/f = estimate/forecast. Source: Federal State Statistics Service, World Bank, Business Monitor International

The agriculture sector's share in GDP is small compared to other Eastern European countries. According to Euromonitor International, an estimated 8.3 percent of the workforce is employed in agriculture. Farm output had originally been expected to grow by 2.4-2.7 percent in 2010 but the drought and heat wave which hit Russia in mid-year has ruined nearly a third of the expected harvest.

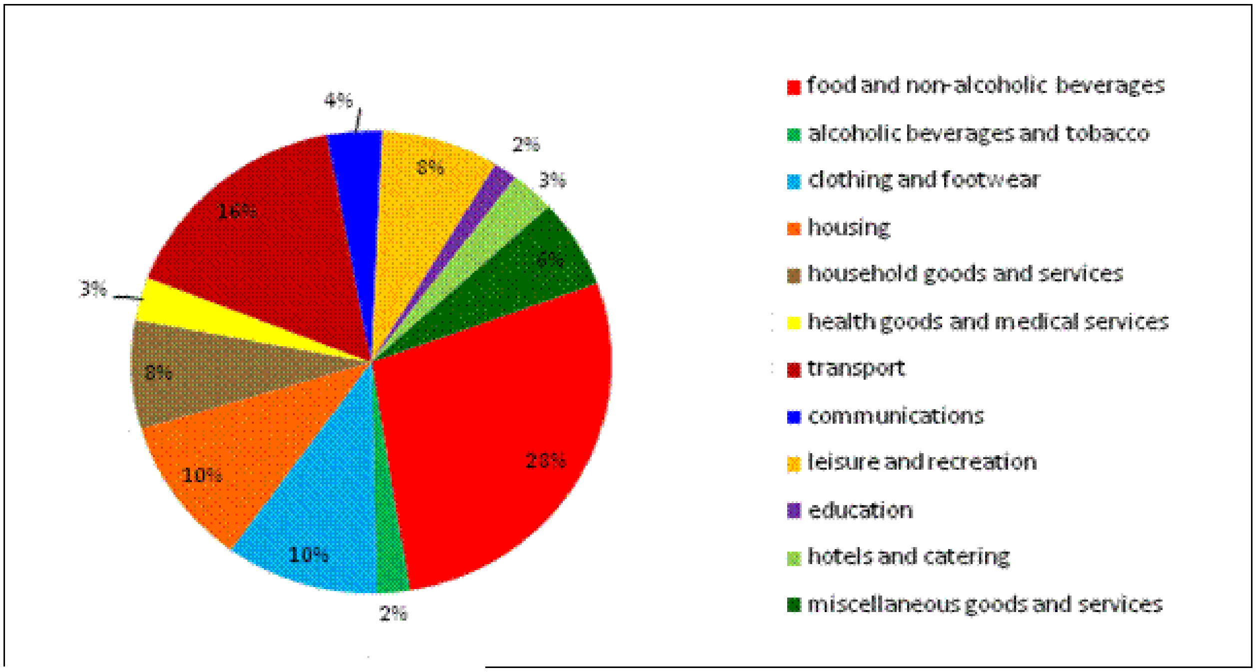
Food price inflation in Russia continues to be a sensitive issue among consumers and policy makers. The rate of inflation for food products fell from 16.5 percent in 2008 to 6.6 percent in 2009, but is still considered high by Western standards. Russia may experience an increase in the inflation rate by 2 – 3 percent over the expected 6-percent increase for CY 2010. Experts estimate that food prices may increase by 10 – 15 percent. Although the Ruble is recovering and expected to continue, it is still weak against the Dollar and Euro compared to pre-crisis exchange rates and imported food prices have risen respectively. Local food prices follow their imported analogues, including tea, sugar, spirits, fruits, meat, and other categories but they nevertheless remain more affordable for Russian customers. The Federal Customs Service reported the value of imports decreased by approximately 37 percent in 2009, due the Ruble devaluation. Figure 1 below shows the exchange rate of US Dollar to Russian Ruble from January 2010 to November 2010.

Figure 1. Russia's Central Bank's exchange rate of $1 USD to Ruble from January 2010 to November 2010

Source: The Central Bank of the Russian Federation (http://www.cbr.ru/eng/daily.aspx)

Russia's consumer markets are vast and still fairly undeveloped compared to Western markets, creating numerous opportunities for investors, despite the low disposable incomes and the concentration of wealth in major cities. Consumer spending has increased at an average annual rate of 11.9 percent between 2004 and 2008 in real terms, but declined by 5.7 percent in 2009, reaching 53.6 percent of GDP in 2009 compared to 47.5 percent of GDP in 2004. Figure 2 shows Russian consumers' expenditures by sector in 2009.

Figure 2. Russia. Consumer Expenditure by Sector in 2009, % of Total Consumer Expenditure



Source: Euromonitor International

According to data from the Federal State Statistics Service (Rosstat), the Russian food and beverage market was valued at $222 billion in 2009. Consumers shifted to lower priced essentials and delayed or cancelled planned purchases of non-food or premium products which led to a change in the retail market turnover structure placing an increased importance on food sales in 2009. The share of food in the total retail turnover increased to 48.6 percent from 45 percent in 2008. Yet the value of food sales decreased 2.5 percent compared to 2008.

In 2009, total imports of agricultural products to Russia reached $25.7 billion dollars. Although the crisis is negatively affecting imports, numerous market observers expect the Russian economy to stabilize in in the near term and resume growth of agricultural imports, but at a lower rate than in previous years. As a result of economic recovery in January – September 2010 imports of agricultural products to Russia increased by 20.6 percent compared to January – September 2009 and accounted $25.1 billion, according to Rosstat.

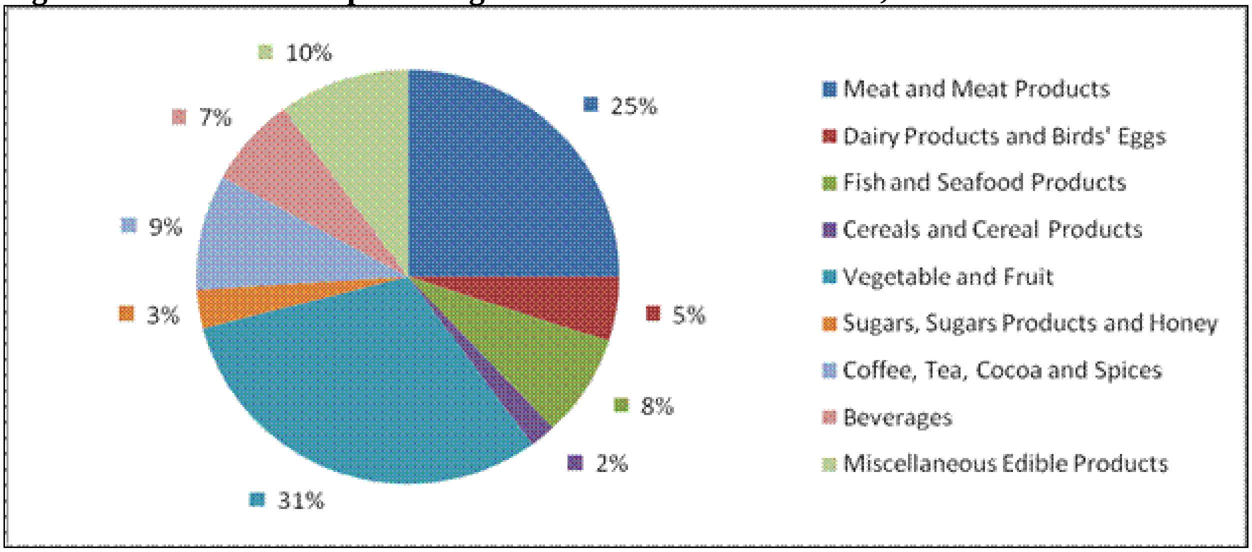
Table 2. Import of Agricultural Products to Russia, 2009

	2005	**2006**	**2007**	**2008**	**2009**
Agricultural Imports, billion dollars	14.9	18.8	23.7	30.6	25.7
Growth Year on Year, %	24.2	26.2	26.1	29.1	-16.0
5-Year Average Annual Growth Rate, %					17.24

Source: Global Trade Atlas

For many staple products, domestic production meets demand. Imported food and agricultural products have difficulty competing with domestic products due to the high cost of foreign exchange, high import duties and generally efficient production of unsophisticated food products. Imports add to the variety of foods available on the market and also include products that are either not grown in the country or for which domestic production is insufficient to meet domestic demand. Figure 3 shows the main agricultural product categories which were imported to Russia in 2009.

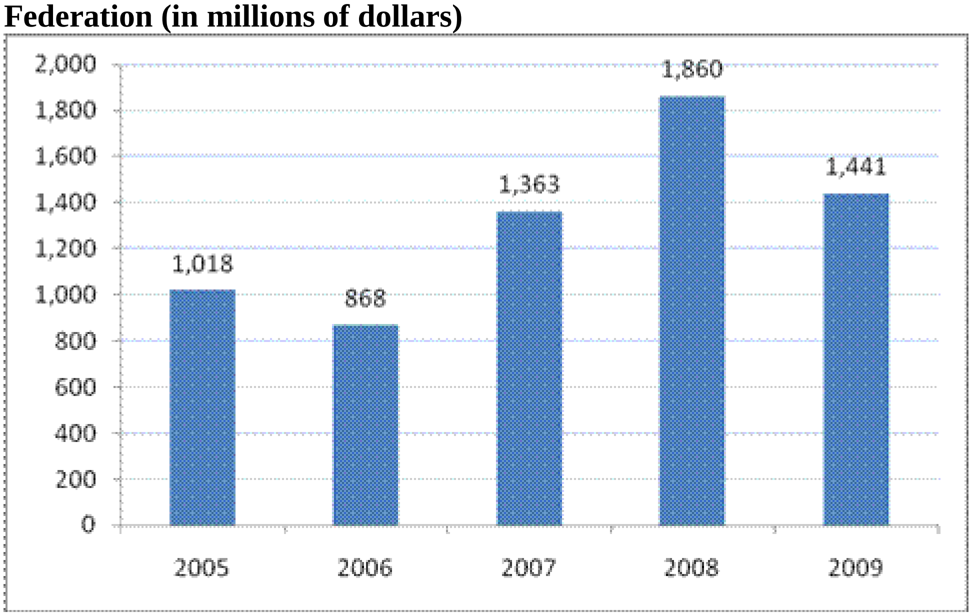
Figure 3. Structure of Imported Agricultural Products to Russia, 2009



Source: Euromonitor International

Russia is among the top export destinations for U.S. agricultural products. Based on U.S. official data, the U.S. share exceeded $1.4 billion, but this figure is understated due to transshipments via Europe. According to Russian customs statistics the U.S. share in 2009 accounted for $1.7 billion. The U.S. is the third largest supplier to Russia (by value of food and agricultural products), although the U.S. share of Russia's agricultural imports in 2009 was only 6.2 percent. Food products imported from EU countries and Brazil are now the major competitors for U.S. commodities in Russia and will continue to be in the foreseeable future (see Appendix Statistics, Table C).

Figure 4. Value of U.S. Exports of Agricultural, Fish & Forestry Products to the Russian Federation (in millions of dollars)



Source: Global Trade Atlas. Note: These figures are based on U.S. Customs export data, and will differ from Global Trade Atlas data on Russian imports

from the U.S., which are based on Russian Customs import data

U.S. suppliers have actively explored the Russian market. The Russian chapter of the American Chamber of Commerce includes more than 850 members successfully operating in Russia. Between them are such American companies as Mars, DuPont, Wrigley, Cargill, and many others.

Despite the success of U.S. businesses operating in Russia, competition is increasing for Russian consumers. In addition, economic vulnerabilities and existing trade barriers (particularly non-tariff measures) can affect trade flows. Exporters should review some of the advantages and challenges of the Russian market (see Table 3 below) when considering their marketing strategy.

Table 3. Russia: Advantages and Challenges for U.S. Exporters

Advantages	Challenges
Population of 141.9 million people who are potential consumers. The U.S. is the third largest importer in Russia (by volume) of food and agricultural products.	The relatively low purchasing power of many Russian consumers, particularly in the regions and the consequent reduction in demand for durable goods, and premium grocery and non-grocery goods.
The ongoing development of the mass grocery retail industry will allow producers to route products to the market more efficiently.	Distance is one if the major barriers complicating logistics for the retail chains.
Russia's retail sector began to stabilize in 2010, which creates a number of opportunities for prospective U.S. exporters.	Economic vulnerability, dependence on oil and mineral extraction for most wealth. Substitution of imports for domestic products due to consequences of the crisis.
Significant number of consumers can afford purchasing high-quality food products.	Per capita spending in the regions outside Moscow and St. Petersburg remains quite low.
Urban lifestyle changes increase demand for semi-finished and ready-to-cook products.	Rapid development of local manufacturers of ready-to-cook products creates tough competition for similar imported goods.
American-made food and drinks are still new for the majority of the population, and popular among the younger generation.	Growing number of domestically produced generic products; lack of knowledge of American products.
In general retailers are open to new products in order to attract customers.	Strong competition with suppliers of similar products from Russia and European Union.
Existence of large importers experienced in importing food products to Russia.	High corruption, difficulties in finding a reliable partner or distributor.
Paying in dollars is advantageous for exporting to Russia compared to Europe due to the lower cost of the dollar relative to the euro.	Russian government bureaucracy and corruption. Contradictory and overlapping regulations. Official government opposition to growth in food imports.
Russian trade and investment policy is converging with international standards.	Dragging on of Russia's World Trade Organization (WTO) accession; presence of non-tariff barriers such as unscientific sanitary and phytosanitary restrictions.
Investors are building more efficient storage	Despite huge potential, regional markets require

facilities, improve infrastructure and logistics.	substantial upfront investment in infrastructure and facilities, and transportation infrastructure between cities and regions remains extremely poor.
The Russian government has committed to spending billions on infrastructure over the next 10 years, particularly railroads and highways, which should translate to better logistics for expanding retailers.	Lack of reform in the Russian agricultural sector has led to high raw-material costs and shortages for processors.

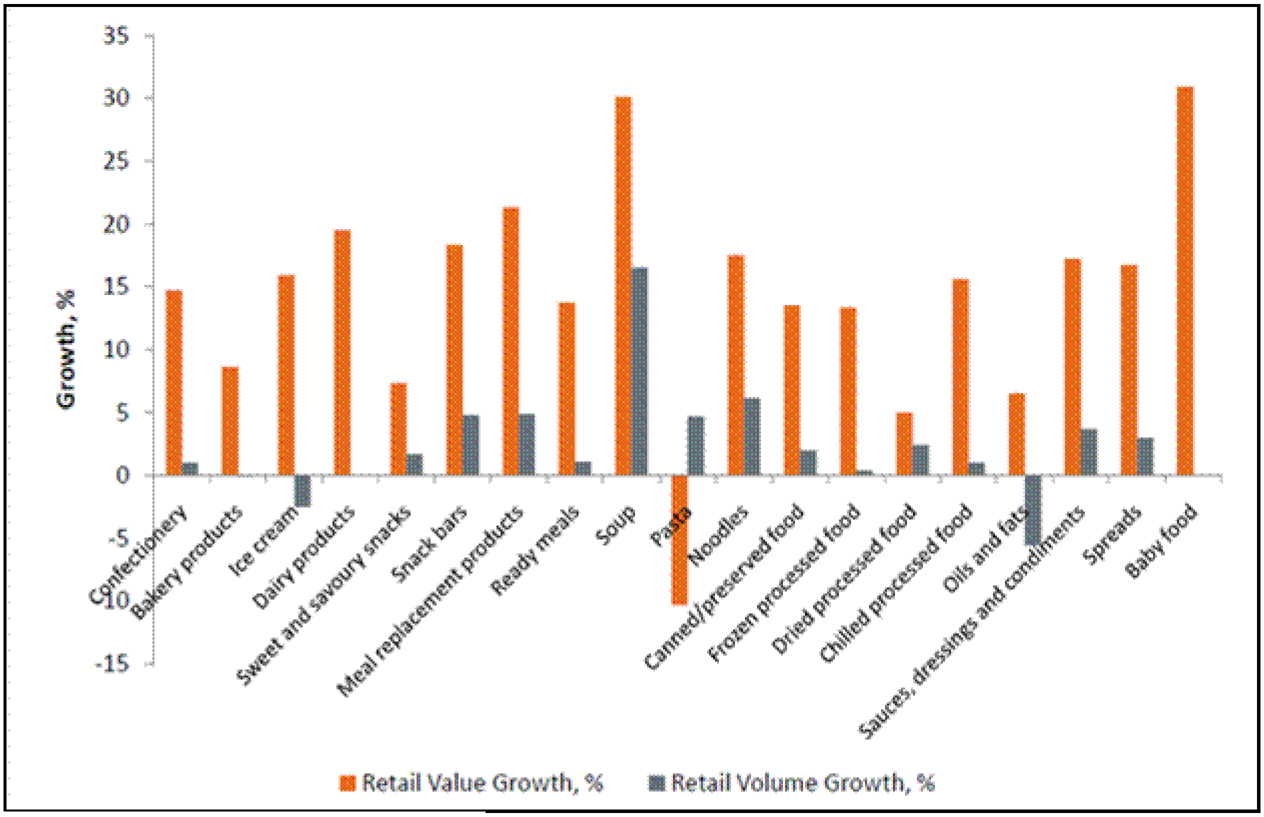
SECTION II. EXPORTER BUSINESS TIPS

General Consumer Tastes and Preferences

One of the consequences of the financial crisis is a change in consumption patterns in Russia. Consumers have become more cautious, exigent and pragmatic in their product choices. They refrain from impulse purchases in favor of focusing on primary necessity goods and services, as well as savings. Rosstat reported that for January to September 2009, the Russian population increased the share of savings in total household budgets. The total amount in personal deposits in banks grew by 15 percent compared with the same period in 2008. It is considered that high deposit rates which exceeded 14 percent stimulated individuals' savings in 2009.

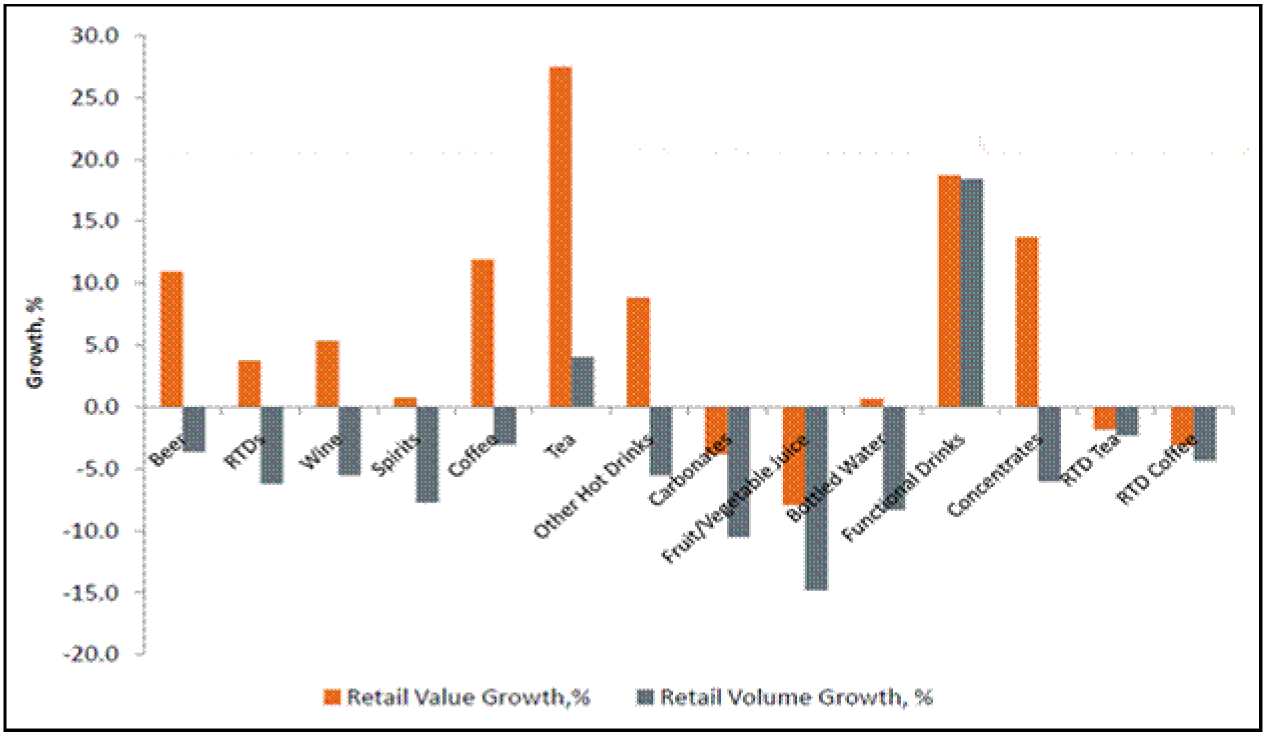
There are two distinct trends in Russia in terms of spending on food: a trend towards health-conscious eating and a trend towards convenience foods. Healthy foods are becoming increasingly popular, particularly among younger consumers who are more conscious of their fitness and appearance and more aware of the risks of heart disease and similar diet-related illnesses. Thus, spending on foods such as yoghurt, muesli and low-fat alternatives has grown faster than the overall food category. At the same time, Russian consumers are increasingly time-poor and, as a result, fast food and convenience foods such as microwave meals are becoming more and more popular. In 2006 ACNielsen found that the market for ready-meals in Russia grew by 41 percent year-on-year. This trend is likely to be sustained over the coming years, as convenience foods are seen as easy, affordable and tasty by most Russian consumers. However, as more people become wealthy and health-conscious, the market for diet, organic and fresh foods will also grow rapidly, commanding premium prices, specialist stores and dedicated supermarket sections.

Figure 5. Packaged Food Sales through the Retail Stores in Russia (2008/2009 % growth, $US millions in fixed 2009 exchange rate)



Source: Euromonitor International

Figure 6. Drink & Beverages Sales through the Retail Stores in Russia (2008/2009 % growth, $US millions in fixed 2009 exchange rate)



Source: Euromonitor International

In most Russian households, women have the responsibility for grocery shopping. Wealthier consumers shop for food and non-alcoholic drinks at contemporary supermarkets, while poorer consumers still do a lot of their grocery shopping at open-air market stalls and kiosks. Generally, long-lasting foodstuffs such as rice, pasta, coffee and tea are bought in large quantities a couple of times a month, while fresh products are bought on a daily basis, usually on the way home from work. When shopping for food, most Russian consumers continue to make their buying decisions based on price and commonly switch between brands based on weekly special offers and discounts offered by retailers.

Advertising is playing an increasingly important role in the choices of Russian consumers for groceries, as the variety available in each category of goods grew considerably over the 2009 and brand competition became more intensive. Impulse purchasing is fairly rare, due to the fact that many consumers remain very price conscious, but children influence impulse purchasing significantly, as their parents try to please them with sweets and snacks.

In the past 15 years, investors in Russia’s consumer markets focused almost exclusively on Moscow and St Petersburg, as the two cities offered a very high concentration of well-off consumers, while the rest of the country was relatively poor. However, as consumer markets in Moscow and St Petersburg have become increasingly competitive and the population in other important cities, such as Yekaterinburg and Nizhniy Novgorod, has also experienced a notable increase in disposable incomes, more investors are looking into opportunities for investment outside the two main cities.

Starting Business with Russia

The World Bank's Ease of Doing Business 2010 report ranked Russia 120th out of 183 countries, a small drop compared to the 2009 ranking of 118th. The conditions for starting a business deteriorated significantly between the 2009 report and the 2010 report, as Russia dropped from ranking 88th to ranking 106th out of 183 countries. This was due to the lack of reform in terms of the time and number of procedures required for setting up a business in the country: while many countries have simplified and streamlined the process, it takes 9.0 procedures and 30.0 days in Russia to open a business. This compares unfavorably to an OECD (Organization for Economic Co-operation and Development) average of 5.7 procedures and 13.0 days. However, the cost of starting a business in Russia is low: only 2.7 percent of per capita income, compared to an average of 8.3 percent of per capita income in the Eastern Europe and Central Asia region.

The best entry strategy for new exporters depends on several factors, including: the target market, economic conditions, and host country regulatory environment as it relates to the products in question. Exporters can request a brief market assessment for their products and/or a list of Russian importers from the ATO Moscow, St. Petersburg and Vladivostok. Additionally, ATO Moscow offers the following recommendations to help exporters select the best approach for their firm:

- A prospective entrant is advised to estimate market prospects for their product with respect to consumer preferences and incomes, local competition and sales channels (marketing research from a specialized consulting firm may be required).

- Establish a Representative Office: One of the best ways exporters can conduct business in Russia is to open a representative office. Depending on the product and target market, an office might be sited in Moscow, a city that hosts a large concentration of retailers and representative offices; St. Petersburg, the port city through which the largest volume of sea-borne freight passes; or Vladivostok, the principal transpacific gateway to the Russian Far East.

- Work with a Russian Importer: Selecting the right trade partner is one of the most important decisions for exporters developing their business in Russia. Working with a local partner in Russia significantly expands business opportunities, and minimizes the need for exporters to establish direct contact with multiple retail chains. A local Russian partner familiar with market conditions and the regulatory environment can help exporters navigate the Russian retail market, resolve issues, and increase the likelihood of success.

In order to make the first delivery, usually a large local import company is chosen. The company should have a good reputation and experience in customs clearance, and must have storage facilities and a developed distribution network. Make sure the company has experience working with Western suppliers and has experience in arranging regular supplies of food products. Western companies that strive to supply directly, circumventing Russian mediators, often sustain losses due to lack of local market knowledge. A large domestic import company is usually bettered adjusted to local conditions, with established trade ties and contacts in state structures.

Exporters representing U.S. companies may contact the Moscow ATO for assistance in locating importers. Performing due diligence is critically important, such as verifying banking and supplier references of potential importers, and local and U.S.-based organizations in Russia can provide helpful information to exporters. However, credit reporting is a relatively new practice in Russia, and credit-reporting agencies may not have complete information on potential Russian business partners. Retail chains may be another valuable source for exporters collecting information on importers.

- Provide Sales Support: Exporters must help market the products they sell in Russia. Russian importers and wholesalers expect exporters to participate in the sales process, either by providing event marketing support, advertising assistance, training, packaging/handling advice, or point of sales materials.

- Attend Promotional Events: One of the main challenges to exporters entering the Russian market is product promotion. A cost-effective way exporters can promote their products is to participate in one of the largest general food and beverage trade shows in Russia, World Food Moscow, held annually in September. If exporters are targeting specific regions within Russia, the Moscow ATO recommends participating in regional exhibitions. Participation fees for regional exhibitions are lower, and are aimed at local consumers and retail food chains. The Russian retail market is competitive; exporters should allocate time to visit Russia and earmark funds in their sales plans for promotional support.

Trade Shows in Russia

Participation in one of several established trade shows in Russia allows exporters to take a first-hand look at the local market, to meet potential importers, and to gauge the competitiveness of their products compared to similar products promoted at the show.

World Food
Moscow
September
www.world-food.ru/eng

World Food Moscow is a USDA-supported show, and is essentially the "main event" for U.S. exporters interested in market opportunities in Russia. ATO Moscow and the Office of Trade Programs (in Washington) organize American pavilions in the grocery, fruit, and seafood sections offering "turn-key" service. In 2010, this 4-day show drew 1,266 exhibitors from 58 countries and attracted more than 45,000 importers, wholesalers, retailers, and processors from all parts of Russia and from many neighboring countries.

Golden Autumn
Moscow, All-Russian Exhibition Center
October
www.goldenautumn.ru

The Golden Autumn trade show is organized by the Russian Ministry of Agriculture, and is the largest Russian trade show for production agriculture. In 2010 more than 2,300 companies and organizations from 55 Russian regions and 32 foreign countries exhibited at the show. Golden Autumn occupied over 60,000 meters of space, including open grounds, displaying over 700 items of agricultural equipment, both Russian and foreign. More than 80,000 visitors attended the two four-day events, most of who are involved in farming and livestock production, food processing, agri-business, research, or business financing. At this annual trade show, the USDA pavilion displays animal and plant genetics, high-grade feeds, animal nutrients, and additives.

Prodexpo
Moscow
February
http://www.expocentr.ru/

Prodexpo is Moscow's largest international trade show highlighting foodstuffs in Russia and Eastern Europe. In 2010, Prodexpo hosted 2,183 exhibitors from 61 countries and attracted 113,070 visitors.

Information about Trade Shows in Russia held in 2009 can be found in the following recent GAIN report:
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Upcoming%20Food%20and%20Agriculture%20Food%20Shows%20in%20Russia_Moscow%20ATO_Russian%20Federation_16.07.2009.pdf

Logistics and Transportation

Imported products arrive in Russia via land, sea, or air freight into ports or customs warehouses for clearance before proceeding to the next destination. The transportation system for shipping U.S. high value food products into Russia via St. Petersburg and Moscow is well established. Most consumer-oriented food and beverage products enter through St. Petersburg or Moscow for customs clearance. Transit times range from 20 days to 27 days depending on the origin, with an additional four days shipping time for final delivery by rail or truck to Moscow.

Outside of Russia, imports are also delivered to Baltic ports and then shipped by truck or rail to St. Petersburg or Moscow. Baltic and Finnish ports had offered greater efficiency, fewer problems with loss or damage, and lower port fees. However, changes in Russian import requirements have largely redirected these shipments to Russian ports: St. Petersburg, Ust-Luga, Vysotsk, Kronshtadt, Novorossiysk and Vladivostok.

From Moscow or St. Petersburg, products are shipped further into the interior via truck or rail to cities in Siberia or the Russian Far East (RFE). However, most products destined for the RFE enter through the ports of Vladivostok, Vostochnyy, Vanino, Nakhodka and Magadan. Although Vostochnyy is the region's largest port by volume, the majority of U.S. food exports to the Russian Far East enter through Vladivostok.

Currently several forwarders make shipments from U.S. West Coast to Vladivostok: Hyundai Merchant Marine, MAERSK LINE, APL, and Hapac Loyd. Average transit time from the U.S. west coast to Vladivostok takes 18 days: ocean vessels bring containerized goods to the Korean Port of Pusan (it takes 9 to 13 days), then, feeders transfer them to the Port of Vladivostok (it takes 4 to 7 days). MAERSK LINE has the longer transit time, because it goes though Japan first, then delivers goods to Korea (Pusan). In 2008 FESCO launched a direct line from Everett, Washington to RFE ports (Vladivostok, Korsakov, Petropavlovsk, and Magadan). Direct voyages are scheduled approximately once per month and the average transit time is 14 days. From Vladivostok food products are shipped to the other cities in the RFE and Siberia by truck or rail.

Distribution Channels

Imported food products for Russian retail chains and food service establishments come through importers, distributors, and wholesalers. Large suppliers are typically also importers.

Figure 7. Russia: Distribution channel for food retail chains, import of transatlantic products via the Port of Greater St. Petersburg

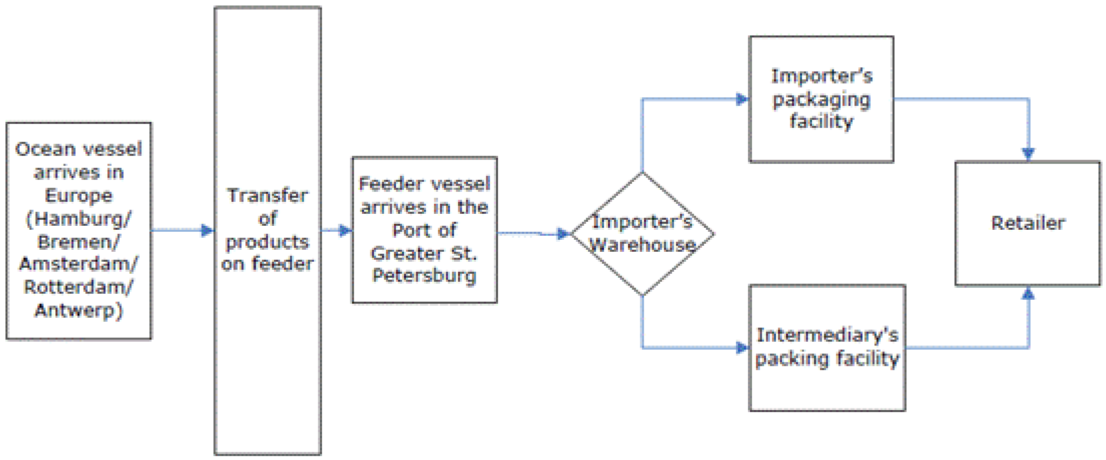
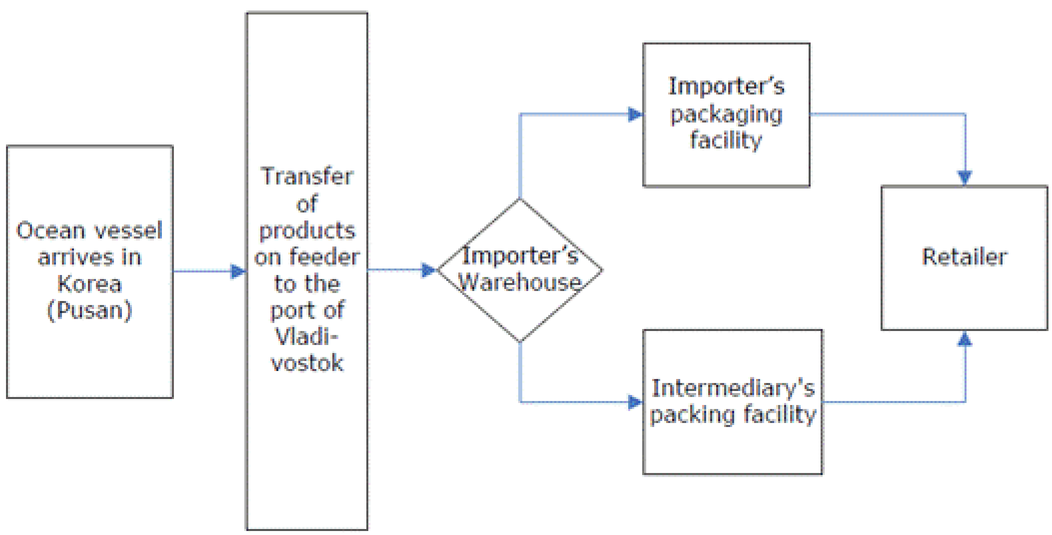


Figure 8. Russia: Distribution channel for food retail chains, delivery from U.S. to the Russian Far East



Most hotels and restaurants choose to purchase the majority of products through food service importers/distributors in the hotel, restaurant, and industrial (HRI) sector, both large and small.

Credit and Payment Terms

The Russian banking system continues to make strides towards complying with international standards, and many banks that are authorized to open foreign currency accounts also have general licenses enabling them to undertake a full range of foreign currency transactions. Many of these banks have correspondent banks in the United States. Further, several American and foreign banks such as Citibank, J.P. Morgan, Raffeissenbank, Societe Generale, and Credit Suisse are licensed to operate in Russia. Securing credit can be costly, however, and there can be obstacles to securing credit in Russia if the company is 100 percent foreign-owned. Russian bank fees are often high, and it can take much longer to open letters of credit or transfer funds than is common in the United States.

Prospective borrowers should expect Russian banks to request a package of documents, including a balance sheet showing profits for the last three quarters and proof of assets to mitigate the bank's risk. The financial crisis made credit less available for Russian businesses. Banks carefully filter the borrowers and interest rates are rising. According to the Russian Business Consulting (www.credit.rbc.ru), credit availability for the food industry dropped to 30 percent by the end of the first quarter 2009.

In the first half of 2010 due to the economic activities' gradual recovery and improvement of payment's balance the credit market was characterized by the strengthening ruble, increased demand for domestic currency, increasing bank reserves and lower interest rates.

Table 4. Average Interest Rates on credits to non-financial institutions in 2010

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sent.	Oct.
Interest Rates on Ruble-denominated Credit, in rubles	13.9	12.7	11.8	11.4	11.3	11.4	10.5	10.0	9.7	8.9
Average Rates on Short-term Credit, in US dollars	9.1	8.4	7.9	7.6	7.0	6.6	6.4	6.1	5.7	5.6

Source: Central Bank of Russian Federation

Regarding payment terms, Russian importers may not be accustomed to making a 100 percent pre-payment prior to shipment. As the business relationship develops, Russian importers may eventually expect exporters to ship on credit, with payment due upon arrival in the Russian port. The importer may alternatively make a pre-payment and pay the balance when the product arrives to the importer's storage facility.

In established business relationships, bank transfers are sometimes made on the basis of payment–on-delivery, or payment after an agreed number of days. A letter of credit (LC) may be used when required by the foreign supplier, but Russian importers consider LCs expensive and difficult to arrange. Document Collections work relatively well at ports, and importers are accustomed to these procedures. Nevertheless, until exporters and importers build relationships and reach a level of trust, exporters may find letters of credit worthwhile.

The GSM credit guarantee program offered through the United States Department of Agriculture (USDA) can help overcome some financing problems. Russia is included as part of the Eurasia program and for FY11 (October 2010 to September 2011) has a set credit guarantee limit of $200 million.

The GSM-102 program is in great demand due to the extremely difficult financial environment and lack of financing available commercially in Russia. GSM-102 reduces risk to the U.S. exporter's bank and facilitates shipments of U.S. commodities to markets that may not be able to import these same products without the guarantee offered by the Commodities Credit Corporation.

The list of approved participating foreign banks in the GSM-102 program is available at FAS web-site:

http://www.fas.usda.gov/excredits/foreignbanks.html#RUSSIA. The list is regularly updated upon the review of incoming financial information and applications from banks that desire to participate in the GSM-102. For further information on these programs, please visit the FAS website:

http://www.fas.usda.gov/excredits/ecgp.asp).

Food Standards and Regulations

Russia has complex food import regulations. Exporters should carefully question importers regarding certification and documentation requirements, as well as procedures for clearance of shipments into the Russian Federation. Please see the following GAIN reports:

The newly updated FAS Moscow Gain report, "2010 Food and Agricultural Import Regulations and Standards (FAIRS)" report will be available on the FAS website at the end of 2010; the search engine can be found at http://www.fas.usda.gov/scriptsw/AttacheRep/default.asp.

"Imported Products under Quarantine and Phytosanitary Control"; and,
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Imported%20Products%20Under%20Quarantine%20and%20Phytosanitary%20Control_Moscow_Russian%20Federation_7-23-2009.pdf

"Products Subject to Border Veterinary Inspection":
http://www.fas.usda.gov/gainfiles/200711/146292933.pdf

On 1 January 2010, Russia, Belarus and Kazakhstan started to implement a Customs Union. As a first step, a unified customs tariff came into effect, with further measures expected to take effect during 2010 and 2011. Please see the related reports for further information on the Customs Union:
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Custom%20Union%20Update%20July%202010_Moscow_Russian%20Federation_7-26-2010.pdf

Pricing

Retail prices in Russia can vary significantly; however pricing has become more competitive as large retail chains increase their aggregate market share. On the regulatory side, exporters should consider the effect of the Russian tax regime when making pricing and margin decisions. Some of the taxes assessed include:

- import duties vary by product, but generally range from about 5 to 30 percent;
- an 18 percent value-added tax (VAT) is levied on imports at the point of entry (note: the VAT on some food products is only 10 percent);
- customs clearance charges add about 1.25 percent. The wholesale mark-up is typically 12 to15 percent, while retail mark-up runs 35 percent or more, depending on the product and the retailer; and,

- a 39 percent profit tax is assessed on gross margin.

SECTION III. MARKET SECTOR STRUCTURE AND TRENDS

Retail Food Sector

Russia's retail sector had been growing at a pace of 20 to 30 percent annually over the past 10 years. However in 2009, personal consumption declined as a result of the economic downturn and the overall Russian retail market declined 5.5 percent. Top-line growth rates fell 18 percent, compared to the 32 percent growth seen in 2008 due to devaluation of the Russian currency which lost 21.5 percent of its value against the U.S. dollar.

As a result of the global crisis many chains in Russia are unable to grow at the pre-crisis pace, but virtually all major players managed to avoid a drop in sales. Chains conducted extensive cost cutting programs and adjusted assortments, contracts with suppliers, and operational procedures. Given the financing problems for developers, the hypermarket and supermarkets temporary slowed down in its growth. This is because it is not capital intensive and is usually developed on leased property. As a result in 2009 discounter chains had significant traffic growth with consumers switching from more expensive stores.

With the change in consumption patterns, retailers' concerns regarding private label strategies turned around. In 2009 an increasing number of retailers began to develop private label ranges. Currently, companies offering private label products are still not used to competing with branded products. Retailers confirm that it is difficult to establish long-lasting and trusting relationships with contractors, as private label manufacturing brings little profit. In the meantime, retailers consider private label products as a strong advantage for price competition in the future.

Despite changes which should have facilitated a trend of consolidation on the retail market, overall 2009 did not witness many mergers and acquisitions in the Russian retail sector – this applied both to Russian and international companies. Carrefour, the world's No. 2 retailer after Wal-Mart, opened its first Russian store in Moscow in June 2009, but failed to close a deal with Seventh Continent and decided to withdraw from Russia. However, the current general economic downtrend in Russia is expected to stimulate Mergers and Acquisitions (M&A) activity in the retail industry throughout the country. In fact, retail giants such as X5 Retail, Magnit and Dixie have already announced plans to strengthen their competitive positions through the acquisition of troubled competitors. In December 2010 Russia's largest retailer X5 Retail Group concluded an agreement to acquire the Kopeyka discount chain, previously one of Wal-Mart's acquisition targets. The deal has put an end to X5's battle for Kopeyka with the U.S. Wal-Mart retail giant, which has yet again failed to enter the Russian retail market by acquiring a regional player. Wal-Mart, which opened an office in Moscow in 2008, after being linked with several potential deals, has recently closed its representative office and will not be actively pursuing an acquisition in the foreseeable future.

Both retail sector and consumers are still experiencing significant challenges for operational effectiveness and cost reduction. These are compounded by a shortage of good retail space, supply chain management issues (warehousing and logistics), shortages of labor and administrative barriers. Despite this, analysts still anticipate faster growth in Russia than in most European countries. Projected sales for

2010 to 2011 are expected to stabilize or grow slightly. Foreign suppliers continue to be competitive in the Russian market and the improving exchange rate will make imported goods from the United States a better value.

Please see the “Retail Foods Annual 2010” report for further information on the retail sector in Russia: http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Retail%20Foods_Moscow%20ATO_Russian%20Federation_8-30-2010.pdf

Legislation Regulating Retail Trade

The Russian Federal Law on Trade came into force on February 1, 2010. The Law is aimed at creating transparent conditions of cooperation between domestic suppliers and retailers and boosting competition in the retail sector. The Law contains strict antimonopoly regulations, such as capping store openings once a retailer reaches a 25 percent market share threshold within a city or municipal region, a 10 percent limit on bonuses paid to retailers by suppliers, and payment terms regulating how fast a retailer has to pay for goods with a certain shelf life, among others. The Law stipulates that the terms and conditions of food product supply contracts shall be brought into accord with requirements of the Law within one hundred eighty days from the effective date.

Please see the “Russian Trade Law” report for further information on the legislation regulating retail trade in Russia:
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/The%20Russian%20Federal%20Law%20on%20Trade%20_Moscow%20ATO_Russian%20Federation_8-30-2010.pdf

Hotel, Restaurant, and Institutional (HRI) Sector

Russian HRI sector sales had been increasing at a rate of 10 to 12 percent annually from 2005 to 2008 together with consumer income growth. During that period, Russians spent more of their income on food than any other country in Europe. Since the autumn of 2008, when the Russian economic crisis began, consumers have become more cautious and pragmatic in their foodservice spending.

Table 5. Restaurant Industry Sales in Russia

	2005	**2006**	**2007**	**2008**	**2009**
RUR, billion	248.1	275.3	306.1	343.1	334.2
Growth Year on Year, %		10.9	11.1	12.1	-3
US Dollars, billion*	8.77	10.12	12	13.81	10.53

Source: Euromonitor International
***Average exchange rates by years: 2005 – $1 = RUR 28.3; 2006 - $1 = RUR 27.2; 2007 - $1 = RUR 25.49; 2008 - $1 = RUR 24.84; 2009 - $1 = RUR 31.72**

Although the beginnings of an economic recovery were seen in the third quarter of 2009, consumer confidence remains low, bringing a fall in spending at HRI establishments and a lower average check per ticket. While some parts of the restaurant market saw some positive movement, overall foodservice saw notable declines, particularly in high-cost areas as consumers cut back on dining outside the home.

The foodservice market in Russia currently favors development of chain establishments, including multinational players. Chains are expected to take a greater share of the market over the longer term. The leading foodservice players during the crisis made efforts to consolidate their positions by offering lower-cost meal solutions, and extending their presence by increasing their number of outlets. Sales of Rosinter Restaurant Holding, a major player in the Russian restaurant market in the casual-dining segment, rose 16.9 percent in the first half of 2010.

Despite the difficulties faced by much of the foodservice market, fast food has shown positive growth in 2009 and 2010 and the volume of the quick restaurant category in Russia reached $ 5.6 billion. The fast-food sector is the fastest-growing restaurant category in Russia with an annual growth rate of 20 to 30 percent. McDonald's, which entered Russia in 1990 and created two generations of fast food eaters, has about a 70 percent share of Russia's quick service restaurant market.

Franchising models dominate in fast food, with some of the notable pioneers in the area including well-known American players such as Pizza Hut, Baskin-Robbins, Dunkin' Donuts, KFC and Subway. Burger King entered Russia only in 2010 and the number of franchisees will reach 13 by the end of the year. The fastest growing company is Subway which has doubled its number of franchisees this year to reach 160 outlets by December 31, 2010. Russian fast food chains have picked up on the international restaurant business development experience and have started to use this franchising model as well. As of now more than 90% of fast food chains in Russia work under various franchise agreements.

Many restaurants import the vast majority of their ingredients, creating opportunities for U.S. exporters of meat, seafood, wine, and specialty foods. Even nowadays, as restaurants have lost from 10 to 20 percent of their clients, the size and growth of the HRI sector continues to make Russia a valuable market for U.S. producers.

Please see the "HRI Food Service Sector" report for further information on the HRI sector in Russia before the crisis. http://www.fas.usda.gov/gainfiles/200812/146306804.pdf
Updated attaché reports on the HRI sector in Russia will be available on the FAS website in the first quarter of 2011; the search engine can be found at http://www.fas.usda.gov/scriptsw/AttacheRep/default.asp.

Food Processing Sector

Russia's food processing industry is growing rapidly and is one of the most dynamic sectors in the Russian economy. Foodmag.ru estimates that from 2005 to 2008, investments into food processing enterprises totaled more than 135 billion rubles which demonstrates the attractiveness of this sector for both Russian and foreign investors. Producers of meat and meat products, dairy, edible oil, beverages, and confectionary items made the most capital asset improvements. Two-thirds of total investments were used for modernizing equipment to increase labor productivity, create efficiency, and lower overhead. New equipment helped strengthen Russian food processors making their products more competitive.

Then, in October-November 2008, the global economic recession hit and Russia's economy entered a recession that seized all the sectors of the Russian economy including the food processing industry. By 2009, the food processing industry accounted for 44,878 organizations with 1.3 million employees.

Russia's food processing sector has shown some improvement in 2010 after the slowdown in 2008-2009. From January to August 2010, the food products manufacturing index (which includes beverages and tobacco) increased almost 5 percent compared to the same period last year. Some food processing sectors remain strong, such as meat products (including pork, poultry, sausages and semi-finished meat), dairy products, confectionary, dry baby food and dietary products with cereal. The food processing and consumer products markets are expected to come back early 2011supported by rising disposable income and increasing real wages and declining unemployment.

Many Russian manufacturers are investing in modernization and expansion in order to strengthen their position in the market. Demand for higher-quality ingredients is increasing as more local food processors strive to meet international quality standards. However some companies are reporting that domestic supplies of raw materials and specialized ingredients for meat, bakery, confectionary, juice, and dairy processing are not sufficient to meet future demand.

The Russian food industry is characterized by its dependence on imports. Around 40 percent of products used by the Russian food industry are imported: $36 billion was spent in 2008 for importing food products. More than a half of the meat and milk products in big Russian cities are provided by import suppliers. 70% of the raw materials in meat processing plants are imported.

Likewise, the majority of food ingredients are imported, mainly from Denmark, Belgium, France, Germany, Austria, Great Britain, and the United States. The Russian food industry continues its dependence on imports and, thus, opportunities to supply the market with U.S. products are plentiful.

The FAS Russia "Food Processing Annual 2010" report was published on the FAS website in December, 2010; the search engine can be found at http://www.fas.usda.gov/scriptsw/AttacheRep/default.asp.

Internet Sales

Grocery shopping online is still in its infancy in Russia, as many consumers are doubtful of product quality and payment security. The consumer base for such services remains limited to the major cities, where debit and credit cards are more common.

However, Internet retailing is benefiting from changing consumer lifestyles. Recently some Internet grocery retailers have enjoyed success in Moscow due to constant traffic jams in the city. Advanced consumers have switched to grocery websites via which they can order standard baskets of packaged, non-perishable food and drink products. The four e-shops that serve the food and drink retailing sector in Russia are concentrated in Moscow: www.Dostavka.7cont.ru , www.Service77.ru , www.Nyam-Nyam.ru and www.Korzinka.com all saw strong increases in current value terms over 2007 to 2009.

Russian grocery giants are also planning in the close future to penetrate into Internet retailing with the purpose of increasing sales and reducing costs and therefore improve overall efficiency. Recently X5 Retail stated its intention to establish a strong position in Internet retailing. Auchan Group (a French company) also aims to develop Internet retailing in Russia. Such major store-based retailers, with total annual sales exceeding $US 5 billion, are going to invest in the most advanced technologies for Internet retailing, such as the PayPal payments system. This will improve Internet retailing in Russia, as well as the overall efficiency of the retail industry in the country.

Tourism Sales

Russia has unique opportunities both for the development of internal tourism and for reception of foreign travelers. A variety of landscapes (mountains, sea, rivers, woods, tundra) allows developing different kinds of tourism, e.g. beach vacation, ski vacation, etc. Vladimir Putin announced that in 2011 the Russian Government will launch a new federal program "Development of domestic tourism in Russia". Over the next three years 7 billion rubles ($US 233 million) will be allocated from the federal budget, including 2 billion rubles ($US 67 million) in 2011 in order to realize enhance tourism in Russia (source: Rossiyskaya Gazeta).

The 2014 Olympic Games and 2018 Football World Cup will be held in Russia and are the strongest incentives for the development of Russian tourism in the coming years. Already the hotel market, which is underserved in Russia, is growing. Growth in the tourist sector will spur further development of Russia's hotels and restaurants which, in turn, will lead to a better quality services and offer new opportunities for the exporters of food products to Russia.

Holiday Gifts Sales

The global crisis effected people's optimistic view of their personal financial situation and year-end holiday spending. According to Deloitte 2010 survey the average amount of money Russians allocate for their festive budget in 2010 includes spending on food, gifts and entertainment of about $US526 (in 2008 this was about $US700). The most desirable gift for Russians at the New Year is cash or its equivalent in gift vouchers (desired by 54 percent of respondents). Travel ranks second and third place in the wish-list was taken by personal computer or laptop. But desires differ from reality and most Russians in 2010 plan to purchase such gifts as cosmetics and perfumes (55 percent), chocolate (49 percent), and books (35 percent).

Consumers in Russia usually start to think of their gift shopping near to the middle of December and buy gifts, for the most part, during the last week before the holiday season. Russians tend to buy presents primarily in hypermarkets, with second place given to specialized shops, and the third place given priority being open-air-markets. Russian consumers continue to ignore the Internet as one of the major trading channels for buying gifts, especially during the pre-holiday period. According to Deloitte survey, the main reason is that Russians desire to see a product by themselves, to hold it in their hands and not just to look at a picture of it on a website.

SECTION IV. BEST CONSUMER ORIENTED PRODUCT PROSPECTS

U.S. agricultural exports to Russia decreased by 23 percent in 2009. The U.S. share of Russia's agricultural imports in 2009 was 6.2 percent. Poultry dominates U.S. agricultural trade to Russia and in 2009 accounted for roughly $733 million, followed by pork, beef, fish and seafood, fruit and nuts.

On average, poultry meat accounted for 38 to 50 percent of the total value of U.S. agricultural exports from 2006 to 2009 and represented roughly 20 percent of Russia's total poultry imports. In 2010, Russia banned U.S. poultry for the majority of the first eight months, and its reentry into the market is underway. Currently, Russia cannot produce enough poultry to meet its needs, and even if Russia were to meet its self-sufficiency goals in the coming years it would still fall short of dark meat, specifically chicken-leg quarters. As official statistics indicate, Russia's annual tightening of the poultry supply has coincided with higher wholesale and retail prices. However, Russian new requirements on the use of disinfectants during poultry processing have increased producer costs both domestically and abroad.

Other top U.S. export products include: food preparations (including ingredients), spirits, processed fruits and vegetables, snack foods (excluding nuts), and hides and skins. The Russian government is providing generous credit terms to support select producers importing livestock and genetics in order to improve the nation's dairy and meat production capability. This has translated into new opportunities for exporters of livestock and genetics from the U.S. Russians are consuming more tree nuts and fresh fruit from America, particularly the larger sizes of apples and pears.

Given the potential of the Russian agricultural market, U.S. high value added products can penetrate some niche markets, especially for those products which are not produced in Russia or are produced in limited quantities. In many cases, Russian agriculture is not capable yet of producing products of consistently high quality (e.g. high quality beef steaks). There are markets for baby food or for specialty products including low-fat, low-salt and sugar-free products, cake & bread mixes, corn meal, and chocolate chips. U.S. suppliers could also supply new market segments that are just beginning to develop. This includes microwaveable and semi prepared food as well as TV-dinners. Potential importers must be aware that promotion of innovative or new to market products is expensive. Table 6 (below) provides additional information on food and agricultural product prospects [/1].

[1/] *Food products listed in Table 6 are based on market intelligence, including discussions with retailers and data analysis efforts, and should not be considered an official endorsement by the United States Department of Agriculture or any affiliated agencies.*

Table 6. Russia: Suggested best prospects for U.S. exporters, by sector

Product	2009 US Import volume ($ US mln)	Average growth of import over the last 5 years, %	Import taxes	Key Constraints to Market Development	Attractiveness of the market for the USA
Poultry	733.1	30.3	See GAIN RS5084, RS7008 and RS7041. Tariff-rate quotas apply to some positions. Tariffs change unpredictably.	Competition with Brazilian and EU producers; Quick growth of domestic production; Perception of U.S. product as cheap and of low quality. Veterinary controls and demands transcend international standards. Official goal of "food security" calls for reduction of meat imports.	U.S. product has well-established position; Low prices attract buyers. Local producers will not be able to satisfy demand in near future.
Beef	13.6	11.5	See GAIN RS5084, RS7008 and RS7041. Tariff-rate quotas apply to some positions. Tariffs change unpredictably.	Consumer unawareness of U.S. high quality beef; Sizable domestic production, Complicated import procedures. Veterinary	Insignificant specialized beef production; Constantly growing beef prices; Niche markets for meat delicacies (steak, etc.) and meat offal; Fast HRI

				controls and demands transcend international standards. Official goal of “food security” calls for reduction of meat imports.	development; New health certificates are in place for U.S. origin beef.
Pork	299.0	27.4	See GAIN RS5084, RS7008 and RS7041. Tariff-rate quotas apply to some positions. Tariffs change unpredictably.	Competition from Brazilian pork, complicated import procedures. Veterinary controls and demands transcend international standards. Official goal of “food security” calls for reduction of meat imports.	Shortage of pork in the country; declining production; high prices; Demand for stable deliveries of both cheap and high quality product. New health certificates are in place for U.S. origin pork.
Fish and Seafood	27.7	22.4	10% + 10-18% VAT	Regular deliveries of high quality product from Norway; Shortage of suitable equipment at retail trade outlets; Deficit of proper storage facilities with below –20C temperature.	Growing demand for higher quality seafood from consumers; Very modest assortment in markets; Significant demand from supermarkets and HRI sector.
Tree nuts	82.2	72.8	Nuts – 18% VAT Pistachios and pecans 18% VAT + 5% import duty	Iran biggest competitor for peanuts and pistachios; Tajikistan for walnuts.	U.S. almonds and pistachios enjoying very strong growth. Good potential for U.S. pecans.
Dried fruits and nuts (excl. peanuts)	4.1	41.9	Prunes, apricot 10% import duty, raisin - 5% import duty	Sharp competition with Iran and Turkey. Desire of packers	Intensive development of confectionery industry and start

			+ 18% VAT	to save on raw stock, procuring low quality stock from Iran, Uzbekistan, and Afghanistan	of retail sales of rare dried fruits. High quality of U.S. product; Development of premium-class confectionery products
Food preparations	14.2	15.7	20% but not less than 0.25 Euro/kg plus 18% VAT for position 1704; generally 5% + 18% VAT for items in 180620, but varies in other positions	High competition from EU products; Cheap canned food niche occupied by Russian trademarks.	Gradual rejection of home-produced products; High-quality product niche is not completely filled.
Spirits	22.3	12.9	RUR 191/liter of ethyl alcohol content; VAT 18%	Lack of U.S. whiskey promotion, strong positions of other importers (France, United Kingdom)	Relatively high level of alcohol consumption; Demand for exotic drinks (whiskey, gin, rum, bourbon). Whiskey has tremendous growth potential
Pet food	4.5	23.1	20%, but not less than 0.16 Euros/kg + 18% VAT	Strong tradition of feeding pets with table scraps; Strong local production with foreign investments - Mars has two plants that produce pet food	Traditionally large number of home pets; Increased population incomes followed by growing demand for ready to use pet food.
Fresh Fruit	20.8	21.3	Apples: (Jan 1-Jul 31) 0.1 Euros per kg (Aug 1-Dec 31) 0.2 Euros per kg + 18% VAT Pears: 10% +	Strong competition from Poland, China, Chile, New Zealand, Moldova for apples; Argentina	Good potential as a niche market for U.S. apples, pears, grapes, citrus, especially during February-April period.

			18% VAT	and China for pears.	
Snack Foods	2.0	14.5	5% - 15%, but not less than 0.15 – 0.075 Euro/kg (duty depends on product, size of package, sugar content, etc.) + 10% - 18% VAT	Strong competition from local producers, including some foreign brands such as Lay's (PepsiCo) and Estrella (Kraft) – Pringles from Europe.	Good potential for high quality U.S. snacks: popcorn, nuts, and dried fruits mixes.
Animal genetics (excluding embryos, data for which not available)	0.8	52.1	Zero tariff on live brood animals + 10% VAT. 5% tariff on bull semen + 18% VAT	Veterinary protocols for embryos and live animals were signed	Market is open. Government support makes this a large opportunity.

Source: Global Trade Atlas, U.S. Trade Database, Russian Tariff Database

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

Contact Information for FAS Offices in Russia and in the United States

U.S. Agricultural Trade Office Headquarters, Moscow
Email: atomoscow@fas.usda.gov

Deanna Ayala, Director
E-mail: Deanna.Ayala@fas.usda.gov

Alla Putiy, Marketing Specialist
E-mail: Alla.Putiy@fas.usda.gov

Olga Kolchevnikova, Marketing Specialist
E-mail: Olga.Kolchevnikova@fas.usda.gov

Alina Streltsova, Administrative Assistant
E-mail: Alina.Streltsova@fas.usda.gov

Street address (for express parcels):
U.S. Agricultural Trade Office

American Embassy
Bolshoy Devyatinskiy pereulok, 8
121099 Moscow, Russia
Fax: 7 (495) 728-5069
Tel: 7 (495) 728-5560
http://eng.usda.ru

For mail coming from the U.S. (delivery may take 4 to 6 weeks):
Director, Agricultural Trade Office
5430 Moscow Place
Washington, DC 20521-5430

For international mail, especially from Europe:
Agricultural Trade Office
U.S. Embassy - Box M
Itainen Puistotie 14
00140 Helsinki, Finland

Covering Northwest Russia (St. Petersburg):
Svetlana Ilyina, ATO Marketing Specialist
American Consulate General
Furshtatskaya Street 15
191028, St. Petersburg, Russia
Fax: 7 (812) 331-2675
Tel: 7 (812) 331-2880
E-mail: Svetlana.Ilyina@fas.usda.gov
Covering the Russian Far East (Vladivostok):
Oksana Lubentsova, ATO Marketing Specialist
American Consulate General
Ulitsa Pushkinskaya, 32
690001 Vladivostok, Russia
Fax: 7 (4232) 300-089
Tel: 7 (4232) 300-089
E-mail: Oksana.Lubentsova@fas.usda.gov

For General Information on FAS/USDA Market Promotion Programs and Activities:
Office of Trade Programs

U.S. Department of Agriculture
Foreign Agricultural Service
1400 Independence Ave., S.W.
Washington, DC 20250
http://www.fas.usda.gov/OTP_contacts.asp

FAS Website: www.fas.usda.gov

For Trade Policy/Market Access Issues, General Information on the Russian Agricultural Sector, etc:
Scott Reynolds, Agricultural Minister-Counselor
Mary Ellen Smith, Senior Agricultural Attaché
Morgan Haas, Agricultural Attaché
Office of Agricultural Affairs
American Embassy
(address same as above for ATO Moscow)
Fax: 7 (495) 728-5133 or 728 5102
Tel: 7 (495) 728-5222
E-mail: agmoscow@fas.usda.gov

Other Useful Contacts

The Agricultural Trade office works with a large number of U.S. industry organizations, several of which are resident in Russia. These cooperators share the view that Russia is a promising market for food products.

USA Poultry and Egg Export Council (USAPEEC)
Albert Davleev, Kirill Khrenov, Natalia Izmailova
Address: 127051 Moscow, Russia, Kulakova str., 20, Building 1
PO Box 305
Fax: 7 (495) 781-9200
Tel.: 7 (495) 781-9201
E-mail: usapeec@usapeec.ru, albertdavleyev@yahoo.com
http://www.usapeec.ru

U.S. Meat Export Federation (USMEF)
Galina Kochubeyeva (Moscow)

Address: 119049 Moscow, Russia, Leninsky Prospekt, 2, 9th Floor, Business Center
Fax: 7 (495) 230-6849
Tel.: 7 (495) 544-9387
E-mail: moscow@usmef.org, gkochubeeva@usmef.org

Yuriy Barutkin (St. Petersburg)
Address: 190031 St. Petersburg, Russia, Yefimova str., 4a, office 303
Fax: 7 (812) 309-71102
Tel.: 7 (812) 309-1101
E-mail: stpete@usmef.org

U.S. Wheat Associates
Valentina Shustova
Address: 129090 Moscow, Russia, Gilyarovskogo Str., 4, Stroyeniye 5, Office 101
Fax: 7 (495) 207-4203
Tel.: 7 (495) 956-9081; 7 (495) 208-8124
E-mail: uswmow@dol.ru
www.uswheat.ru

U.S. Grains Council (USGS)
Aleksandr Kholopov
E-mail: akholopov@yahoo.com

Pear Bureau Northwest
Katerina Akulenko
Address: 690090 Vladivostok, Russia, Svetlanskaya str., 37, Office 2
Fax: 7 (4232) 63-8411
Tel.: 7 (4232) 56-5536
E-mail: katerina@newmark.ru
http://www.usapears.ru

Ksenia Evdokimova (St. Petersburg)
Address: 194223, St. Petersburg, Russia, Orbeli str., 25/3, office 7
Tel: 7 (921) 637-4199
E-mail: Ksenia@crispconsulting.ru
http://crispconsulting.ru/

Almond Board of California
RK Marketing Office,
29/1 Generala Tyuleneva Str., 117465, Moscow, Russia
Tel: 7 (495) 729-3080
Fax: 7 (495) 989-2670
E-mail: office@Almonds.ru
http://www.Almonds.ru

Washington Apple Commission
RK Marketing Office,
29/1 Generala Tyuleneva Str., 117465, Moscow, Russia
Tel: 7 (495) 729-3080
Fax: 7 (495) 989-2670
E-mail: office@bestapples.ru
www.bestapples.ru

Katerina Akulenko (Vladivostok)
Address: 690090 Vladivostok, Russia, Svetlanskaya str., 37, Office 2
Fax: 7 (4232) 63-8411
Tel.: 7 (4232) 56-5536
E-mail: katerina@newmark.ru

California Table Grape Commission
Ksenia Evdokimova (St. Petersburg)
Address: 194223, St. Petersburg, Russia, Orbeli str., 25/3, office 7
Tel: 7 (921) 637-4199
E-mail: Ksenia@crispconsulting.ru
http://crispconsulting.ru/

Katerina Akulenko (Vladivostok)
Address: 690090 Vladivostok, Russia, Svetlanskaya str., 37, Office 2
Fax: 7 (4232) 63-8411
Tel.: 7 (4232) 56-5536
E-mail: katerina@newmark.ru

Wine Institute of California
Olga Tuzmukhamedova

Address: 127521 Moscow, Russia, Staromarinskoe shosse, 14-77
Tel: 7 (495) 616-3829
E-mail: olgatuz@mail.ru
www.california-wines.org
www.wineinstitute.org

The American Chamber of Commerce is another good source for information on doing business in Russia. The Chamber has offices in Moscow and St. Petersburg.

American Chamber of Commerce in Russia (AmCham)
Ul. Dolgorukovskaya, Building 7, 14th floor
127006 Moscow, Russia
Fax: 7 (495) 961-2142
Tel: 7 (495) 961-2141
Email: amchamru@amcham.ru
http://amcham.ru/

American Chamber of Commerce in St. Petersburg
Ulitsa Yakubovicha 24, left wing, 3rd Floor
190000 St. Petersburg, Russia
Fax: 7 (812) 448-1645
Tel: 7 (812) 448-1646
Email: all@spb.amcham.ru
http://amcham.ru/spb/

The U.S Commercial Service has offices in Moscow, St. Petersburg, and Vladivostok. For questions regarding agricultural machinery, food processing and packaging equipment or materials, refrigeration equipment, and other industrial products, please contact:

U.S. Commercial Service
Bolshoy Devyatinskiy pereulok, 8
121099 Moscow, Russia
Fax: 7 (495) 728-5585
Tel: 7 (495) 728-5580
E-mail: moscow.office.box@mail.doc.gov
http://www.buyusa.gov/russia/en/

The U.S. Commercial Service office at the U.S. Embassy in Moscow assists American exporters by identifying potential partners through the Gold Key Matching Service. The program features:

- appointments (typically four per day) with prescreened Russian firms;
- background and contact information on each potential partner, such as: the size of the company; number of years in business; product or service lines; and capability to provide after-sales service;
- customized market briefing with U.S. Commercial Service staff; and,
- available market research on the relevant industry sector.

The World Bank and the U.S. Agency for International Development also maintain missions in Russia.

APPENDIX - STATISTICS

TABLE A. KEY TRADE & DEMOGRAPHIC INFORMATION

Agricultural Imports From All Countries ($Mil) / U.S. Market Share (%) [1/]	25711/6.7
Consumer Food Imports From All Countries ($Mil) / U.S. Market Share (%) [1/]	18503/7.5
Edible Fishery Imports From All Countries ($Mil) / U.S. Market Share (%) [1/]	1754/1.6
Total Population (Millions) / Annual Growth Rate (%)	141.9/-0.07
Urban Population (Millions) / Annual Growth Rate (%)	103.7/-0.08
Number of Major Metropolitan Areas	11
Size of the Middle Class (Millions) / Growth Rate (%) [4/]	34/10
Per Capita Gross Domestic Product (U.S. Dollars)	8,682
Unemployment Rate (%) [5/]	8.4
Per Capita Food Expenditures (U.S. Dollars)	4,622
Percent of Female Population Employed [5/]	92.1
Exchange Rate (US$1 = RUR) as of September 2010 [6/]	30.40

Source: Unless otherwise noted, Russian Federal Statistics Service 2009 data (Rosstat)

[1/] Source: 2009, Global Trade Atlas (total agricultural imports)

[2/] Source: 2009, Global Trade Atlas

[3/] Population in excess of 1,000,000

[4/] Sources: Various - based on estimate of individuals earning US$500-$3,000 per month

[5/] Source: Rosstat data. As percentage of economically-active female population (employed or actively seeking employment). Female workers account for 47.7 percent of the total economically-active population

[6/] See Figure 1. Russia's Central Bank exchange rate of $1 USD to Ruble from January 2010 to November 2010

TABLE B. CONSUMER FOOD & EDIBLE FISHERY PRODUCT IMPORTS

	Imports from the World *(Million Dollars)*			Imports from the U.S. *(Million Dollars)*			U.S Market Share *(Percent)*		
	2007	**2008**	**2009**	**2007**	**2008**	**2009**	**2007**	**2008**	**2009**
CONSUMER-ORIENTED AG, Total	**16866**	**21537**	**18503**	**1076**	**1810**	**1391**	**6.4**	**8.4**	**7.5**
Snack Foods (Excl. Nuts)	702.5	857.5	707.3	4.3	2.4	2.0	0.6	0.3	0.3
Breakfast Cereals & Pancake Mix	19.2	32.5	18.9	0.9	0.4	0.2	0.5	0.1	0.1
Red Meats, Fresh/Chilled/Frozen	3835.2	5418.6	4633.1	214.3	585.4	382.4	5.6	10.8	8.3
Red Meats, Prepared/Preserved	132.8	174.4	156.2	5.9	7.7	11.2	4.5	4.4	7.2
Poultry Meat	1051.7	1339.3	1064.2	634.9	835.9	733.1	60.4	62.4	68.9
Dairy Products (Excl. Cheese)	1184.9	1512.6	1179.0	8.7	47.7	2.8	0.7	3.2	0.2
Eggs & Products (Excl. Cheese)	70.4	80.3	79.4	10.7	9.5	10.5	15.3	11.8	13.2
Fresh Fruit	3262.3	3840.5	3711.3	13.8	23.5	20.8	0.4	0.6	0.6
Fresh Vegetables	1277.9	1627.6	1492.8	1.6	2.0	1.3	0.13	0.12	0.1
Processed Fruit & Vegetables	1080.1	1416.5	1282.4	14.7	23.3	12.6	1.4	1.6	1.0
Fruit & Vegetables Juices	371.5	417.8	286.8	6.6	7.3	6.3	1.8	1.7	2.2
Tree Nuts	284.0	382.8	291.7	69.1	103.6	82.2	24.4	27.1	28.2
Wine & Beer	1070.2	1264.4	870.2	3.8	6.8	6.2	0.4	0.5	0.7
Pet Foods (Dog & Cat Food)	146.8	175.9	162.5	12.6	12.8	4.5	8.6	7.3	2.8
Other Consumer Oriented Products	1733.2	2241.2	1920.0	73.8	141.1	113.2	4.3	6.3	5.9
FISH & SEAFOOD PRODUCTS, Total	**1873**	**2216**	**1754**	**51.7**	**46.3**	**27.4**	**2.8**	**2.2**	**1.6**
Salmon	290	317	311	4.2	1.9	0.6	1.5	0.6	0.2
Molluscs	72	84	40	1.0	3.3	1.7	1.4	3.9	4.2
Crustaceans	234.7	282.7	199.3	0.22	0.17	0.01	0.09	0.06	0.05
Other Fishery Products	1122	1349	1052	22.1	27.3	10.4	2.0	2.0	1.0
AGRICULTURAL PRODUCTS TOTAL	**23721**	**30590**	**25711**	**1293**	**2093**	**1712**	**5.5**	**6.8**	**6.7**
AG, FISH AND FORESTRY TOTAL	**26643**	**34260**	**28252**	**1360**	**2181**	**1753**	**5.1**	**6.4**	**6.2**

Source: Global Trade Atlas

TABLE C. TOP 15 SUPPLIERS OF CONSUMER FOODS & EDIBLE FISHERY PRODUCTS
CONSUMER-ORIENTED AG TOTAL

Country	Million United States Dollars		
	2007	2008	2009
Brazil	2219.8	2526.6	2243.7
United States	**1075.9**	**1810.4**	**1391.0**
Germany	1017.0	1312.0	1172.0
Ukraine	936.4	1197.0	1061.2
Turkey	724.2	878.8	1013.7
Netherlands	869.1	1072.5	887.8
Argentina	705.7	742.2	862.2
Ecuador	747.3	837.0	790.8
China	724.3	894.7	740.5
Poland	603.5	664.1	737.7
France	600.2	768.2	595.0
Spain	537.7	658.5	550.2
Italy	567.2	682.8	538.2
Denmark	373.1	356.9	347.6
Finland	260.7	345.6	277.0
World	**16865.9**	**21536.7**	**18502.6**

Source: Global Trade Atlas

FISH & SEAFOOD PRODUCTS

Country	Million United States Dollars		
	2007	2008	2009
Norway	630.2	709.9	729.1
China	229.6	274.0	206.7
Vietnam	115.1	203.5	102.6
United Kingdom	86.6	71.6	84.0
Denmark	123.8	130.9	79.1
Canada	58.8	87.6	57.5
Chile	91.9	105.8	57.3
Iceland	44.4	53.4	43.0
Thailand	52.3	66.3	33.3
Spain	14.6	21.8	30.4
Ukraine	19.9	25.3	27.7
United States	**52.0**	**49.2**	**27.4**
Estonia	18.1	17.8	25.0
Latvia	20.1	26.7	23.1
Kazakhstan	29.1	29.2	19.8
World	**1873.2**	**2216.1**	**1753.6**

Source: Global Trade Atlas

Other Relevant Reports

Attaché reports on the Russian food and agricultural market are available on the FAS Website; the search engine can be found at
http://www.fas.usda.gov/scriptsw/AttacheRep/default.asp

The latest FAIRS Report can be found at http://www.fas.usda.gov/scriptsw/AttacheRep/default.asp.

RSATO1003 Retail Report / Annual
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Retail%20Foods_Moscow%20ATO_Russian%20Federation_8-30-2010.pdf

RSATO1002 Trade Law Report
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/The%20Russian%20Federal%20Law%20on%20Trade%20_Moscow%20ATO_Russian%20Federation_8-30-2010.pdf

"Food Processing Annual 2010" report was published in late December, 2010 and can be found at http://www.fas.usda.gov/scriptsw/AttacheRep/default.asp.

Updated report on the HRI sector will be available in the first quarter of 2011 and can be found at http://www.fas.usda.gov/scriptsw/AttacheRep/default.asp

RSATO1002 Fresh Deciduous Fruit / Annual
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Fresh%20Deciduous%20Fruit%20Annual_Moscow%20ATO_Russian%20Federation_11-1-2010.pdf

RSATO1010 Russian Alcohol Market Regulation 2008-2010 Update
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Russian%20Alcohol%20Market%20Regulation%202008-2010%20Update_Moscow%20ATO_Russian%20Federation_11-22-2010.pdf

RS 1039 Ban on Grain Exports from Russia Comes to Force on August 15
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Ban%20on%20Grain%20Exports%20from%20Russia%20Comes%20to%20Force%20on%20August%2015%20_Moscow_Russian%20Federation_8-6-2010.pdf

RS 1033 Fish and Seafood Production and Trade Update
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Fish%20and%20Seafood%20Production%20and%20Trade%20Update_Moscow_Russian%20Federation_7-9-2010.pdf

RS 1023 Fishery Sector Update and Price Survey
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Fishery%20Sector%20Update%20and%20Price%20Survey_Moscow_Russian%20Federation_5-4-2010.pdf

RS 1038 Government to Control Prices for Socially Important Food
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Government%

20to%20Control%20Prices%20for%20Socially%20Important%20Food%20_Moscow_Russian%20Federation_7-30-2010.pdf

RS 9054 Poultry and Products / Annual
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/POULTRY%20AND%20PRODUCTS%20ANNUAL_Moscow_Russian%20Federation_31.08.2009.pdf

RS 1015 Declaration of Conformity Replaces Certification for Many Products
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Declaration%20of%20Conformity%20Replaces%20Certification%20for%20Many%20Products_Moscow_Russian%20Federation_3-22-2010.pdf

RS9020 Meat & Poultry TRQ Mechanism Announced for 2009
http://www.fas.usda.gov/gainfiles/200903/146347563.doc

RS9010 Meat and Poultry Prices Update
http://www.fas.usda.gov/gainfiles/200903/146327404.doc

RS9008 Economic Crisis Update
http://www.fas.usda.gov/gainfiles/200902/146327327.pdf

RS8096 Poultry and Meat Duties and Volumes Changed for 2009
http://www.fas.usda.gov/gainfiles/200902/146327314.doc