

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Required Report - public distribution

Date: 3/3/2011

GAIN Report Number: RSATO1102

Russian Federation

Food Service - Hotel Restaurant Institutional

HRI Food Service Sector

Approved By:

Deanna Ayala

Prepared By:

Alla Putiy

Report Highlights:

The Russian Hotel Restaurant and Institutional (HRI) sector is set to return to its dramatic pre-crisis growth. Before the crisis, sales increased 10 to 12 percent annually from 2005 to 2008 together with consumer income growth. Restaurant players have noted renewed growth in the food service market since autumn 2009. Most of the HRI sector's growth is in the fast-food, coffee shop, and casual-dining segments. Since imports make up the vast majority of HRI products (more than 65 percent), opportunities for U.S. products are significant.

Post:

Moscow ATO

Executive Summary:

The Russian Hotel Restaurant and Institutional (HRI) sector is set to return to its dramatic pre-crisis growth. Before the crisis, sales increased 10 to 12 percent annually from 2005 to 2008 together with consumer income growth. After the autumn of 2008, when the Russian economic crisis began, consumers were more cautious and pragmatic in their foodservice spending. But since then we've seen some turn-around. Restaurant players have noted renewed growth in the food service market since autumn 2009. Most of the HRI sector's growth is in the fast-food, coffee shop, and casual-dining segments. Since imports make up the vast majority of HRI products (more than 65 percent), opportunities for U.S. products are significant.

Russian consumer markets offer many opportunities for American producers as domestic competitiveness is still low. There are significant opportunities for U.S. companies to benefit from this growth, as many importers, distributors, and managers in the HRI sector have expressed an interest in buying marbled meat, cheesecakes, sauces, wine, tree nuts, high-quality ingredients, and other products. The majority of HRI customers are price sensitive, but they are nonetheless interested in new and innovative products.

To succeed, American exporters must be prepared to do extensive marketing and to educate potential buyers on how to use their products. Logistics may be a problem, especially as shipping traffic overloads the St. Petersburg port, Russia's primary gateway for American food imports. American products also face substantial competition from Western Europe, Asia, and South America.

While the main markets for American products are still in Moscow and St. Petersburg, the HRI sector is rapidly developing in other large cities. These include Nizhniy Novgorod, Yekaterinburg, Kazan, Novosibirsk, Samara, Ufa, and tourist cities on the Black Sea such as Sochi, the site of the 2014 Olympic Games. Operating outside major regions, however, adds an additional layer of logistical complication for American exporters. To overcome these difficulties, they will need to collaborate with strong importers or distributors.

SECTION I: MARKET SUMMARY

Before the economic crisis in autumn 2008, Russia had one of the fastest growing economies in the world. Rising incomes in the 2000s boosted consumer optimism and spending on non-essential goods and services. Real GDP growth rate was 8.1 percent in 2007, but in 2009 real GDP shrank by 7.9 percent. Real GDP growth of 4.0 percent was reached in 2010 with high oil prices and a government policy geared toward economic growth.

Table 1: Russia: Social and Economical key figures

	2005	2006	2007	2008	2009	2010
Population, million.	143.5	142.8	142.2	142.0	141.9	141.9
Unemployment, % of labor force of eap	7.1	6.7	5.7	7	8.4	7.3
Average monthly salary per person, RUR	8554.9	10633.9	13593.4	17290.1	18638	20798
Real GDP growth, % change y-o-y	6.4	7.4	8.1	6.8	-7.9	4.0
Inflation, %	10.9	9	11.9	13.3	8.8	8.8

Source: Federal State Statistics Bureau (Rosstat)

1 USD = 29 Russian Rubles in 2010

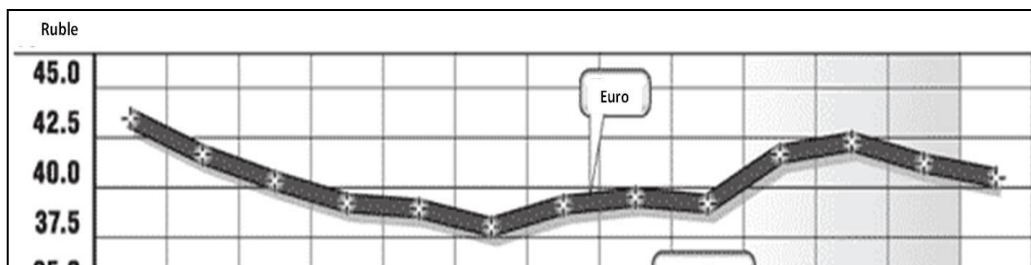
Russia is the ninth most populous country in the world, with almost 142 million people. However, the Russian population has been declining in numbers since 1995. European Russia, geographically west of the Urals, hosts over 75% of the total population, although it accounts for 25% of the country's territory. According to Rosstat, 73% of all Russians lived in urban areas in 2010 and over 10% of the total population lived in Moscow (10.5 million people) and St Petersburg (4.6 million people). Beyond the two largest Russian cities there are nine cities (Novosibirsk, Nizhniy Novgorod, Yekaterinburg, Samara, Omsk, Kazan, Ufa, Chelyabinsk, Rostov-on-Don) with a population of more than one million people.

The unemployment rate of the economically active population had declined to 5.7 percent in 2007, but soared to 8.4 percent in 2009. That situation has turned around somewhat with unemployment down by 1.1% (1.8 million). In addition, individuals' real incomes in 2010 increased by 11% compared to 2009.

Russian consumer price inflation in 2010 was 8.8%, the same as in the preceding year. The government had expected inflation to decline to 8.5% in 2010, but it hiked its inflation forecast several times, primarily because of the abnormal heat and drought last summer, which boosted food prices. According to the State Statistics Service's data, prices of food products in Russia increased by 12.8% in 2010.

Since August 2008, when the financial and economic crisis began in Russia, the ruble has lost almost one fifth of its value against the Dollar. The Ruble:Dollar exchange rate in August, 2008 was 24:1; in December 2008 it was 27:1; in February 2009 it was 36:1; in April 2010 it was 29:1 and at the beginning of January 2010 it was 30:1. Although the Ruble is recovering, it is still weak against the Dollar and Euro compared to pre-crisis exchange rates, so imported food prices have risen respectively.

Figure 1. Russia's Central Bank's exchange rate of \$1 USD to Ruble and \$1 Euro to Ruble from January 2010 to January 2011



Source: Central Bank of Russian Federation, and <http://valuta.investfunds.ru/indicators/view/39/>

Consumer markets flourished in Moscow and St. Petersburg as the incomes of their residents grew at a faster pace. As a result, Moscow and St. Petersburg are Russia's largest restaurant cities with market shares of 30 % in Moscow and 8-10% in St. Petersburg.

HRI Sub-Sectors

Restaurants

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

Table 2. Units, Transactions & Value Sales in Russia Restaurant Industry

	2005	2006	2007	2008	2009
# of cafes, restaurants, food outlets	52.3	53.8	54.8	55.6	54.7
Transactions, mln	1251.2	1312.0	1383.6	1428.4	1396.4
RUR, billions	248.1	257.3	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

*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 relatively low, with high unemployment and rising poverty bringing a decrease in spending. Despite the difficulties faced by much of the foodservice market, fast food was the only channel to see positive current value growth in 2009 and 2010, albeit at a significantly moderated rate

compared to previous years. Growth was driven by the generally rising popularity of fast food due to busier lifestyles and the emergence of more outlets in new locations.

All foodservice operators were fairly unanimously hit by the recession and considerable declines in consumer spending. The crisis mostly affected restaurants belonging to the higher price category (falling by 30-50%) while sales at casual dining restaurants declined by 15-20%.

However, the market remained largely stable compared to the previous year in terms of company shares, as the leading players were in the best position to weather the storm by addressing their menus and costs and adapting to new market conditions. Smaller and independent players in particular were worst hit by declining consumer confidence, although this appeared only to compound a fairly established trend of consumer migration to chain outlets. The leading players in various segments of the restaurant market made efforts to consolidate their positions through offering lower-cost meal solutions, and extending their services to areas such as home delivery or catering.

Franchising has become a very popular tool for multinational players in Russia. Franchising offers an easier way for investors to enter the Russian market with a lower level of investment, since the materials required for the setting up of outlets and apparatus are often included as part of the franchise agreement, cutting expenses and bringing about profits more quickly. As the economic situation stabilizes and the business environment becomes more transparent in Russia, franchising in general is set to grow. This is particularly true as more domestic players come to appreciate the benefits of this style of business, including high profits and a degree of autonomy.

Major Restaurant Operators in Russia

According to FoodService magazine there are currently 30 to 40 restaurant chains operating in Russia, each of which manages between 20 to 400 outlets. McDonald's, Rosinter Restaurant Holding, Arkadiy Novikov Restaurants, Markon, and Coffee House are the largest restaurant chains in different foodservice segments in Russia. Rosinter estimates the value of its cafes and restaurants in Russia at 443 billion Rubles.

The Russian restaurant market consists of several market niches:

- Fine-Dining/Full-Service Restaurants: higher priced/exclusive outlets;
- Casual-Dining Restaurants: affordable, family dining outlets;
- Quick and Casual Restaurants, which include coffee shops
- Fast-food/Quick Service Restaurant (QSR), which is divided into two separate segments:
Stationary fast-food and street/mobile fast food (kiosks, stalls, etc.)

Fast food outlets, casual restaurants, and coffee houses are the most popular and fastest-growing sectors in Russia.

Table 3. Russia: Restaurant Sales by Sub-Category, Billions of Rubles

	2005	2006	2007	2008	2009	% change 2008/2009
Cafes/bars	35.8	38.5	42.2	47.7	45.7	-4.2
Fast-food	132.6	150	170	193	194	1

Self-service cafeterias	4.1	4.5	4.8	5.2	4.9	-5.8
Street stalls/kiosks	19.2	20.3	21.2	22.6	21.4	-5.4
Full-service restaurants	54.3	59.6	64.5	71.2	64.4	-10
100% Home Delivery/Takeaway	2	2.3	3	3.7	3.8	2.7
Total	248	275	306	343	334	-3

Source: Euromonitor International

Three main segments of the market stand out clearly. The highest-priced segment, “fine-dining” in Western terminology, has an average check of more than \$70 per person. Patrons receive refined cuisine, unique design, good service, and the availability of private dining space. The medium-priced or casual segment has an average check of \$20 to \$70 per person, and it includes chains such as Il Patio, Yolki-Palki, Goodman, and Planet Sushi. The lowest-priced segment, fast-food, mainly consists of chains such as McDonald’s, Rostik’s-KFC, and Kroshka-Kartoshka.

The number of cafes, restaurants, and other food outlets in Russia currently stands at about 60,000. Although Moscow and St. Petersburg are still by far the largest restaurant cities in Russia, leading foodservice operators have begun regional expansion into other wealthy cities. The markets of Moscow and St. Petersburg are expected to reach saturation in the near future, so modern retail formats such as shopping malls and business centers, and entertainment hubs play a significant role in regional expansion of foodservice competitors.

Table 4. Russia: Consumer Foodservice by Independent versus Chain Outlets (2009)

Outlets	Independent	Chained	Total	% of Total
Fast-food	15,663	4,698	20,361	34.9
Street stalls/kiosks	12,811	1,869	14,680	25.1
Cafés/bars	9,177	846	10,023	17.1
Full-service restaurants	6,101	1,158	7,259	12.4
Pizza consumer foodservice	2,981	768	3,749	6.4
Self-service cafeterias	1,668	74	1,742	3
100% home delivery/takeaway	511	153	664	1.1
Total Consumer Foodservice	48,912	9,566	58,478	100

Source: Official statistics, trade associations, trade press, company research, trade interviews, and Euromonitor International estimates

Table 5 shows foodservice chain leaders in 2010, their brands, types, and number of outlets.

Table 5. Russia: Leading foodservice chains, 2010

Holding company	# outlets in Russia	% change 2010/2009	# outlets in Moscow	Brands	Type
Markon	401	15.2	352	Stardog!s, Bageteria, OnTime	Street + QSR

Rosinter	362	2.6	197	Il Patio, Planet Sushi, other	Casual
Kroshka-Kartoshka	326	4	273	Kroshka-Kartoshka	Street + QSR
McDonald's	251	12	91	McDonald's, McCafe	QSR
Coffee House	229	5	128	Coffee House, Asia, Vinegret	QSR +casual
Shokoladnitsa	225	5.1	160	Shokoladnitsa, Vabi Sabi	QSR +casual
Teremok	181	5.2	93	Teremok, Bitte Gril	Street +QSR
Planeta gostepriimstva	158	3.9	68	Sbarro, Vostochnyy bazaar, Viadzhio	QSR +casual
Yum!Brands	155	-2.5	84	Rostik's-KFC	QSR
Novikov Group	148	2.7	126	Different concept restaurants	Fine +casual
BRPI	145	-19.4	32	Baskin Robins	QSR
Podorozhnik	130	-21.7	0	Podorozhnik	QSR
Subway	127	76.3	58	Subway	QSR
Grand Food	121	1.7	9	Tashir pizza, Kebab tun, other	QSR +casual
Eurasia	103	14.4	2	Eurasia	Casual
Vesta centr international	77	0	57	Yakitoria, Gin-no Taki, Menza, other	Casual
Ginza Project	75	22.9	42	Yaposha and different concept restaurants	Fine + casual
Chaynaya lozhka	69	16.9	0	Chaynaya lozhka	QSR
Foodmaster	52	10.6	0	Vilka-lozhka, Pechki-lavochki, other	QSR +casual
AmRest	49	-14	13	Pizza Hut, Rostik's-KFC	QSR
Starbucks	43	130	43	Starbucks	QSR
RP-Com	30	0	29	Goodman, Kolbasoff, other	Casual
Total	3452	5%	1857		

Source: FoodService magazine, #12, 2010

Rosinter Restaurants Holding (Rosinter) is a major player on the Russian restaurant market. The company gained its leadership role by its early deployment of chain restaurants in the casual-dining segment of the market where Rosinter holds 16.7% of the market in 2009. As of December 31, 2010, the holding company operated 362 outlets, including 113 franchised restaurants in 40 cities in Russia, the CIS, Central Europe, and the Baltic states. It had 339 a year ago (88 franchises). The company offers Italian, Japanese, American, and Russian cuisine under its proprietary brands (Il Patio, Planet Sushi, and 1-2-3 Café) and its licensed brands (T.G.I. Friday's and Sibirskaya Korona). In addition, Rosinter is developing the Costa Coffee chain with Whitbread PLC, which had 32 outlets at the end of December 2010.

Table 6. Rosinter restaurant brands

Brand name	Type	First year of operation in Russia	# outlets, Nov 2008	# outlets 2010
Planet Sushi	Casual (Asian)	1999	110	129
Il Patio	Casual (Italian)	1993 (rebranding in) 2005	114	139
T.G.I. Friday's	Casual (American)	1997	24	30
American Bar & Grill	Casual (American)		5	5
Sibirskaya Korona	Casual (beer- restaurant)		17	19
1-2-3 Café	Casual (Russian)	2007		6
Costa Coffee	Coffee house	2008		26
Other casual and fine-dining restaurants				5
Total			270	362

Source: Rosinter web-site

In May 2007, Rosinter Restaurants Holding held its IPO. Rosinter reported consolidated revenues of 6.73 billion Rubles in 2007, of 8.36 billion Rubles in 2008, and of 8.34 billion Rubles in 2009. Rosinter's consolidated revenue for 2010 went up 16.9% year-on-year to 9.17 billion Rubles.

The company holds three main objectives. The first is to accelerate the expansion of its coverage in Russia, the CIS, and Europe. The second is to increase its presence in transportation facilities, trade centers, and Moscow residential areas. The third is to develop new formats of its brands for high-traffic locations.

Following the aforementioned objectives Rosinter opened about 30 restaurants in 2009, half of which were franchises, and about 20 new restaurants in 2010, 18 of which are franchises. In summer 2010 the company sold a chain of fast-food restaurants under the Rostik's-KFC brand to its partner American Yum!Brands, with which Rosinter has had strategic alliance since 2006.

McDonald's, the largest chain of fast-food restaurants in the world, entered Russia in 1990 and opened its first restaurant in the center of Moscow. As of December 31, 2010 McDonald's had 270 restaurants, including 43 McCafes, operating throughout Russia and serving 950,000 customers daily. There are 91 McDonald's restaurants in Moscow. The company operates in 60 Russian cities. On McDonald's 20th anniversary in Russia in January 2010, company reported about serving 2 billion customers.

All McDonald's restaurants operating in Russia are corporate facilities rather than franchises. McDonald's operates in 120 countries and Russia is one of the ten top countries by sales volume. McDonald's growth rate in Russia is between 20 to 30 percent annually. The fast-food giant opens about 40 new restaurants in Russia every year. The company spends between \$1.5 million to \$2 million

to set up each new restaurant. Opening one cafe costs about \$250,000.

McDonald's also plans to expand its McCafe chain, its premium class coffeehouse format. The first McCafe opened in Russia in 2002 and now there are 43, most of which are in Moscow and in St. Petersburg. McCafe also operates in Yaroslavl, Nizhniy Novgorod, Yekaterinburg, Volgograd, Kazan, and Ufa.

The corporation also owns the McComplex, the Moscow-based food processing and distribution centre, which supplies the fast food giant McDonald's in Russia and the CIS. It has invested \$45 million in the McComplex. McDonald's currently supplies 80% of needs from 130 local companies. Since February 2010, when Inalca JBS opened a new meat production and distribution facility near Moscow, JBS' partner Marr Russia became the supplier of frozen hamburger patties to McDonald's restaurants in Russia.

The company's main operators in Russia are CJSC Moscow-McDonald's (47 restaurants in the capital city) and LLC McDonald's (the remaining restaurants in Moscow and sixty other cities). According to the SPARK database, these two enterprises reported combined sales revenues to Russian Accounting Standards of 33.2 billion Rubles last year, and net profits of a little over 2.8 billion Rubles.

Baskin Robbins, the world's largest chain of ice cream specialty shops, entered Russia in 1990. In 1996, the company opened a major ice cream plant in Moscow -- the biggest in Europe -- able to churn out 16,500 tons annually. The company sells more than 125 flavors of premium ice cream. The company's turnover for 2009 came to 585.5 million Rubles, for the first six months of 2010 sales went up 20% to 315 million Rubles. Last year was the company's most successful year in Russia. In 2010, the company expanded its assortment range and increased the number of prepackaged ice-cream products offered at its outlets. Baskin Robbins Production International opened 33 new ice cream salons in Russia in 2010. Baskin-Robbins' network in Russia consists of 145 outlets in 68 cities, most of them franchises.

Arkadiy Novikov Restaurant Group (Novikov Group) includes nearly 88 restaurant-retail-entertainment projects of various formats and price ranges. The company has launched and managed restaurants since 1992 and has continued to lie in second position in full-service restaurants. The Novikov Group is slightly less chain-oriented. It operates more than 30 different Moscow high-end concept restaurants, along with a five casual-dining restaurant chains such as Yolki-Palki, Malenkaya Yaponiya, Sushi Vesla, Prime Star, and Kish-Mish. It also operates the premium grocery chain Globus Gourmet, the Russian branch of the French gourmet chain Hediard, the greenhouse complex OOO Agronom, and the Premium Class catering business.

RP-Com (Restaurant Professional Company) is one of the top 10 foodservice operators in Moscow. RP-Com currently owns the following restaurants in Moscow: ten Goodman steakhouses, four Filimonova & Yankel fish-houses, eight Kolbasoff beer-restaurants, and three Italian Mamina Pasta restaurants. While RP-Com is not the leader in any one foodservice format, the company's future growth seems promising because it has built a reputation on quality and service. During its eight years of foodservice experience, the company has gained success in the niche of North American full-service restaurants. This type of restaurant is less developed in Russia, and currently only a few independent operators specialize in grill menus. The Goodman chain became the third largest chain of North American full-service restaurants in Moscow as well as in the whole of Russia.

RP-Com is a part of the Food Service Capital Group of companies which also includes Comfis, and Legion, based in St. Petersburg. Comfis is a prepared food manufacturer and Legion is a food provider, together they service passenger meals for Sapsan high-speed trains.

Ginza Project is one of the largest and the most dynamically developing consumer foodservice businesses in Russia. The company operates various restaurants and entertainment venues with different formats and price segments, although there is a bias towards various fine dining options. The restaurant holding Ginza Project began developing a nationwide network of Yaposha cafés in 2003. Since 2008, Ginza Project has continued to invest heavily in its expansion. In 2007 there were 22 Yaposha outlets in total, with this number rising to 50 by the end of 2009. Besides regional development of the Yaposha chain, the group doubled the number of its themed restaurants in Moscow. As of December 31, 2010 company operated 75 outlets, including 42 restaurants in Moscow.

Fine-Dining/Full-Service Restaurants

Haute cuisine appeared in Russia in the mid 1990's, and there is no shortage of high-end restaurants with extravagantly expensive checks at meal's end in Moscow and St. Petersburg. Fine-dining restaurants are associated with names such as Arkadiy Novikov, Andrey Delos, and Ginza Project, but most experts agree that the top-category restaurant sector is saturated. Restaurateurs are moving toward casual restaurants where tables turn over more quickly and profit margins are higher. Nevertheless, there is still an opportunity for U.S. products in the fine dining segment because consumers are loyal to high-quality imported products such as marbled beef, seafood, high-end wines, and spirits.

Casual-Dining Restaurants

Casual dining was one of the fastest-growing segments of the restaurant market, with growth rates between 15 to 25 percent in 2005-2008. The leading position in this segment belongs to the chain operators, including those specializing in Russian, North American, Italian, and Asian cuisines. The poor development of independent operators across most full-service restaurant formats means it is heavily concentrated with chains, especially in Moscow and St. Petersburg. Independent restaurants face strengthening competition from cafés, bars, and fast-food outlets, which provide good quality food at lower prices. Russian consumers prefer a diverse menu at affordable prices. The average price for a meal at one of these restaurants ranges from \$20 to \$70 per person.

Although meat dishes are a staple of almost every Russian restaurant, North American-style steakhouses are not yet widespread, accounting for only 3 to 4 percent of the Moscow market. Experts attribute this to the fact that opening a steakhouse cost 15 to 20% more than opening the average restaurant, due to the need for special grilling equipment and a downtown location to attract a profitable number of customers. Rent is significantly higher in the city center than in the suburbs. Another added expense is the marketing and education necessary to promote steakhouse culture. Currently, the main American-cuisine restaurants in Moscow is the American Bar & Grill chains (operated by Rosinter), Goodman steakhouses (operated by RP-Com), and five Torro Grill restaurants. Even though the number of steakhouses is growing slowly, overall consumption of steaks is increasing steadily. These restaurants use imported meat, usually from Australia or the U.S., since local suppliers do not provide consistent quality. In 2011 there is the big interest in using American marbled beef at steakhouse restaurants.

Recently a new big player, Chili's Grill & Bar, entered the Russian market. This American restaurant chain is owned by restaurant holding company Brinker, which opened the first Chili's in Moscow on February 1, 2011. The network in Russia will be developed by a local franchise partner company Trio Group. According to the franchise agreement, which was signed in August 2009, the Trio Group shall open 25 restaurants in Russia by 2017. Chili's Grill & Bar is the main rival of the American chain T.G.I. Friday's, which operates in the Russian restaurant market through the holding Rosinter.

The enormous popularity of Japanese cuisine made Asian full-service restaurant chains the most ubiquitous category of casual restaurants, with a value growth rate of 25% before the crisis. Japanese restaurants, with sushi and fish menus, are heavily represented among fish and seafood-concept restaurants in Russia. As Russian consumers become increasingly health conscious, sushi's image as a healthy food is an essential component of this growth.

Very few casual chain restaurants have a centralized system of purchasing. Most decisions regarding products and purchasing are made at the restaurant level. On the one hand, there are many more opportunities for sales, since each restaurant is a separate account. On the other hand, individual sales are smaller and do not allow for the development of exclusive distribution rights and consistent volumes.

According to industry experts, casual eateries use imported meat, seafood, desserts, seasonings, and a variety of ingredients. While quality is of some concern, prices dominate purchasing decisions. American products will need to be cost-competitive to attract business in this segment.

Fast-Food

The Russian fast food market is relatively young compared with those in Europe and the United States. It has been 20 years since the first McDonalds opened in Moscow on January 31, 1990, and in the intervening two decades Russia's fast food market has grown and ranks 12th in the world by volume. In the years prior to the crisis, the fast food market was the fastest-growing restaurant category in Russia with an annual growth rate of 25 to 30% over the 2004 – 2007 periods. According to Euromonitor International, Russia's fast-food market was valued at 194 million Rubles in 2009 and is 58% of total foodservice sales. Nowadays it is one of the few segments of the restaurant business to continue growing after the onset of the crisis. Moreover, the popularity of fast food in Russia has grown dramatically ever since the crisis first hit the country. Fast food restaurants account for about one-third of all public eateries and account for as much as 70% of clients served.

Presently about a dozen large fast food chains operate in Russia. The McDonald's, Rostik's-KFC and Sbarro chains together occupied 52.8% of fast-food chain sales in 2009. McDonald's remained the absolute leader with a 43% value share of fast-food chain sales. The biggest local fast food brands that offer traditional Russian dishes, such as Teremok- Russkie Bliny, and Kroshka- Kartoshka, have a much smaller share of the market. Table 7 shows the market shares of fast-food chain operators.

Table 7. Russia: Market Shares of Fast-Food Chain Operators

Company	Global Brand Owner	2006	2007	2008	2009
McDonald's	McDonald's Corp	41.4	42.6	40.8	43
Rostik's- KFC	Yum!Brands Corp	2.3	5.0	4.0	4.2

Sbarro	Sbarro Inc	4.3	5.1	4.8	4.1
Rostik's-KFC	AmRest		1.0	1.7	1.5
Teremok	Teremok - Russkie Bliny	1.0	1.3	1.5	1.6
Kroshka-Kartoshka	Tekhnologiya & Pitanie Ltd	1.2	1.4	1.5	1.7
Chaynaya Lozhka	Solo OOO	1.4	1.5	1.4	1.4
Baskin-Robbins	Dunkin' Brands Inc	1.1	0.9	0.9	0.8
Subway	Subway Russia LLC	0.4	0.6	0.7	1.0
Others		46.9	40.6	42.7	40.7
Total, %		100	100	100	100

Source: Official statistics, trade associations, trade press, company research, trade interviews, Euromonitor International estimates

Since autumn 2008 consumers have tried to decrease their restaurant spending and are frequenting less expensive restaurants, with simple menus, good-quality food, and affordable prices.

Consequently, more Russians started visiting fast-food outlets with average checks of 150-300 Rubles (\$5-\$10) on a regular basis. According to restaurant consulting company Synovate data, as of October 2010, 23% of Russians aged 16 to 50, both male and female, purchase fast food at least once a week. Before the crisis only 18% of customers visited fast food outlets. Quick service outlets have captured many new customers who used to eat at casual-dining or fine-dining restaurants. About 70,000 people visit the 155 Rostik's- KFC restaurants daily, most of them teenagers, young people aged 20 to 29 years old and families with children. The average order nowadays comes to 200 Rubles (\$6.50), a price that hasn't changed since 2008.

Russia's fast food market still isn't saturated in spite of the development that has taken place for the past decade. It's a very attractive segment not only for existing large players, but also for domestic restaurant operators and multinational companies alike reaping the benefits. Experts predict that the fast-food and street-food market will not reach saturation until 2014.

Pancakes, burgers, chicken, pizza, and baked potatoes are the most popular types of fast-food in Russia. The food-court format is gaining popularity among fast-food operators. The most dynamic chains -- including Rostick's-KFC, Kroshka-Kartoshka, Sbarro, and Baskin-Robbins -- have opened numerous outlets in shopping malls and hypermarkets.

While Americans often move quickly through food courts, stopping for a quick bite while shopping, Russians usually visit food courts to socialize. In Russia, the food court is a popular venue for young people to spend time together.

Stand-alone kiosks are popular in Russia, but there is some consolidation in the industry. The number of independent stands is decreasing, but sales and the number of chained outlets are increasing. Domestic chains dominate the street fast-food market. Chains such as Stardog!s (hot dogs), Kroshka-Kartoshka (potato stand), and Teremok (Russian crepes) are ubiquitous throughout the major cities and are expanding regionally as well. Table 8 shows the growth of fast food restaurant chains in Russia.

Table 8. Growth of fast food restaurant chains in Russia

Chain name	Country of	Year est. in	# outlets	#	% change
------------	------------	--------------	-----------	---	----------

	origin	Russia	Nov. 2008	outlets 2010	2010/2008
Kroshka-Kartoshka	Russia (Moscow)	1991	304	326	7
Stardog!s	Russia (Moscow)	1993 (2003 new brand)	283	401	42
McDonald's	USA (Canada)	1990	197	270	37
Teremok	Russia	1998	159	181	14
Rostik's - KFC	Russia/USA	1993 (2005 new brand)	152	155	1
Baskin Robbins	USA	1992	117	145	24
Sbarro	USA	1997	126	158	25
Chaynaya Lozhka	Russia (St. Petersburg)	2001	58	69	19
Subway	USA	1994	47	127	270
Burger King	USA	2010		11	
Dunkin Donuts	USA	1996/2010		8	
Carl's Junior	USA	2007	6	11	83

Source: Restaurateur Magazine, trade press

Subway, the world's largest sandwich chain, is one of the most rapidly developing fast food chains in Russia tripling the number of its outlets in 2009-2010. The national Subway franchise for Russia is co-owned by three Californians, all of whom originally invested in the franchise in the early 1990s. Despite the profitability of their first restaurants, a long-running legal dispute with Russian partners jeopardized the venture in the mid- and late-1990s. With that behind them and with the impetus toward the QSR format afforded by the financial crisis, Subway has quickly developed in Russia. In St. Petersburg, the popularity of the Subway brand is underscored by the fact that, from May to July 2010, one local Subway restaurant had the highest sales turnover out of 31,000 Subway restaurants worldwide. Subway has an ambitious plan of expansion, intending to reach 1,000 stores by 2015.

Fast-food restaurants tend to use a higher percentage of local ingredients (around 50 percent) as compared to other restaurants. This decision is driven by high turnover and the need for a consistent supply-chain more than by direct preference. Several fast-food chains have created internal supply-chains based in Russia. For example, McDonald's created McComplex to produce nearly 56,000 hamburger patties daily, but McComplex cannot produce enough to meet its needs. The company therefore buys additional hamburger from meat suppliers. Since the beginning of 2010 Marr Russia supplies frozen hamburgers to McDonald's, Rostik's-KFC and Carl's Junior restaurants.

Produce, dairy, and egg products are usually sourced locally, but import opportunities do exist. Many chains use imported sauces and ingredients. Smaller fast-food restaurants that do not have the capital or scale to justify creating their own production facilities may also import meat and produce. Poultry and beef are the leading imported meats in this category. Most of the larger international chains have an internal distribution network, while some independent and smaller chains rely on traditional or specialty distributors.

Fast-food is an increasingly attractive market for overseas investors and the appearance of new fast-food

players in Russia is not surprising. Experts explain the active interest of global restaurant chains in the Russian fast-food market by its high, steady annual growth rate.

Franchising in consumer foodservice is undoubtedly now most evident in the fast food environment, from its beginnings in street stalls/kiosks, with some trade sources indicating that more than 90% of fast food chains in Russia work under various franchise agreements.

Burger King, one of the largest fast food corporations in the world, has established a presence in Russia by opening its first restaurant in Moscow on January, 2010. Burger King, which operates more than 12,000 restaurants in 73 countries, has entered the Russian market as a part of its expansion strategy in Europe, the Middle East and Africa. The company is using its traditional franchising scheme to expand the chain. In order to launch operations in Russia, Burger King has established a daughter company Burger Rus, managed by Alexander Kolobov who has successfully established a well-known coffee - shop chain called Shokoladnitsa. Under the terms of its franchise agreement, Shokoladnitsa is required to give 5% of its turnover to Burger King, while Burger King is obliged to pay for the opening of each restaurant. The company also signed an agreement in February, 2011 with company Ginza Project, a second franchising partner in Russia.

Burger King currently has eight restaurants in Moscow and four restaurants in St. Petersburg. Burger King plans to increase the number of its outlets in the Russian regions to 30 before the end of 2011.

The average bill totals 120-150 Rubles (\$4-\$5). Burger King restaurants in Russia get most of their food from domestic suppliers. The company has about 30-40 suppliers in Russia, of which more than half are local producers. The hamburger patties, for example, are being supplied by Russian Inalko. Franchises are required to buy product only from Burger King-certified suppliers.

Dunkin' Donuts, the U.S. doughnut chain that left Russia after a three-year stint in the 1999, returned to Moscow in 2010 with big plans for rapid expansion. The Russian company Donuts Project received exclusive franchising rights for development of the chain in Russia and the Ukraine. According to the company's plans, the brand will be situated in both street and business centers. Dunkin' Donuts opened its first outlet in May 2010 and currently has eight restaurants in Moscow. Dunkin' Donuts plans to open no less than 50 establishments in Moscow. Dunkin' Donuts outlets operate in a low price format (average bill \$5-7), which as noted above became a key factor for consumers during and after the crisis. To cater to Russian tastes, the chain offers more substantial food choices, such as salads and sandwiches, alongside the doughnuts.

Dunkin' Donuts has ambitious plans to beat competition in the underdeveloped takeaway market through more convenient packaging and also to inspire a love of doughnuts in young Russians.

Wendy's/Arby's Group, one of the world's leading fast food operators entered the Russian market in 2011 and will open 180 restaurants there over the next 10 years. Last year the company signed a franchising agreement with Russia's Food Service Capital group, owned by Mikhail Zelman. Food Service Capital initially plans to open 10 outlets in Moscow and St. Petersburg. Wendy's/Arby's have around 10,000 restaurants in 24 countries. Wendy's main competitors in the world are McDonald's and Burger King.

Coffeehouses

The popularity of coffeehouses among urban consumers in the largest Russian cities is growing faster every year with 2009 being the only exception in the last five years, when Russians experienced a significant decline in income due to the crisis. The recession resulted in a 20-30% decline in customers on average and a decline in sales of 23% to \$152.44 million that year. However, currently the largest coffee shop operators are experiencing improved sales and forecast recovery to pre-crisis levels in the short term. Before the crisis, the coffeehouse business in Russia showed impressive annual growth of 36% in value terms on average. Current growth is seen in Q3 2010 when sales reached \$185.96 million.

Currently there are about 3000 coffeehouses in Russia and the market is far from saturation. Indeed, it has great development potential. Nowadays, coffeehouses are prevalent in Moscow and in St. Petersburg with 400 and 350 coffeehouses respectively. There is an increasingly high concentration of the leading chains, including Coffee House, Shokoladnitsa, McCafé, Starbucks, and Costa Coffee in these cities, so in the short term many coffeehouse chains plan to expand to the Russian provinces. Non-chain coffee shops are significantly less common. The rapid development of modern hypermarkets, trade centers, shopping malls, and business centers is helping leading chains, more so than independents, to enter regional markets.

Two leading coffee-shop chains Shokoladnitsa and Coffee House together own about 450 outlets and have value shares of 8% and 7% respectively. Shokoladnitsa is closer to an Italian type of café with a cozy interior, while Coffee House is a more American-style coffee shop, with the décor being airy and uncomplicated. As a result, the clientele differs: Coffee House is preferred by consumers under 30, while Shokoladnitsa is favored by a more mature audience. Most of the Coffee House and Shokoladnitsa outlets are located in the food courts of new shopping malls and business centers.

Local chains such as Traveler's Coffee in Novosibirsk, Kofeynya No. 7 in Yekaterinburg, and Pit Kofe in Rostov-on-Don have strengthened their competitive positions in local markets. Currently the Traveler's Coffee brand name is used by about twenty franchises in different Russian cities.

In 2007, two leading multinational coffee shop chains appeared on the Russian market, adopting different development strategies. The world leader, Starbucks Coffee Company, opened its first outlet in Moscow in September 2007 and currently is number three by coffee sales after Shokoladnitsa and Coffee House. As of February 2011, Starbucks operates 40 coffee shops in the capital. Following Starbucks, Whitbread and Rosinter Restaurants Holding signed a joint-venture agreement and announced their intention to launch the Costa Coffee chain in Russia. Costa Coffee outlets are not only concentrated in Moscow and St. Petersburg but also in other Russian regions. The appearance of these leading multinational coffee chains on the Russian market has changed the position of the coffee shop segment. Table 9 shows the growth of Russia's coffee shop chains.

Table 9. Russia: Coffee-Shop Chains

Chain Name	Locations	First Year of Operation	Number of outlets	
			2008	2010
Coffee - House	Moscow, St. Petersburg, regions	1999	187	216
Shokoladnitsa	Moscow, St. Petersburg, regions	2001	175	225

McCafe		2002	n/a	43
Traveler's Coffee	Novosibirsk, Siberian regions	1997	n/a	36
Idealnaya Chashka	St. Petersburg, Moscow, regions	2000	13	18
Coffee - Mania	Moscow	2001	12	9
Coffee Bean	Moscow, regions	1996	12	12
Starbucks	Moscow	2007	4	40
Costa Coffee	Moscow, St. Petersburg, regions	2007	10	26
Kofein	Moscow	2006	n/a	17

Source: Restaurateur Magazine, trade press

The typical Russian coffee shop format differs from Western standards because Russian consumers prefer a larger assortment of drinks and food items. According to industry sources, coffee accounts for 80 percent of sales for Idealnaya Chashka and Coffee Bean, but only 40 percent of those for Coffee House and 15 percent for Shokoladnitsa. Coffee shops in Russia constantly increase their non-coffee selections to include alcoholic drinks, dairy cocktails, salads, hot dishes, desserts, and tea. The average bill at one of these coffee shops is between \$15 and \$25, and drinks average only 30 to 40 percent of the total check. Russian coffee shops that sell a variety of desserts and confectionery products have created a new market for U.S. exporters of nuts and dried fruit.

Hotels

According to Russia's State Statistics Bureau (Rosstat), Russia had approximately 6775 functioning hotels able to accommodate guests in 500,000 rooms at the end of 2010. Almost 20% of hotel rooms are in Moscow, 13% are in Russia's popular Black Sea resort area Sochi, and 9% are in St. Petersburg.

Russia's hotel industry is facing a severe room shortage. Jones Lang LaSalle and Colliers International, the real estate money management and services firms, estimate that there are currently only 16,000 Western business-style hotel rooms available. In fact, most existing four and five-star hotels in Moscow and St. Petersburg were built during the last decade. As a result, Moscow currently has 10,000 Western business-style hotel rooms, and St. Petersburg has only 3,000.

Total visitation to Moscow grew at an annual rate of approximately 13% from 2006 to 2008, according to figures provided by the Committee for Foreign Economic Relations of Moscow City. According to Moscow's Committee for Tourism, total tourism arrivals for the first half of 2009 declined 19% to just over 1.5 million visitors. This was caused by the economic crisis which started to affect Russia during the last quarter of 2008.

Table 10. Hotel Industry Sales in Russia

	2005	2006	2007	2008	2009
RUR, billions	60.1	74.7	92.4	107.5	105.9
Growth Year on Year, %		24.3	23.7	16.3	-0.02

US Dollars, billion*	2.12	2.75	3.62	4.32	3.34
----------------------	------	------	------	------	------

Source: Federal State Statistics Bureau

*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.

Moscow is one of the largest cities in Europe and remains the country's main city for hotel development. According to NAI Becar, as of end 2010 about 242 hotels were operating in Moscow with approximately 36,800 rooms. According to the British research company Hogg Robinson Group, since 2005 Moscow has taken first place as the city with the world's highest accommodation cost.

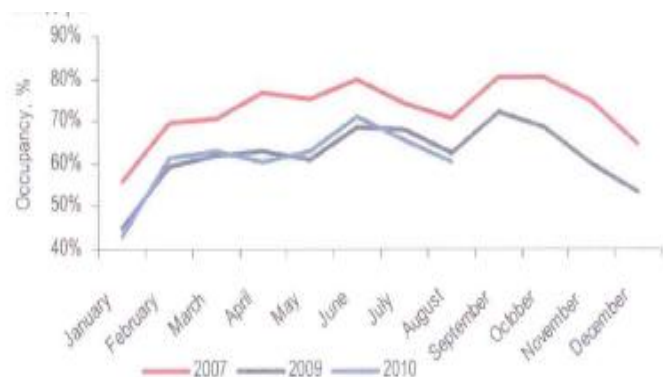
Table 11. Accommodation costs in Moscow Hotels (rubles/per night)

Star rating	2008	2009	2010	# of rooms in 2010	Market share, %
5	17,087	12,236	11,500	4,115	11
4	14,442	9,615	9,500	7,421	20
3	9,718	6,476	5,800	15,795	43
economy	6,397	5,153	4,000	9,466	26
Total				36,797	100

Source: Consulting Company Cushman & Wakefield, NAI Becar

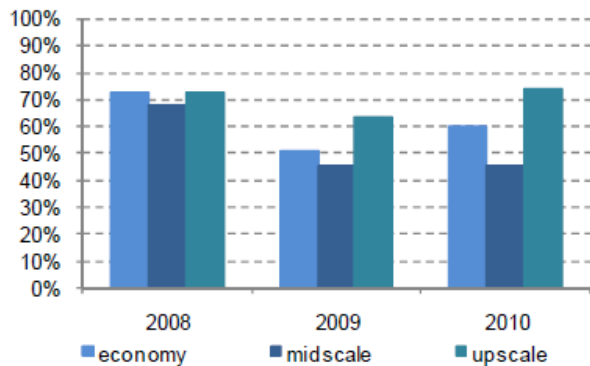
After peaking in 2007, the overall performance of hotels in the Russian capital has shown weaker year-to-August results compared to 2007, with a year-to-August 2010 occupancy decrease of 13% on 2007, and average rate decreases of 20% in Rubles.

Figure 2. Hotel occupancy in Moscow for 2007, 2009 and year-to-August 2009



Source: STR Global

Figure 3. Moscow Hotels Occupancy rate Q3 2008 – Q3 2010



Source: STR Global, GAO “Moskva”, Blackwood research

Hotel occupancy dropped in 2009 as a result of many factors which affected the Russian economy, including lower oil prices, decreased levels of oil production and a decrease in demand for the country’s industry.

Since 1991 Russia has seen the emergence of more international brands and there remains further opportunity for investment in the hotel sector across all categories. Moscow and St Petersburg alone account for around 30% of the country’s hotel capacity. While the high-end sector is close to saturation, there is a strong demand for midlevel hotel rooms. The highest level of unfulfilled demand is for quality three star and economy hotels. The budget brands of Western hotel chains are not represented in Russia.

Table 12. Russia: Five and Four-Star Hotels Managed by International Corporations

Hotel Operator	Moscow Hotel Name	# of Rooms	Other Locations	# of Rooms	First year of operation in Russia
Raffles	Swissotel Krasnye Holmy 5*	233			2005
Marriott International	Renaissance Moscow Hotel 4*	475	Samara	196	1991
	Courtyard Moscow City Center 4*	218	St. Petersburg	316	
	Ritz Carlton Moscow 5*	334			
	Marriott Grand Hotel 5*	392			
	Marriott Royal Aurora Hotel 5*	230			
	Marriott Tverskaya Hotel 4*	162			
	Renaissance Monarch	366			
Hyatt International	Ararat Park Hyatt Moscow 5*	219	Yekaterinburg	297	2002
Inter	Holiday Inn	154	Samara	177	1998

Continental Hotels Group	Vinogradovo 4*		Chelyabinsk St. Petersburg	54 557	
	Holiday Inn Sushevski 4*	312			
	Holiday Inn Sokolniki 4*	523			
	Holiday Inn Lesnaya 4*	301			
	Crown Plaza	577			
	Holiday Inn Simonovskiy 4*	217			
Starwood Hotel & Resort	Le Meridian National 5*	221			1997
	Le Meridien Moscow Country Club 5*	131			
	Sheraton Palace Hotel 5*	204			
Best Western International	Art-Hotel 4*	85	St.Petersburg		2005
Kempinski Hotels & Resorts	Balchug Kempinski 5*	232	St.Petersburg	197	1992
Accor Group	Novotel Sheremetievo 4*	488	St.Petersburg	233	1992
	Novotel Moscow City-Center 4*	257	Yekaterinburg	168	
Small Luxury Hotels of the World	Savoy 5*	84			
Rezidor Hotel Group	Radisson SAS Slavjanskaya 4*	410	Sochi	415	1991
	Radisson SAS Riverside 4*	150	Rostov on Don	82	
	Radisson SAS Belorusskaya 4*	264	St.Petersburg	164	
	Radisson Royal Ukraine 5*	543	Kaliningrad	178	

Source: Department of External Relations, Moscow City Government and Industry Data

The regions outside of Moscow and St. Petersburg represent a small fraction of the travel industry, but some areas such as Sochi, Rostov-on-Don and Vladivostok are growing quickly. Yekaterinburg, Novosibirsk, Nizhny Novgorod, Krasnoyarsk, Kaliningrad, and Kazan are other regions where travel and tourism are growing, particularly for business travel. Major hotel chains are opening facilities in these regions, and the Rezidor Hotel Group (including Radisson brands) is currently targeting some 35 key cities in Russia with a population of 500,000 and above to further develop its portfolio of hotels and brands. Other international operators, such as InterContinental Hotels Group, Hilton Hotels Corporation, Kempinski Hotels, Marriott International, and Accor have built two-three new hotels in cities with populations over one million in the last five years.

Though many new hotels were opened in 2010 it should not be taken as a sign of a revival in hotel

investment. Hotel projects usually have a four to five-year development cycle, so the projects coming online in 2010 were planned and, in many cases, financed prior to the start of the global recession.

Table13. Moscow Hotels: New openings and future developments

Hotel name	Star rating	Cost per room, rubles	Number of rooms	Opening Date
Lotte Hotel Moscow	5	12800-13800	304	2010
Ukraine/Radisson Royal	5	12800	543	2010
Grand Hyatt Residences & Spa	5		368	2010
Four Seasons Moscow	5		185	2011
Kempinski Hotel Nikolskaya	5		200	2011
Kempinski Hotel Beryozki	5		200	2011
Mandarin Oriental Moscow	5		237	2011
Raffles Moscow	5		130	2011
Shangri La Moscow	5		400	2012
Aquamarin	4	6800-7980	159	2010
Renaissance Moscow Monarch Center	4		366	2010
Garden Ring	4	7600-9600	86	2010
The Mandarin Residences	4		45	2010
Courtyard Marriott Moscow Paveletskaya	4		170	2010
Radisson SAS Riverside	4		150	2010
Radisson SAS Belorusskaya	4		264	2010
Scandic Khimki	4		300	2010
Mercure	4		103	2010
Radisson SAS Olimpiyski Hotel	4		382	2011
Holiday Inn Circus City	4		1000	2014
Katerina Park	3		260	2010
SK Royal	3		170	2010
Azimut Otel	3		144	2010
Total:			6166	

Source: www.prohotel.ru, Blackwood research, H/S Research

As many experts predicted, the 2014 Sochi Winter Olympic Games is spurring hotel development in the region. All in all, 390 new hotels are expected to be built across Russia by 2012, with many in Moscow and several in major regional capitals. International hotel operators are building hotels before upcoming events in the Russian regional centers. The following events are planned for the near future: the APEC Summit in Vladivostok in 2011, the World Students Games in Kazan in 2013, and the Sochi Winter Olympic Games in 2014. Russia also won the right to host the 2018 FIFA World Cup. Matches are to be held in 13 cities, including Moscow, St. Petersburg, Kaliningrad, Kazan, Yaroslavl, Nizhny Novgorod, Rostov-on-Don and Sochi.

There are usually two restaurants in four-star hotels and three restaurants in five-star hotels. According to industry sources, tourists often eat breakfast and dinner in their hotel, but they eat lunch in the city. In an attempt to attract more of the tourist industry, hotels are offering special catering services for different events. On average, room rentals account for 70 percent of hotel income, services account for 10 percent, and food and beverages account for 20 percent.

Luxury hotels represent the best opportunity for selling American products to hotels. Other sub-categories usually have very limited foodservice offerings. Hotel restaurants operate like other restaurants and purchase items through distributors. American meat, fish, wine, spirits, and fruit are some of the better prospects for this segment.

Institutions

Institutions are challenging customers for American producers. Before the 1990s, catering was a miniscule segment of the Russian hospitality market. Now, catering is a quickly evolving industry, with Moscow claiming 62 percent of the market and St. Petersburg at 22 percent. There are an estimated 500 catering companies operating in Russia, including 30 major ones. Each year, 15 new companies enter and 20 companies exit this intensely competitive industry. Russia's leading caterers are Sodexho, Mega Foods, Parad Catering, Brizol, and Master foods which have total market share about 50 percent of catering services.

The Russian catering market consists of several segments, each of which has a different service audience, number of players, average bill per person, and profit, including:

- Lunch deliveries;
- Corporate catering; and
- Off-premise catering.

Urban dwellers have less time to prepare their own meals, so they often dine out or have lunch delivered to the office. Lunch deliveries are a strong component of the catering business. The estimated value of the lunch catering business in Moscow was \$100 million in 2009. There is room for development, however, as only 15 percent of Moscow's office employees eat lunch prepared by qualified chefs.

Office cafeterias form another changing segment. Until recently, most cafeterias operated in the Soviet fashion, offering few choices and low quality. As incomes grow, however, the office cafeteria is transforming. Corporate catering firms manage stationary foodservice facilities, placing them in office buildings, business parks, shopping centers, administrative complexes, and industrial facilities. Their goal is to give people high quality meals in these institutions on a daily basis. The average bill in office cafeterias is \$5 to \$7. Newer cafeterias are beginning to use higher quality ingredients. They still prefer to buy whole, non-processed items, and they are very price sensitive. Like many restaurants, they monitor prices weekly and do not hesitate to change suppliers or menus if they encounter a better price.

Catering for private events and parties, especially those in the premium segment is another attractive and profitable area of foodservice. Consequently, well-known restaurateur Arkadiy Novikov entered the catering business at the beginning of 2006. Other restaurateurs and five-star hotels are also rushing to enter this lucrative market, including Gurme ("Gourmet") Catering, Baltschug Kempinski, and

Swissôtel Krasnye Holmy. Their teams of culinary professionals are willing and able to delight customers. Hotels are attractive caterers because they are flexible enough to deliver a five-star experience in any venue, and they have an extensive wine knowledge. The average bill for mid-level off-premise catering is \$45 per person, but prices can be significantly higher in the premium class.

Caterers use many categories to tailor their products to the client, and they usually work with the same distributors as restaurants. Like restaurants, caterers use a variety of distributors and suppliers depending on their needs. Mid-level and high-end caterers import a variety of food, presenting an attractive opportunity for U.S. products. There is a particular demand for specialty items such as seafood, meat, wine, and nuts.

While there is not yet a national school lunch program in Russia, there is interest in creating one. The Russian government is working closely with the U.S. government to improving the school lunch program in Russia. Packaged food for institutions may have some potential in Russia, but the cost and logistics of importing U.S. products may deter potential customers. Nevertheless, potential demand exists for rice, peas, beans, and lentils. Soup bases, spices, and institutional food packs could also appeal to some companies.

Universities, hospitals, and the army could be other potential customers for catering companies, but tenders are often not competitively bid for catering contracts with government institutions.

In 2008, Russian Railways created the joint venture Yedinaya Set Pitaniya with RP-Com, one of the top 20 foodservice operators in Moscow. This enterprise manufactures ready meals for passengers of the Russian high-speed railways, which currently operates on three lines: Moscow-St. Petersburg, Moscow-Nizhny Novgorod and St. Petersburg-Helsinki. By the end of 2010, the company produced 20,000 meal trays per day from its first catering facility near St. Petersburg. Other catering facilities will be built in Yekaterinburg, Novosibirsk, Sochi, and Rostov-on-Don. According to RF Government plan, 8 Russian cities hosting 2018 World Cup matches should be linked by an integrated high-speed rail network.

Operators at the major airports in Moscow and St. Petersburg usually function more as part of a restaurant chain than as an institutional operator. According to airport statistics, 30 to 40 percent of passengers eat in airports. Leading Russian foodservice operator Rosinter has opened and operated restaurants in Russian airports since 2003. Its experience earned Rosinter the responsibility of being the primary foodservice operator in St. Petersburg's Pulkovo airport in 2007. In addition to operating the airport's restaurants, Rosinter also feeds the airport staff. Rosinter built a kitchen facility in the Pulkovo airport.

The volume of passenger traffic in Russia exceeded 50 million in 2010. The volume of passenger traffic through Moscow's two main airports, Domodedovo and Sheremetyevo, exceeded 40 million passengers in 2010. Airlines contract with professional catering companies for in-flight meals for passengers. JSC Domodedovo Air Service is the largest Russian company serving up to 60,000 in-flight meals and rations per day in Domodedovo airport. AeroMar has provided in-flight catering services to the passengers of Sheremetyevo airport since 1990.

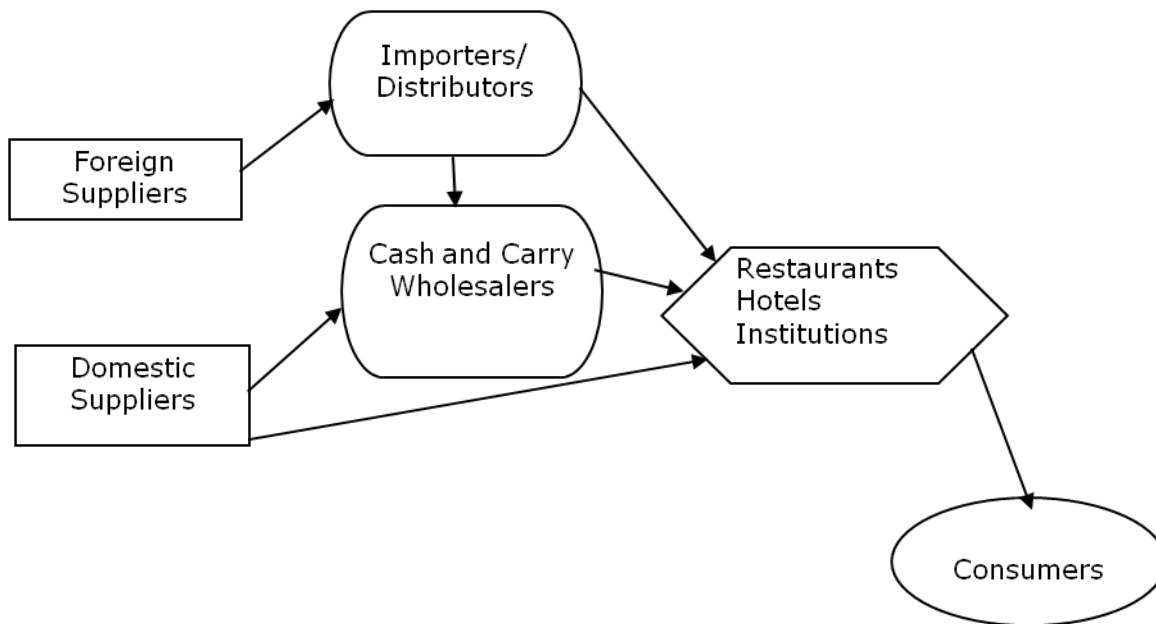
Joint-stock company "Rossiya Airlines" is the leading air carrier in North-West Russia. Rossiya Airlines is located in St. Petersburg and operates up to 40% flights from Pulkovo airport for more than 70 destinations. Since 1993, the airline has its own catering division. Daily, Rossiya Catering produces up

to 20,000 portions of in-flight meals for all domestic and international airlines flying out from Pulkovo airport. Considering the increasing demand for high-quality airline food, airline foodservice could become an attractive niche market for U.S. food and beverage exporters.

Another great opportunity for American producers and Russian foodservice operators will be the Sochi Olympic Games in 2014. Last year the Russian government renovated the Sochi airport, increasing capacity to serve 1,300 to 2,500 passengers per hour. In the buildup to 2014, Russia will construct restaurants, stadiums, and 57,000 hotel rooms to serve sports teams and guests in Sochi. These will all provide a valuable potential market for American producers.

SECTION II: ROAD MAP FOR MARKET ENTRY

Distribution Channels for HRI Products in the Russian Market



Domestic and imported food products for Russian foodservice establishments come through importers, distributors, and wholesalers. Large suppliers are typically also importers. For smaller restaurants and hotels, most foodservice purchases are made through a wholesaler or importer/distributor. Large chains may choose to purchase directly through customized growing agreements or through a central buying office. Most hotels and restaurants choose to purchase the majority of products through foodservice importers/distributors in the HRI sector, both large and small. Specialty and seasonal products are purchased through smaller distributors or directly from local producers.

Table 14 . Russia: Advantages and Challenges for U.S. Exporters

<i>Advantages</i>	<i>Challenges</i>
Paying in dollars is advantageous for exporting to Russia compared to Europe due to the lower cost of the Dollar relative to the Euro.	Ruble/\$ exchange rate has led to an increase in the price of U.S. products, mitigating some of the positive effects of the advantage over the Euro.
	Official government opposition to growth in food imports.
Russia with population of around 142 million people is one of the largest consumer markets in Europe.	Still not fully recovered from economic crisis which had a profound impact on purchasing power among the middle class.
Rising disposable incomes in the long term will allow Russians to spend more on food and beverages.	Economic vulnerability, dependence on oil and mineral extraction for most wealth.
U.S. products have a reputation for consistency and high quality.	Logistics can be difficult. There are often long shipping times from the U.S., the major Russian port in St. Petersburg operates slowly and handles volumes way beyond capacity, and there are complex customs regulations.
The HRI sector has a lot of room for growth. Restaurant chains are expanding out of Moscow and St. Petersburg to other cities with populations over one million.	Customers can be very price sensitive.
Russian trade and investment policy is converging with international standards.	Russia is not yet a World Trade Organization (WTO) member and accession is moving slowly.

Entry Strategy

Entering Russia's market can be incredibly rewarding, but it requires hard work and careful planning by U.S. exporters. Different types of products require different marketing strategies. Several meat, seafood, wine, and spirits companies, however, are selling to the HRI sector, and their businesses are flourishing. Several general recommendations may be helpful for developing a successful entry policy:

Work with a Russian Importer: Direct importation is difficult without a large customer base, so it is best to find an importer. To work with Russian Customs, it is essential to have a physical presence in Russia. U.S. exporters can approach the Russian HRI food and beverages market through a general importer, with whom good relations are essential. Selecting the right trading partner is one of the most important decisions for exporters when developing their businesses in Russia. A local Russian partner who is familiar with market conditions and the regulatory environment can help exporters navigate the Russian HRI market, resolve issues, and increase the likelihood of success. The importer should be able to handle customs clearance, veterinary and phytosanitary inspection requirements, any necessary

guarantees, and all licensing procedures.

Logistics must be carefully considered and monitored, so close contact with the importer is also necessary in order to avoid logistical problems and shipping delays. Consider the longer shipping time for U.S. products compared to products from Europe. It is essential, for example, that all required documents be filled out as quickly and efficiently as possible. Most products will enter Russia through St. Petersburg, but if a U.S. exporter wishes to operate in the Russian Far East, Vladivostok is another option. Consistency and necessary quantities of production in the supply chain are frequently cited as primary concerns for the HRI segment.

Exporters representing U.S. companies may contact the Moscow ATO for assistance in locating importers. Performing due diligence is nevertheless important, and exporters are expected to verify the banking and supplier references of potential importers. Local and U.S.-based organizations in Russia can also provide helpful information to exporters. Credit reporting, however, is a relatively new practice in Russia, and credit-reporting agencies may not have complete information on potential Russian business partners. We recommend the exporter ask for 100% payment for the first shipment.

Work with a Russian Distributor: U.S. exporters will need a distributor in order to sell their products. Large suppliers are typically also importers, and most HRI outlets rarely import products directly, preferring to procure supplies through local distributors. International chains with internal distribution networks within the country are the exception. The larger distributors are suited for commodity and large-volume sales. Smaller distributors work well for specialty, high-end, or new products that require marketing and product education. The most promising categories of products fall into this segment.

Provide Product Education: Marketing and product education are essential. Many of the HRI industry personnel are interested in new products, but they want to be shown how to use them and how the products can be made to work for them. Without some level of promotion, broader market penetration may be difficult. HRI sector players often mention “master classes” (chef trainings) and product demonstrations as useful for stimulating demand for new products. It is also important to determine the target audience and include both the distributor and the chefs in promotions. Technical support for U.S. producers in the form of printed material and/or seminars is critical to the effort to educate, dispel negative stereotypes, and ultimately build loyalty for U.S. products.

While some negative stereotypes about U.S. products do exist, most HRI personnel say they are more interested in the quality and price of the food than in the origin. Negative stereotypes are more common at the retail level with a demonstrable preference for local products, and restaurant consumers are not usually interested in the origin of their entrée.

Attend Promotional Events: One of the main challenges for exporters entering the Russian market is product promotion. Participation in trade shows, technical demonstrations, and trade missions to the United States are all marketing strategies that work well in the Russian market. A cost-effective way exporters can promote their products is to participate in World Food Moscow, the second largest and most professionally-run food and beverage trade show in Russia, held annually in September. Virtually all large food and beverage producers and importers participate in this show and USDA typically assists in organizing a U.S. pavilion. The ATO also recommends two interesting culinary-show opportunities in this area: PIR (Catering and Entertainment) Russia held each September/October in Moscow, and the Vladivostok Culinary Festival, held each September. If exporters are targeting specific regions within

Russia, the Moscow ATO recommends participating in regional exhibitions.

Participation in industry associations (U.S. Meat Export Federation, California Wine Institute, etc., please refer to the list at the end of this report) that have a presence in Russia is also very beneficial.

Food Suppliers for the HRI sector

Very few HRI businesses operate on exclusive contracts with vendors. Most chain and independent restaurants change suppliers frequently, particularly if there is a price difference. Most businesses use a separate supplier for each product category (i.e. produce, meat, or desserts) and very often work simultaneously with three to four suppliers of their principal ingredients to ensure steady supply.

Whole foods are preferred and account for 70 percent of sales, principally because labor costs are low. Smaller restaurants without adequate space are usually the customers for semi-prepared items. Even fast-food chains tend to buy whole products and prepare them at the restaurant level. Exceptions to this include meat patties and fries.

Few restaurants use fresh produce markets as suppliers. In contrast to U.S.-style produce markets, Russian markets have inconsistent supplies and offer goods of questionable quality. Markets also tend to have higher prices than other supply options.

There are a large number of importers and distributors in the HRI sector, both large and small. A few work across a wide variety of products, but many specialize in a particular category. The distribution market is fragmented, and there are a variety of arrangements between suppliers and customers. As noted above, imports make up the vast majority of HRI products (more than 65 percent), with domestic suppliers filling the gaps.

Metro Cash & Carry is one of Russia's leading membership wholesale outlet chains. It has worked in Russia under the principles of small wholesaling since 2001. The company currently has 54 stores in 40 Russian cities and towns, including ten in Moscow and three in St. Petersburg. Foodservice operators across Russia buy food, beverages, and other restaurant equipment from Metro Cash & Carry outlets. Russian Metro Cash & Carry sales for 2009 totaled 2.6 billion Euros.

Table 15. Russia: Major Suppliers of Food Products for HRI sector

Company	Principal Products	Country of origin	Customers	Locations
East-West	Marbled Beef	USA, Australia	Restaurants	Moscow
	Veal	USA, Australia	Hotels	St. Petersburg
	Beef	Russia, Brazil		Krasnodar
	Pork	USA, Russia, Brazil, Denmark		Novosibirsk
	Lamb	New Zealand		Yekaterinburg
	Fish and Seafood	Norway, Spain, Thailand		
	Poultry	France, Russia, USA, Brazil		

	Groceries	Poland, Germany, Russia, Netherlands		
Global Foods	Marbled Beef	USA, Australia	Restaurants	Moscow
	Veal	New Zealand, Australia	Hotels	St. Petersburg
	Beef	Russia, Brazil		Arkhangelsk
	Pork	Russia, Brazil, Europe		Kazan
	Lamb	New Zealand, Australia		Samara
	Poultry	Russia, USA		Sochi
	Fish and Seafood	Norway, Spain, Russia		Stavropol
	Groceries	USA, Europe, Russia		Rostov-on-Don
Australian Trade House	Marbled Beef	Australia	Restaurants	Moscow
	Veal	Australia	Supermarkets	
	Beef	Australia	Hotels	
	Lamb	New Zealand, Australia		
	Fish and Seafood	Thailand, Vietnam, Russia		
	Butter	Australia		
Marr Russia	Marbled Beef	USA, Australia	Restaurants	Moscow St. Petersburg
	Beef	Brazil	Supermarkets	
	Veal	Australia	Hotels	
	Lamb	New Zealand		
	Pork	Hungary, USA, Russia		
	Poultry	Brazil, Russia		
	Fish and Seafood	Spain, Indonesia, Denmark		
	Groceries	Italy, Russia		
Snow World	Marbled Beef	USA	Restaurants	Moscow
	Veal	USA, Australia	Hotels	
	Beef	New Zealand, Australia		
	Pork	Russia, Brazil		
	Lamb	New Zealand, Australia		
	Poultry	Hungary, France, Brazil		
	Fish and Seafood	Norway, Denmark, Russia, Asia		
	Groceries	Europe, Russia		

Source: Industry data

Major suppliers of food products for the HRI sector have their offices in Moscow and St. Petersburg, Russia's primary restaurant markets. These offices handle foodservice-product imports and supply other Russian regions. Despite the tremendous distance between European Russia and the Russian Far East (RFE), 87% of the RFE's foodservice supply comes from Moscow and St. Petersburg. Several food products can reach Russia's Pacific Coast through the St. Petersburg port and still be price competitive. High volumes enable large foodservice importers to gain better prices from global exporters.

The RFE and Siberia are highly dependent on imported foodservice products. RFE and Siberian suppliers bring products to their regions from all over the world, using consolidated containers that have been imported and cleared in St. Petersburg or Moscow. The majority of foodservice products are still shipped through Moscow, but meat, fish, seafood, cheesecake, and frozen bakery products are directly shipped from the United States to Vladivostok.

Section III. COMPETITION

Russia imported approximately \$33 billion of agricultural products in 2010, up from \$27.6 billion in 2009 and roughly on par with pre-crisis imports. Year-on-year and average annual growth in Russian agricultural imports can be seen in the following table:

Table 16. Russia: Growth in Agricultural Imports

	2006	2007	2008	2009	2010
Agricultural Imports, billion dollars ¹	19.7	24.4	33.3	27.6	32.9
Growth Year-on-Year, %		23.8	36.5	-17.2	19.2
5-Year Average Annual Growth Rate, %					12.5

¹ Total agricultural imports (includes HS codes 01 to 24).

Source: Global Trade Atlas/Federal Customs Service

Russia imported 19.2% more food products in 2010 compared to previous year, the Federal Customs Service of RF reported. Imports of fish rose 22.7%, cheese - up 50.7%, citrus fruit - up 24%, coffee - up 32.7%, raw sugar rose 94.5%. Poultry meat imports declined 18% in 2010 due largely to a temporary market closure for U.S. poultry from January-August 2010.

Table 17. Russia: Imports of Selected Foods from the World, millions of US dollars

Product	2008	2009	2010	% change 2010/2009
Fresh & Chilled Beef	88.19	58.25	98.13	68.46
Frozen Beef	2572.92	2195.18	2072.24	-6.40
Pork	2200.46	1860.68	1923.03	3.35
Poultry	1339.32	1064.21	862.81	-18.9
Lamb	54.92	41.03	42.12	2.65
Fish and Seafood	2026.43	1628.02	1997.51	22.70
Dairy Products	1562.39	1231.50	2064.76	67.66
Vegetables	1764.30	1632.20	2210.22	35.41
Fruits & Nuts	4472.36	4309.73	5267.62	22.23
Cereals	469.03	211.98	226.70	6.94
Sugar	1228.84	765.92	1489.47	94.47
Spirits & Wine	2611.43	1723.82	2178.18	26.36

Source: Russian Federal Customs Service

The Russian Federation is among the top ten export destinations for U.S. agricultural products. Based on official GOR data, the U.S. share exceeded \$1.35 billion in 2010, down from \$1.76 billion in 2009,

because of financial crisis, the ban on U.S. poultry meat and quota reduction. The U.S. share of Russia's agricultural imports in 2010 was only 4.1%, a 2.4% decline versus 2008 when U.S. agricultural exports to Russia hit a record high \$2.1 billion.

Poultry exports to Russia in 2010 accounted for roughly \$331 million, a 61.4% decline versus 2008. Poultry dominates U.S. agricultural exports to Russia followed by pork, fruit and nuts, beef, fish and seafood, spirits and wine.

As noted earlier, imported products account for a large percentage of ingredients used in the restaurant business. Russia's largest suppliers (by sales) of all commodities to foodservice are Brazil, the United States, China, Turkey, the European Union, and CIS countries. No single country dominates the market but the largest share of products comes from Europe. Europe's historical presences in Russia and aggressive promotional campaigns have allowed European brands to dominate even the RFE market. Since European companies can ship their products over land, they do not face the same port problems that U.S. imports confront. Consequently, they can provide perishables much more quickly. Major meat competitors include Brazil (poultry) and Australia (beef). Scandinavia, Asian countries, and occasionally South American countries are major seafood competitors. Turkey and China are main suppliers of fruits and vegetables to European Russia and Eastern Russia, respectively.

Ukraine, the Czech Republic, and Germany are major beer suppliers. Italy, France, Spain are major wine suppliers. Californian wines appeared in Russia a few years ago, and sales are expanding but remain less than 1% of the total. France, the United Kingdom, Ukraine, and the United States supply popular spirits such as Bourbon, Tennessee and Scotch whiskey, cognac, vodka, and brandy.

Table 18 summarizes the major exporting countries of various products to Russia.

Table 18. Russia: Import Competition for Selected Products

Product	Country of Origin
Beef	Brazil, Uruguay, Argentina, USA
Veal	Lithuania, Germany, Australia
Pork	Brazil, Denmark, USA
Poultry	USA, Brazil
Lamb	Australia, New Zealand
Fish and Seafood	Norway, Denmark, Asia
Dairy Products	Germany, Finland, Poland
Cheese	Germany, Ukraine
Vegetables	Turkey, Netherlands, China
Fruits & Nuts	Turkey, Ecuador, Poland, China
Bread and Bakery	Europe
Ice-cream	Germany
Confectionary	Europe
Wine	France, Spain, Italy
Beer	Ukraine, Czech Republic, Germany
Spirits	France, United Kingdom, Ukraine, USA

Source: Russian Federal Customs Service

While the HRI sector uses mostly imported products, some ingredients are purchased domestically. These include root vegetables, such as carrots and beets, and other basic vegetables like cabbage and potato.

SECTION IV. BEST PRODUCT PROSPECTS

Interest in new product categories is growing. Many European specialty products are becoming more and more expensive and American products are consequently more price competitive and attractive to Russian importers. Importers are trying to find U.S. products analogous to European products. Table 19 shows Russian imports of selected U.S. food products.

Table 19. Russia: Russian Imports of Selected Food from the U.S., millions of US Dollars

Product	2008	2009	2010	% change 2010/2009
Chilled Beef	2.88	1.50	6.38	324.34
Frozen Beef	71.85	11.62	87.87	656.06
Pork	435.88	298.99	177.73	-40.56
Poultry	835.89	733.13	331.21	-54.82
Lamb	0	0	0	0
Fish and Seafood	46.27	27.41	51.63	88.33
Dairy Products	56.96	12.59	32.88	161.12
Vegetables	3.01	2.45	3.47	41.91
Fruits & Nuts	137.16	107.6	126.56	17.62
Cereals	10.57	3.95	6.49	64.32
Sugar	12.66	8.78	9.76	11.13

Source: Russian Federal Customs Service

This is an excellent time for American companies to export new products to Russia. Moreover, the U.S. is one of the world's leaders in developing the hospitality industry. U.S. producers can offer a wide range of products developed, manufactured, and packaged for the HRI sector.

Several product categories are particularly attractive for export to Russia. Fresh and frozen seafood, frozen and chilled high-quality beef, pork, cheese, fruit and tree nuts are in demand.

Sauces, seasonings, and semi-prepared items have potential, but they require market education. Several industry experts discussed the need for low-fat goods, reduced-calorie dairy items, and bakery-preparation products.

There is some interest in organic foods, especially as Russia has no certification process for organics. Very few establishments in the HRI sector use or promote organics, but the market may be moving in this direction. The Novikov Group in particular has started marketing its own line of organic dishes in its restaurants.

Potatoes may also be appealing, because of the abnormal heat and drought last summer.

Wines and spirits also have high potential, but there is a lack of awareness about American wines.

Table 20. Russia: Imports of Alcohol Beverages from the U.S., millions of US Dollars

Product	2005	2006	2007	2008	2009	2010	% change 2010/2009
---------	------	------	------	------	------	------	--------------------

Spirits	7.46	9.86	24.57	23.93	22.35	24.58	9.98
Puerto Rico (U.S.) rum	3.57	7.49	16.32	18.46	12.59	23.24	84.63
Wine	2.62	2.34	3.74	6.81	6.21	7.38	18.78
Beer	0.006	0.023	0.028	0	0	0	

Source: Russian Federal Customs Service

Many distributors and importers work throughout Russia. For details on specific product segments, please contact the Agricultural Trade Office for a Buyers List.

Section V. POST CONTACT 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

Tel: 7 (495) 728-5560

Fax: 7 (495) 728-5069

<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

Tel: 7 (812) 331-2880

Fax: 7 (812) 331-2675

E-mail: Svetlana.Ilyina@fas.usda.gov

Covering the Russian Far East (Vladivostok):

Oksana Lubentsova, ATO Marketing Specialist

American Consulate General

Pushkinskaya street, 32

690001, Vladivostok, Russia

Tel: 7 (4232) 300-089

Fax: 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)

Tel: 7 (495) 728-5222

Fax: 7 (495) 728-5133 or 728 5102

E-mail: agmoscow@fas.usda.gov

USDA Stakeholders

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.

Almond Board of California

Irina Koziy

Address: 117465, Moscow, Russia, Generala Tuleneva str., 29/1

Tel: 7 (495) 729-3080
Fax: 7 (495) 989-2670
E-mail: office@Almonds.ru
Web: <http://www.Almonds.ru>

California Table Grape Commission (Central Region)

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

California Table Grape Commission (Far East)

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

Hop Growers of America

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

Northwest Cherry Growers

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

Pear Bureau Northwest (Far East)

Katerina Akulenko
Address: 690002, Vladivostok, PO Box 305
Tel: 7 (4232) 56-5536
Fax: 7 (4232) 63-8411
Skype: katerina.akulenko
E-mail: katerina@newmark.ru
Web: <http://www.usapears.ru>

Pear Bureau Northwest (Central Region)

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

USA Dry Pea and Lentil

Irina Koziy

Address: 117465, Moscow, Russia, Generala Tuleneva str., 29/1
Tel: 7 (495) 729-3080
Fax: 7 (495) 989-2670
Email: office@rkmarketing.ru

USA Poultry and Egg Export Council (USAPEEC)

Albert Davleev, Tatyana Solovyova, Natalya Kiryushina, Olga Akaevich
Address: 127051, Moscow, Russia, Kulakova str., 20, building 1;
PO Box 305
Tel.: 7 (495) 781-9201
Fax: 7 (495) 781-9200
E-mail: usapec@usapec.ru , albertdavleyev@yahoo.com
Web: <http://www.usapeec.ru>

U.S. Apple Export Council

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

U.S. Meat Export Federation (USMEF)

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

U.S. Meat Export Federation (USMEF)

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

U.S. Wheat Associates

Valentina Shustova
Address: 129090, Moscow, Gilyarovskogo Str. 4, bldg. 5, office 411
Tel.: 7 (495) 956-9081
Fax: 7 (495) 608-8124
E-mail: uswmow@dol.ru ; vshustov@uswheat.org
Web: www.uswheat.ru

Washington Apple Commission (Central Region)

Irina Koziy

Address: 117465, Moscow, Russia, Generala Tuleneva str., 29/1
Tel: 7 (495) 729-3080
Fax: 7 (495) 989-2670
E-mail: office@bestapples.ru
Web: www.bestapples.ru

Washington Apple Commission (Far East)

Katerina Akulenko
Address: 690002, Vladivostok, PO Box 305
Tel: 7 (4232) 56-5536
Fax: 7 (4232) 63-8411
Skype: katerina.akulenko
katerina@newmark.ru
Web: www.bestapples.ru

Wine Institute of California

Olga Tuzmukhamedova
Address: 127521, Moscow, Russia, Staromarinskoye shosse, 14
Tel: 7- 926-389-5745
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

Address: 127006, Moscow, Russia, Dolgorukovskaya street, Building 7, 14th floor
Fax: 7 (495) 961-2142
Tel: 7 (495) 961-2141
Email: amchamru@amcham.ru
<http://amcham.ru/>

American Chamber of Commerce in St. Petersburg
Address: 190000, St. Petersburg, Russia, Yakubovicha street 24, left wing, 3rd floor
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, HRI equipment, 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.

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://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx>

RSATO1014 Food and Agricultural Import Regulations and Standards (FAIRS) Country Report

FAIRS Export Certificate Report 1/10/2011

RS1015 Declaration of Conformity Replaces Certification for Many Product

RS1023 Fishery Sector Update and Price Survey

RS1033 Fish and Seafood Production and Trade Update

RS1036 Custom Union Update July 2010

RS1058 Customs Union List of Imported Products under Phytosanitary Control

RS9054 Poultry and Products / Annual

RS1060 Russian Potato Crop and Import Prospects

RS1061 Effects of the Summer Drought and Fires on Russian Agriculture

RS1066 Dairy and Products Annual

RS1078 Russia Announces 2011 TRQ Quantities

RSATO1003 Russian Retail Food Sector

RSATO1006 Fresh Deciduous Fruit / Annual

RSATO1007 Food Processing Ingredients

RSATO1013 Exporter Guide

RS8020 Exporter Guide / Agriculture and Agribusiness Consultants

<http://www.fas.usda.gov/gainfiles/200803/146294084.pdf>

RS8045 Organic Products / New SanPIN for Organic Products

<http://www.fas.usda.gov/gainfiles/200806/146294938.pdf>

RS7051 Government Program for Agriculture and for Market Regulation 2008-2012

<http://www.fas.usda.gov/gainfiles/200707/146291764.pdf>

Wine and Spirits

RSATO1010 Russian Alcohol Market Regulations 2008-2010

RS7323 FAIRS Product Specific /Wine

<http://www.fas.usda.gov/gainfiles/200707/146291722.pdf>

RS7310 Wine and spirits: New bank guarantee requirement limits import growth

<http://www.fas.usda.gov/gainfiles/200704/146280895.pdf>

RS7304 Russian wine and spirits regulations updated

<http://www.fas.usda.gov/gainfiles/200703/146280405.pdf>