

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Russian Federation

EXPORTER GUIDE ANNUAL

ANNUAL

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Report Highlights:

Russian imports of major U.S. agricultural and food products (HS codes 01 to 24) grew 28 percent from 2007 to 2008. As a result of the world economic crisis, those gains were lost in the first half of 2009 as imports dropped by 29 percent. Despite the market contraction after the onset of the crisis, economic conditions have stabilized and consumer demand is rebounding. Demand for imports of fresh and dried fruits, nuts, fish and seafood, and animal genetics is still strong and poised for growth.

Post:

Moscow ATO

SECTION I. MARKET OVERVIEW

Until the current global economic crisis, the Russian economy was one of the fastest growing in the world and had a nine-year run of continuous rapid economic expansion, thanks to high world energy prices and Russia's status as the world's largest energy exporter. Real GDP growth for 2008 (2007) was 5.6 percent (8.1 percent), but is expected to contract 6.5 percent in 2009 because of the global financial crisis combined with the steep decline of both oil prices and the ruble value. Inflation came to 13.3 percent (11.9 percent) and reached highest position since 2002 when prices rose by 15.1 percent.

The growth in income slowed in 2008 reflecting the downturn in the broader economy, rising only 2.7 percent (12.1 percent) and ending a multi-year trend of double-digit income growth. Russia's population of 141.9 (142.2) million is declining at a net rate of 300,000 to 800,000 per year.

In 2008 consumer demand rose 13 percent over the 2007 level. Although, at the present time, consumers have less discretionary income and are restricting purchases of non essential items, downgrading to lower-priced restaurants, and downgrading the quality of at least some of the foods purchased in retail outlets.

Russia imported approximately \$33 billion of agricultural-origin products in 2008, up from \$26.1 billion in 2007.

Table 1. Russia: Growth in Agricultural Imports

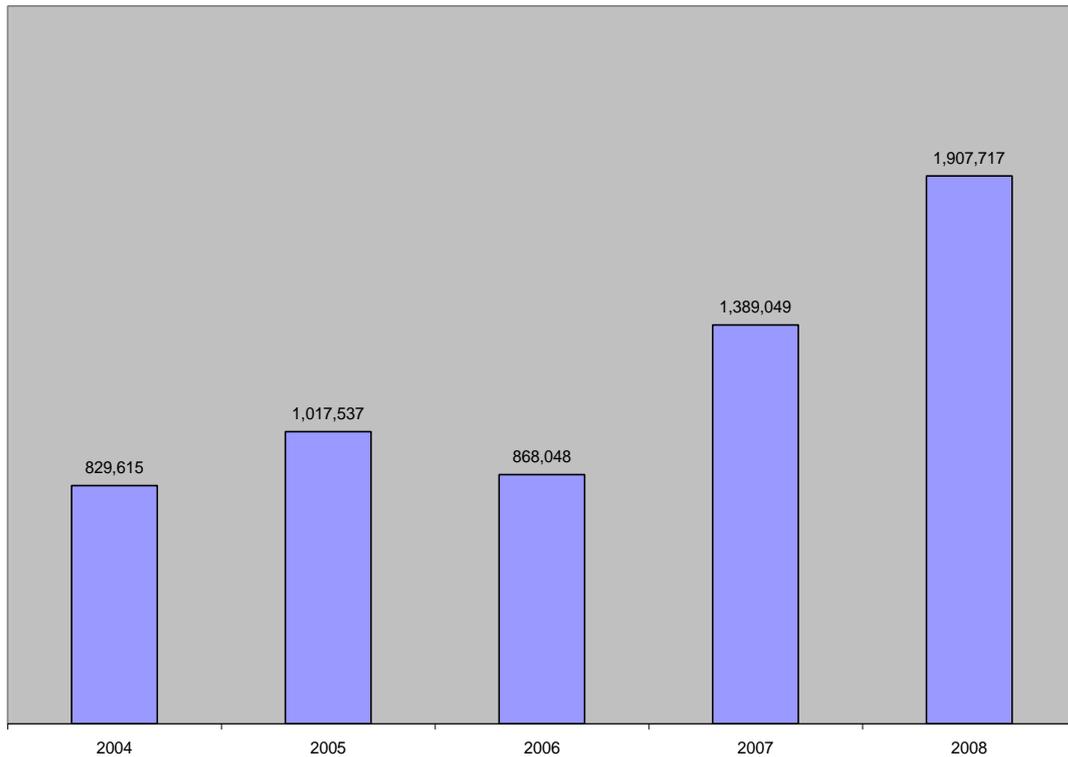
	2004	2005	2006	2007	2008
Agricultural Imports, billion dollars ¹	13.3	16.9	20.4	26.1	33.3
Growth Year on Year, %		27	20.7	27.9	28
5-Year Average Annual Growth Rate, %					25.9

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

Source: World Trade Atlas

The Russian Federation is among the top export destinations for U.S. agricultural products. Based on official data, the U.S. share exceeded \$1.9 billion, but this figure is understated due to transshipments via Europe. Poultry dominates U.S. agricultural exports to Russia and in 2008 accounted for roughly \$835 million, followed by pork, fish and seafood, fruit and nuts. Despite the economic crisis, U.S. agricultural exports to Russia hit a record high in 2008, although the U.S. share of Russia's agricultural imports in 2008 was only 6.5 percent.

Figure 1. Increasing value of U.S. exports of agricultural, fish & forestry products to the Russian Federation (in thousands of dollars)



Source: FAS BICO trade statistics. Note: These figures are based on U.S. Customs export data, and will differ from World Trade Atlas data on Russian imports from the U.S., which are based on Russian Customs import data.

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.

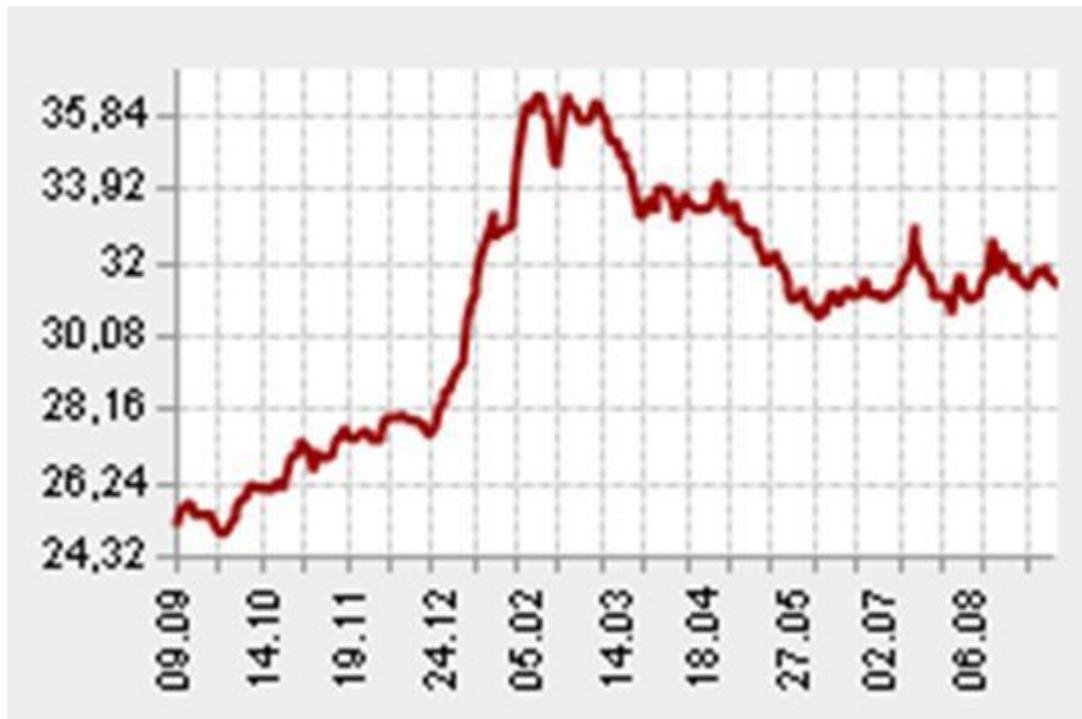
Despite the success of U.S. businesses operating in Russia, competition is increasing for Russian consumers. In addition, economic vulnerabilities and existing trade barriers (particularly non-tariff measures) can affect trade flows. Exporters should review some of the advantages and challenges of the Russian market (see Table 2 below) when considering their marketing strategy.

Table 2. 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 to dollar exchange rate has led to an increase in the price of U.S. products. Official government opposition to growth in food imports.
Russia is one of the largest consumer markets in Europe.	Economic crisis has had a profound impact on Russia and led to a decrease in purchasing power among the middle class. Economic vulnerability, dependence on oil and mineral extraction for most wealth.
Russian trade and investment policy is converging with international standards.	There is continuing debate over World Trade Organization (WTO) accession and adherence to non-tariff barriers such as unscientific sanitary and phytosanitary restrictions hold trade below potential.
New format food retail chains had grown at a pace of 20 to 30 percent annually from 2000 to 2008 to meet consumer demand, thus creating a good venue for imported products.	Misperception among Russian consumers about imported goods, specifically Russian consumers lack knowledge about the quality and benefits of U.S. agricultural products.
The growing food processing industry is looking for new imported food ingredients.	Limited acceptance of agricultural biotechnology. There is relatively low product awareness outside of U.S. poultry meat. Products need a lot of educational support and promotion.
Investors are building more efficient storage facilities, improved infrastructure, and logistics.	Distance is a major barrier complicating logistics. Most importers are located in large cities.
Fast food service and restaurants developed at a rate of 23 to 26 percent annually from 2000 to 2008, demanding new products.	American products face stiff competition in Russia from European, Asian, and Latin American suppliers.
Russian agricultural producers invest in livestock genetics with generous government-supported financing.	Government bureaucracy, corruption, contradictory and overlapping regulations make having a knowledgeable, connected importer a necessity.

Since August 2008, the ruble has lost almost one third of its value against the dollar. The ruble to dollar exchange rate in August, 2008 was 24:1; in December 2008 it was 27:1; in February 2009 it was 36:1; and at the beginning of September 2009 it was 31:1.

Figure 2. Russia's Central Bank's exchange rate of \$1 USD to Ruble from September 2008 to September 2009



Source: Information Agency Finmarket
(www.finmarket.ru/z/vlk/valdetails.asp?val=840)

Russia has been second only to China as an agricultural importer among emerging markets. The key factor that will affect agricultural imports to Russia in the short term is the financial and economic crisis that began in Russia in autumn 2008. Although the crisis is negatively affecting imports, numerous market observers expect the Russian economy to stabilize in a couple of years and resume growth of agricultural imports, but at a lower rate than in previous years.

SECTION II. EXPORTER BUSINESS TIPS

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

- **Establish a Representative Office:** One of the best ways exporters can conduct business in Russia is to open a representative office in Moscow, a city that hosts a large concentration of retailers and representative offices.
- **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. According to Russian rules, all Russian Government Regulatory Agencies and Customs work only with companies registered in the Russian Federation.

Most American exporters confirm that a partnership with a Russian importer is invaluable in accelerating business opportunities in Russia because Russian importers understand the market, speak the language, and can help navigate the often complicated import procedures and address the many challenges encountered in opening new market.

Exporters representing U.S. companies may contact the Moscow ATO for assistance in locating potential importing partners. Performing due diligence is 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 the largest general food and beverage trade show in Russia -- World Food Moscow -- held annually in September. Virtually all large food and beverage producers and importers participate in this show. If exporters are targeting specific regions within Russia, ATO Moscow recommends participating in regional exhibitions. Participation fees for regional exhibitions are lower, and are aimed at local consumers, retail food chains, and the region's food service industry. The Russian retail market is competitive; exporters should allocate time to visit Russia and earmark funds in their sales plans for promotional support.

Readers of GAIN reports sometimes requests information that exceeds the ability of USDA's offices in Russia to fulfill. The RS8020 "*Agriculture and Agribusiness Consultants*" report provides a partial list of consultants available to conduct market research and other investigations into Russian agriculture, agribusiness, food retailing, food service,, rural affairs, and the overall food economy.

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

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 gauge the competitiveness of their products compared to similar products promoted at the show.

Information about “*Upcoming Food and Agriculture Trade Shows in Russia*” can be found in GAIN report. This report highlights food and agriculture exhibitions occurring in Russia, which may provide market entry opportunities for U.S. exporters. Planning visits around these shows provides an opportunity for attendees to make new business partnerships and to exhibit the latest technology and products in food and agriculture.

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 through 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 3. Russia: Distribution channel for food retail chains, import transatlantic Products via the Port of Greater St. Petersburg

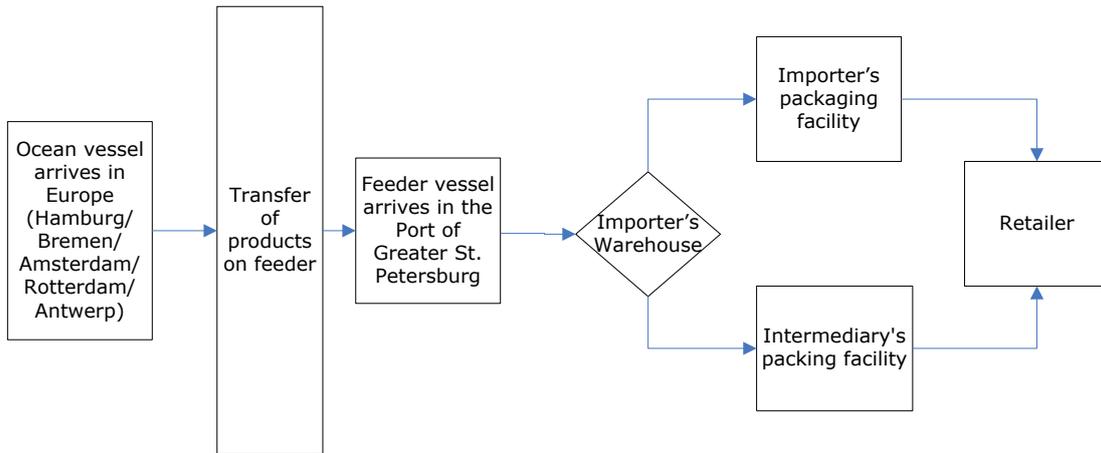


Figure 4. Russia: Distribution channel for food retail chains, delivery from Europe

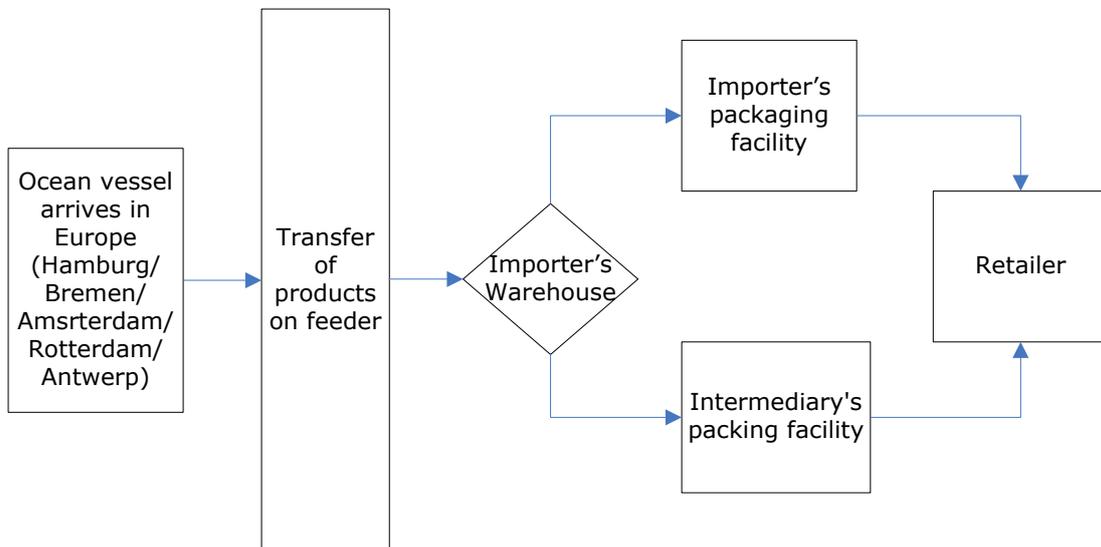
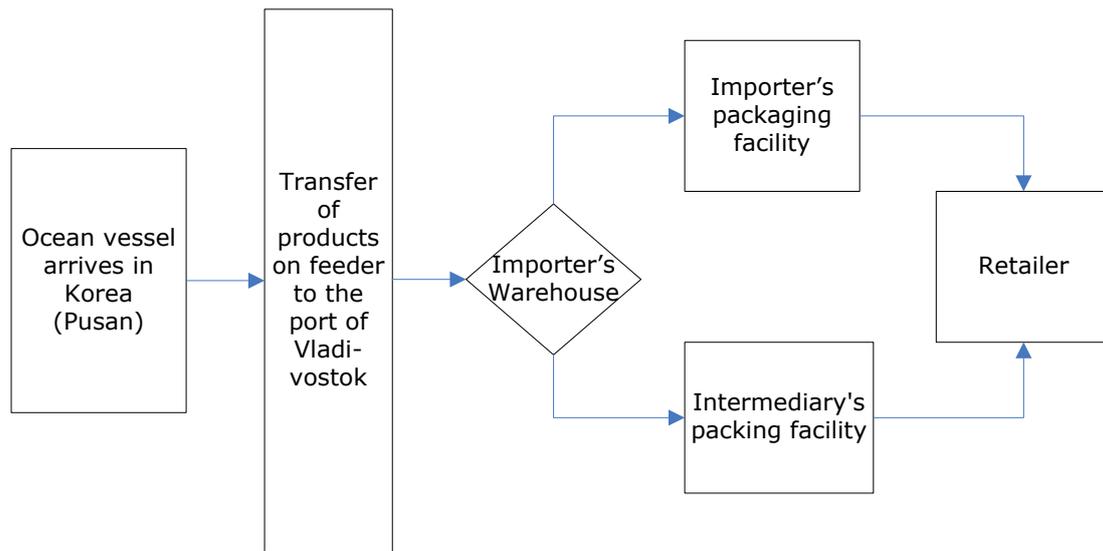


Figure 5. Russia: Distribution channel for food retail chains, delivery from U.S. to the Russian Far East



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.. Credit availability is equally low practically for all enterprises regardless of the company's size, property category or branch of economy. 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. Steep demand for collateralized property is one of the obstacles in obtaining credit.

Increased interest rates on loans have reached 20 to 25 percent per annum nationwide, and in the RFE businesses are offered credit at rates of up to 30 percent per annum, making credit out-of-reach for most small- and medium-sized businesses.

Table 3. Average Interest Rates on credits to non-financial institutions in 2009.

	Jan.	Feb.	Mar.	Apr.	May	June	July
Interest Rates on Ruble-denominated Credit, in rubles	17.4	16.9	16	15.9	15.9	15.4	14.7
Average Rates on Short-term Credit, in US dollars	10	11	11.1	11	9.8		

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. Documentary Collections work very 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 credit guarantee program offered through the United States Department of Agriculture (USDA) can help overcome some financing problems. The credit guarantee program operates with a specific country program for Russia, and Russia has also historically been included in a separate Eurasia program, but that program is under review due to numerous defaults. The GSM-102 program is in greater 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 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:

“2009 Food and Agricultural Import Regulations and Standards” ;
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative_Moscow_Russian%20Federation_11.08.2009.pdf

“*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>

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 (current import tariffs are published in Russian online at www.tks.ru);
- 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 to 15 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 has grown at a pace of 20 to 30 percent annually and has been one of the fastest growing sectors of the Russian economy. According to data compiled by market research firm PMR Ltd., the volume of the food and beverage retail market (which includes retail outlets, markets, and fairs) in Russia has increased five-fold since 2000. Federal State Statistics Service (Rosstat) data shows the value of the food and beverage market in Russia reached \$191 billion in 2007 and contributed more than 44 percent to total retail sales. In the first 10 months of 2008, sales of food increased 9 percent. Because retailers demand consistent quality, adherence to contract specifications, and penalize suppliers for failure to meet requirements, foreign suppliers continue to be competitive in the Russian market as they are more accustomed to meeting such demands, while Russian agricultural producers are not. Despite the poor economic conditions that emerged in Russia in the last half of 2008, major retailers such as Victoria and Magnit report that they are maintaining the level of imported products on their shelves, an average of 20 to 25 percent.

In addition to the increase in size of the Russian food retail market as mentioned above, the structure of the market is changing as well. The structural evolution has been led by large retailers with annual turnover exceeding \$1 billion. The expansion has been focused mainly on developing modern retail formats in large urban areas such as Moscow and the surrounding areas (50 percent) and St. Petersburg (30 percent); however, some retailers have made considerable efforts to expand into Russia's regions. The Russian food retail sector is highly fragmented due to a large number of food retailers operating in the market. The top 10 food retail chains -- X5 Retail Group (Perekryostok and Pyatyorochka), Sedmoy Continent, Magnit, Dixie, Mosmart, Victoria, Kopeyka, Lenta, Holiday, and O'Key -- currently occupy about 13 percent of the retail food market and constitute no more than 40 percent of the modern retail formats according to "Discovery Research Group." Market fragmentation, the liquidity crisis, devaluation of the ruble, and the overall poor economic forecast could accelerate consolidation of the modern retail market in Russia which may translate into a market entry opportunity for foreign retailers looking to enter the market.

According to mass media the volume of retail trade in 2009 may increase by only 3.4 percent, versus 13.6 percent in 2008 (Torgovaya Gazeta). Most chains have had to cut overhead costs and cancel expansion plans. There is increased pressure on suppliers to extend credit terms beyond the traditional 30 days to 90 days or more.

As incomes rose from 2000 to 2008 (at a rate from 10 to 15 percent annually), Russian consumers purchased more fresh products and ready-to-eat prepared foods. Most large retail chains have special facilities to clean, prepare, and package foods (e.g., vegetables) into ready-to-eat portions. Larger retail chains also have their own bakeries producing on a daily basis fresh breads, pizzas, and deli items such as marinated meat, fresh cutlets, ravioli, and schnitzels.

Hotel, Restaurant, and Institutional (HRI) Sector

The Russian HRI sector sales had increased at a rate of 23 to 26 percent annually from 2000 to 2008 together with consumer income growth. During that period, Russians spent more of their income on food than any other country in Europe. Many restaurants import the vast majority of their ingredients, creating opportunities for U.S. exporters of meat, seafood, wine, and specialty foods. Even now, as restaurants have lost from 15 to 30 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. <http://www.fas.usda.gov/gainfiles/200812/146306804.pdf>

Food Processing Sector

Russia's food processing industry is growing rapidly and is one of the most dynamic sectors in the Russian economy. From 2005 to 2008, annual growth of the food processing sector ranged from 16.7 to 25.7 percent. For the last five years, the volume of investments in Russian food processing enterprises capital facilities has increased doubled and totals 135 billion rubles.

Food processing ingredients production and consumption is growing intensively compared to the other sectors of the food processing industry. 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.

SECTION IV. BEST CONSUMER ORIENTED PRODUCT PROSPECTS

Top performing U.S. exports to Russia in 2008 include poultry and red meats¹, tree nuts, fish and seafood, and fresh fruit. U.S. poultry exports are the largest contributor to the total value of agricultural exports to Russia. On average, poultry meat accounted for 38 to 50 percent of the total value of U.S. agricultural exports from 2006 to 2008². Russians are consuming more tree nuts and fresh fruit from America, particularly the larger sizes of apples and pears.

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 a new opportunities for exporters of livestock and genetics from the U.S. Table 4 (below) provides additional information on food and agricultural product prospects³.

Table 4. Russia: Suggested best prospects for U.S. exporters, by sector

Product Category	2008 Imports from U.S. (million dollars)	2008 Market size	5-Yr. Avg. Annual Import Growth	Import Tariff Rate	Key Constraints to Market Development	Market Attractiveness for U.S.
Meat (includes pork, beef, and poultry meat, and edible offal)	\$1,427	\$17 billion	41.1%	See GAIN RS5084, RS7008 and RS7041. Tariff-rate quotas apply to some positions. Tariffs change	Veterinary controls and demands transcend international standards. Official goal of "food security" calls for reduction of meat imports.	New health certificates are in place for U.S. origin beef and pork.

¹ Fresh/Chilled/ Frozen

² BICO trade statistics, USDA, FAS

³ Food products listed in Table 4 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.

				unpredictably.		
Tree nuts	\$102.9	68.7 thousand tons	25.7%	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.
Food preparations (Nesoi)	\$102	\$700 million	17.4%	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	Competition from both local and foreign producers	A number of U.S. companies are successfully operating in the market.
Fish and Seafood	\$46.3	\$2200 million	26.6%	10% + 10-18% VAT	Potential recovery in local catch/production. Aquaculture is included among the National Priority Projects.	Opportunities for ground fish and salmon, especially underutilized species, for processing. Growing demand for high value products for HRI and retail.
Spirits	\$24	\$1700 million	19.2%	RUR 191/liter of ethyl alcohol content; VAT 18%	Lack of U.S. whiskey promotion, strong positions of other importers (France, United Kingdom)	Whiskey are growing in popularity and have tremendous growth potential
Fresh fruits	\$ 20.2	6.8 million tons	25.3%	Apples: (Jan 1-Jul 31) 0.1 Euros per kg	See also GAIN RS8308 Strong competition from Poland,	Good potential as a niche market for U.S. apples, pears, grapes, citrus,

				(Aug 1-Dec 31) 0.2 Euros per kg + 18% VAT Pears: 10% + 18% VAT	China, Chile, New Zealand, Moldova for apples; Argentina and China for pears.	especially during February- April period.
Pet food	\$12.6	\$190.1 millions	29.8%	20%, but not less than 0.16 Euros/kg + 18% VAT	Strong local production with foreign investments - Mars has two plants that produce pet food Purina produces Friskies and Darling locally; other imported and local brands. Brand new slaughter plants are able to collect all wastes which allows pet food producers to produce cheaper products as before most of raw materials were imported.	Strong growth in demand.
Dried fruits	\$10	220 thousand tons	9.4%	Prunes, apricot 10% import duty, raisin -5% import duty + 18% VAT	Tough competition from Iran, Tajikistan, Afghanistan and Uzbekistan for bulk dried fruits.	U.S. raisins and prunes competitive for quality retail and processing market.
Snack Foods	\$10.3	\$939.4 million	17.6%	5% - 15%, but not less than 0.15 – 0.075 Euro/kg (duty depends on product, size of package,	Strong competition from local producers, including some foreign brands such as Lay's (PepsiCo) and Estrella (Kraft) – Pringles from	Good potential for high quality U.S. snacks: popcorn, nuts, and dried fruits mixes.

				sugar content, etc.) + 10% - 18% VAT	Europe.	
Animal genetics (excluding embryos, data for which not available)	\$1.2	\$500 million	50.5%	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: World Trade Atlas, U.S. Trade Database, Russian Tariff Database (www.tks.ru)

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

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http://www.fas.usda.gov/OTP_contacts.asp

FAS Website: www.fas.usda.gov

For Trade Policy/Market Access Issues, General Information on Russian Agriculture, etc.:

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USDA Stakeholders

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

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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)

Ulitsa 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

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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/}	33330.9/6.5
Consumer Food Imports From All Countries (\$Mil) / U.S. Market Share (%) ^{1/}	26573.8/7
Edible Fishery Imports From All Countries (\$Mil) / U.S. Market Share (%) ^{1/}	2026.4/2.3
Total Population (Millions) / Annual Growth Rate (%)	141.9/-0.1
Urban Population (Millions) / Annual Growth Rate (%)	103.6/0
Number of Major Metropolitan Areas	13
Size of the Middle Class (Millions) / Growth Rate (%) ^{4/}	31/4.6
Per Capita Gross Domestic Product (U.S. Dollars)	9,758
Unemployment Rate (%) ^{5/}	8.3
Per Capita Food Expenditures (U.S. Dollars)	4,115
Percent of Female Population Employed ^{5/}	91.5
Exchange Rate (US\$1 = RUR) as of September 2009 ^{6/}	31.4

Source: Unless otherwise noted, Russian Federal Statistics Service 2008 data (Rosstat)

^{1/} Source: 2008, GTI World Trade Atlas (total agricultural imports include HS Codes 01 to 24)

^{2/} Source: 2008, GTI World Trade Atlas

^{3/} Population in excess of 1,000,0003

^{4/} Sources: Various - based on estimate of individuals earning US\$500-\$2,000 per month

^{5/} Source: Rosstat data as of July 2009. As percentage of economically-active female population (employed or actively seeking employment). Female workers account for 49 percent of the total economically-active population.

^{6/} See Figure 2. Russia's Central Bank exchange rate of \$1 USD to Ruble from September 2008 to September 2009.

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)		
	2006	2007	2008	2006	2007	2008	2006	2007	2008
CONSUMER-ORIENTED AG, Total	16601.7	20816	26574	981.5	1103	1856	5.9	5.3	7
Meat Of Bovine Animals, Frozen	1529.5	1698.7	2572.9	0.0	0.0	71.9	0.0	0.0	2.8
Meat Of Swine (Pork), Fresh, Chilled Or Frozen	1395.0	1636.7	2200.5	148.1	180.4	435.9	10.6	11.0	19.8
Meat & Ed Offal Of Poultry, Fresh/Chilled/Frozen	921.5	1051.7	1339.3	545.5	634.9	835.9	59.1	60.4	62.4
Ed Offal, Bovine, Swine, Sheep, Goat, Horse, Etc.	294.9	330.2	421.6	17.0	28.9	74.4	5.8	8.8	17.6
Apples, Pears And Quinces, Fresh	554.9	767.8	848.5	6.0	10.2	15.1	1.1	1.3	1.8
Nuts Nesoi, Fresh Or Dried	145.6	245.5	324.1	31.5	69.1	103.6	21.6	28.1	32.0
Fruit Juice Nt Frtfd W Vit/Mnl Veg Juice	299.1	371.5	417.8	6.5	6.6	7.3	2.2	1.8	1.7
Fruit, Nuts Etc Prepared Or Preserved Nesoi	127.0	156.3	211.3	2.8	4.8	5.9	2.2	3.1	2.8
Food Preparations Nesoi	364.4	458.7	618.8	51.7	64.1	102.3	14.2	14.0	16.5
Ethyl Alcohol,Und80% Alc; Spirit Beverag	644.3	1016.7	1109.8	9.9	24.9	23.9	1.5	2.5	2.2
Wine Of Fresh Grapes; Grape Must Nesoi	540.2	777.0	914.1	2.3	3.7	6.8	0.4	0.5	0.7
Peanuts (Ground-Nuts), Raw	68.5	78.6	106.0	12.1	18.3	14.0	17.7	23.3	13.2
Pectates	53.0	73.0	122.2	7.7	13.7	17.5	14.5	18.8	14.3
Sunflower Seeds, Whether Or Not Broken	47.7	47.8	80.7	15.7	15.5	27.9	32.9	32.4	34.5
FISH & SEAFOOD PRODUCTS, Total	1204.9	1731.2	2026.2	44.1	51.7	46.3	3.7	3.0	2.3
Fish, Frozen (No Fish Fillets Or Other Fish Meat)	678.6	797.4	801.3	34.8	33.0	24.7	5.1	4.1	3.1
Fish Fillets & Oth Fish Meat, Fresh, Chill Or Froz	207.6	331.6	477.9	7.8	16.2	17.8	3.8	4.9	3.7
Other Fishery Products	319.7	602.2	746.9	1.5	2.5	3.8	0.5	0.4	0.5
AGRICULTURAL PRODUCTS TOTAL	20362.6	26101.1	33330.9	1070	1363	2154	5.2	5.2	6.5

Source: GTI World Trade Atlas

**TABLE C. TOP 15 SUPPLIERS OF CONSUMER FOODS & EDIBLE
FISHERY PRODUCTS**

CONSUMER-ORIENTED AG TOTAL (Million Dollars)

	2006	2007	2008
Brazil	2652.4	3583.1	4063.9
United States	1069.7	1362.9	2154.0
Ukraine	914.3	1474.0	1924.4
Germany	1153.2	1405.1	1902.1
Netherlands	881.7	1212.8	1568.1
China	790.9	1095.1	1347.7
Argentina	888.1	1023.1	1100.7
Turkey	529.9	807.4	980.1
Spain	461.8	654.6	843.0
Italy	466.8	691.3	834.2
Poland	583.9	668.0	729.7
Malaysia	225.6	317.5	674.3
Denmark	609.2	612.2	619.0
Finland	287.4	378.5	471.7
United Kingdom	273.0	407.6	420.3
World	20362.6	26101.1	33330.9

Source: GTI World Trade Atlas

FISH & SEAFOOD PRODUCTS (Million Dollars)

		2006	2007	2008
1	Norway	436.9	628.8	710.7
2	China	89.5	174.5	203.2
3	Vietnam	106.1	113.8	201.9
4	Denmark	82.1	114.8	121.0
5	Chile	49.3	88.7	103.9
6	Canada	42.5	58.7	87.5
7	United Kingdom	55.1	87.3	71.7
8	Iceland	45.6	43.4	52.9
9	United States	44.1	51.7	46.3
10	Thailand	24.2	31.9	34.8
11	Mauritania	36.7	42.7	33.6
12	Kazakhstan	21.2	29.0	29.1
13	India	2.5	9.2	28.7
14	Argentina	24.6	28.3	28.3
15	Bangladesh	5.6	16.8	22.3
	World	1204.9	1731.2	2026.4

Source: GTI World 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>.

RS9035 Dairy and Products Semi-Annual

RS9030 Fish Price Survey

RS9023 Grain and Feed Annual

<http://www.fas.usda.gov/gainfiles/200903/146347662.pdf>

RS9016 Poultry and Products Semi-Annual

<http://www.fas.usda.gov/gainfiles/200903/146347613.pdf>

RS9011 Livestock and Products Semi-Annual

<http://www.fas.usda.gov/gainfiles/200903/146327427.pdf>

RS9010 Meat and Poultry Prices Update

<http://www.fas.usda.gov/gainfiles/200903/146327404.pdf>

RS8308 Fresh Deciduous Fruit

<http://www.fas.usda.gov/gainfiles/200811/146306497.pdf>

RS8045 San Pin 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>