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Global Agricultural Information Network

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Russian Federation

Fresh Deciduous Fruit Annual

Russian Apple Production Forecast to Reach 1.5 Million Tons in Marketing Year 2018/19

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Report Highlights:

For marketing year (MY) 2018/19, Russian apple production is forecast at 1,506,100 metric tons (MT). Notwithstanding recent growth in local apple production, Russia remains one of the world's leading importers of fresh deciduous fruit, importing 858,612 MT of apples in 2017/18. In MY 2018/2019, Russian apple imports will likely decrease to 815,000 MT. Russian imports of table grapes and pears are also forecast to decrease to 270,000 MT and 352,000 MT, respectively, as consumers increasingly look to purchase less expensive domestically grown fruit.

NOTE: Since June 2014, Crimean data are officially incorporated into Russian national statistics (ROSSTAT). However, unless explicitly stated, USDA production and trade estimates do not include data from Crimea.

General information:

Apples:

Table 1. Russian Federation Apples: Production, Supply and Distribution

Apples, Fresh Market Begin Year	2016/2017		2017/2018		2018/2019	
	Jul 2016		Jul 2017		Jul 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Russia						
Area Planted	209,560	209,560	210,000	210,000	0	212,000
Area Harvested	153,470	153,470	154,000	150,560	0	150,600
Bearing Trees	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0
Total Trees	0	0	0	0	0	0
Commercial Production	693,838	693,838	624,400	698,570	0	800,000
Non-Comm. Production	815,310	815,310	652,240	661,010	0	703,100
Production	1,509,148	1,509,148	1,276,640	1,359,580	0	1,503,100
Imports	657,400	654,379	850,000	858,612	0	815,000
Total Supply	2,166,548	2,163,527	2,126,640	2,218,192	0	2,318,100
Fresh Dom. Consumption	1,583,054	1,580,000	1,735,000	1,806,470	0	1,832,600
Exports	18,700	18,736	10,000	13,722	0	15,000
For Processing	459,000	459,000	337,000	349,000	0	413,500
Withdrawal From Market	105,794	105,791	44,640	49,000	0	57,000
Total Distribution	2,166,548	2,163,527	2,126,640	2,218,192	0	2,318,100
(HA) ,(1000 TREES) ,(MT)						

In MY 2018/2019, planted area under apple cultivation is forecast to increase by almost 1 percent, to 212,000 hectares (ha). Russian apple growers continue to invest in uprooting old orchards and in planting new ones to meet the growing consumer demand for inexpensive fruit.

Since 2014, Russia's countersanctions have banned fresh apple imports from Europe and the United States. This, and Government of Russia (GOR) support amounting to 12.9 billion rubles (US\$ 194.8 million) for the period 2013-2018, has propelled investment in Russia's horticultural sector.

In 2018, the GOR announced a 242 billion ruble (US\$ 3.6 billion) support program for Russian agriculture. In February 2018, the GOR allocated an additional 7 billion rubles (US\$ 105.7 million) specifically for agricultural development, this included a 5 billion ruble (US\$75.5 million) subsidy to encourage investment.

Within this support framework, horticultural agribusinesses have had access to the following support mechanisms:

- 4.2 billion rubles (US\$ 64 million) for reimbursements on a per hectare basis for nursery development, intensive orchard planting and for fruit handling;
- A reimbursement of up to 20 percent of capital expenses for the construction of storage facilities and for establishing selection-seed centers;
- preferential short-term credits for fuel, inputs for plant protection and other chemicals;
- preferential investment loans for construction, for modernization of cold storage facilities, and for buying agricultural equipment.

Agricultural authorities in the regions generally establish priorities and then distribute the funds directly to producers. However, according to industry sources, the management of these programs differ widely across the country, so while some areas may be receiving substantial investment, growers in other regions can face significant challenges in accessing support programs, which mainly still support crops, dairy, poultry, pork and beef production.

According to the Ministry of Agriculture, 7,053 ha of new orchards and berry fields were planted during the first 9 months of 2018. An estimated two-thirds of these new orchards were planted with apple trees, as this remains the most popular commercial fruit in Russia representing approximately 77 percent of total perennial fruit acreage.

In MY 2018/2019, total apple production is estimated at 1,503,100 MT, a 10 percent increase due to improved yields and productivity in commercial orchards. According to industry experts, Russia's commercial crop is estimated at around 800,000 MT, a 15 percent increase from 2017. According to Rosstat, yields in commercial orchards, increased from 10.8 MT per ha in 2013 to 13.6 MT per ha in 2017. In 2017, in the Southern Federal District and the Northern Caucasus Federal District, where 80 percent of Russian commercial apple crop is grown, yields grew from 19.2 MT to 20.2 MT per ha.

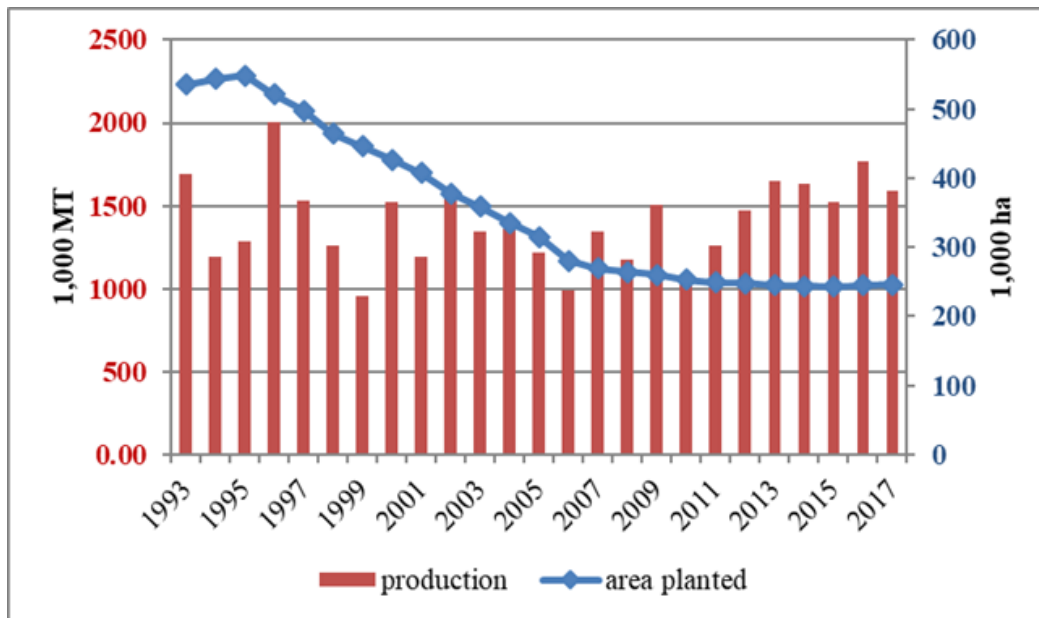
Growers continue to improve cultivation practices applying better crop protection agents and fertilizers. The situation with cold storage is also improving. The apple industry constructed new storage facilities increasing total capacity by 213,400 MT. The Ministry of Agriculture estimates total capacity at 516,000 MT or approximately 63 percent of the current demand for storage.

Several factors continue to constrain the development of Russia's horticultural sector. Rootstock remains inadequate. Russia's horticultural industry generally lacks productive plant material. The Ministry of Agriculture estimates that Russia produces around 10 million plants, and at the same time, Russia imported 15 million plants in 2017 and 19.8 million plants during the first 6 months of 2018. Russia has more than 3,722 officially registered fruit and berry varieties, and more than 92 percent of these are of Russian origin. However, only a few nursery farms cultivate planting material for commercial orchards, and therefore quality planting material remains inadequate in terms of high yielding, winter resistant, drought and disease tolerant commercial cultivation.

Limited access to modern technology and equipment is a further constraint. Industry experts maintain that there is a deficit of up to 25 percent for tractors and a 34 percent deficit for fertilizer sprayers. While Russian horticultural producers are very resilient, they face very high costs in importing planting stock, crop protection agents, as well as technology and equipment for cultivation and storage.

Farmers sometimes store their best quality winter apples with the hope of receiving better prices later in the season. Currently, Moldovan and Belarussian apples are widely available, placing a dampening effect on market prices. According to APK- Inform, Russian farmers are selling second grade apples for 20 Rubles (\$0.30) per kg and limited amounts of winter apples for 30-55 Rubles (\$0.45-\$0.8) per kg depending on the variety, condition and size.

Chart 1. Russia: Seed Fruit Production and Area Planted, 1993-2017



Source: Rosstat

Imports:

In MY 2018/19, Russian apple imports are forecast to decline by 6 percent to 815,000 MT. With more locally produced fruit available on the market, budget conscious consumers are expected to limit spending on imported fruit. However, for July and August 2018, apple imports into Russia grew by 20 percent compared to 2017, reaching over 100,000 MT. Almost 30,000 MT (46 percent of total apple imports) came from Moldova. This represented a 60 percent increase from the volume in 2017. Serbia also increased supplies from 4,532 MT in 2017 to 7,805 MT in July – August of 2018. Apples from these origins compete directly with local production, but imports will likely decrease during the autumn and off-season as more local winter apples are released on the market.

Within July-August 2018, the supply of higher quality apples from the Southern Hemisphere (from Chile, South Africa, and Argentina) declined by 16 percent. Overall, the supply of apples from the Southern Hemisphere could decline in 2018/2019 season, as less expensive apples from China, Turkey, and Iran become more competitive.

In MY 2017/2018, Russian apple imports grew by 30 percent to 858,612 MT, valued \$536.2 million. A lower crop in Russia triggered increased purchases of imported fruit. Moldova, the largest supplier of apples to Russia, increased exports by 55 percent and shipped 260,426 MT or 30 percent of Russia's

total apple imports. Affordable fruit from Moldova always competes directly with Russian production. China, Serbia and Azerbaijan increased apple exports as well. Iran and Turkey shipped 661,089 MT and 47,488 MT respectively.

Table 2. Russia: Import Trade Matrix for Apple in MT, MY 2015/2016 – MY2017/2018

MY 2015/2016		MY 2016/2017		MY 2017/2018	
US	0	US	0	US	0
Others		Others		Others	
Belarus	221,892	Serbia	201,124	Moldova	260,426
Serbia	198,892	Moldova	167,417	China	152,851
China	113,923	China	87,795	Serbia	122,970
Moldova	57,206	Azerbaijan	70,767	Azerbaijan	75,009
Azerbaijan	32,558	Belarus	41,648	Iran	61,089
Macedonia	32,556	Chile	23,160	Turkey	47,488
Chile	23,606	Macedonia	14,248	Belarus	39,857
Bosnia and Herzegovina	15,356	South Africa	13,364	Chile	31,316
Argentina	14,734	Bosnia and Herzegovina	12,044	South Africa	17,924
South Africa	12,032	New Zealand	8,891	Argentina	17,468
Total from Other	722,771	Total from Other	640,458	Total from Other	826,398
Others not listed	18,586	Others not listed	13,921	Others not listed	32,214
Grand total	741,357	Grand total	654,379	Grand total	858,612

Source: Federal Customs Service of Russia

Consumption:

With a population of 144.5 million people, Russia is one of the largest apple markets in the European subcontinent.

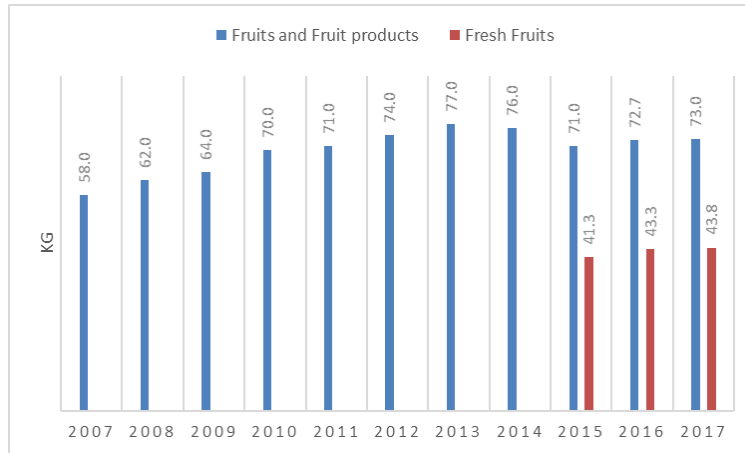
According to the Russian Statistic Committee (Rosstat), Russia's average annual fruit consumption in 2017 (including nuts, juices, dried, canned and frozen fruits) increased 0.4 percent to reach 73 kg per person. Fresh fruit consumption grew from 43.3 kg in 2016 to 43.8 kg in 2017. Fresh fruit consumption is generally higher in urban areas (46.3 kg per person) where incomes are higher and where there is a greater available assortment of fruit.

Apples remain the most affordable and popular fruit in Russia, representing approximately 20 percent of the total fruit market. In 2018, Russian fresh apple consumption is forecast at 1,832,600 MT, a 2 percent increase from 2017 due to the greater availability of local apples.

Russian consumers are very sensitive to price fluctuations. During the period January to September 2018, per capita disposal income grew by 1.7 percent. However, in September 2018, incomes declined by 1.5 percent. Still, retail sales over the same 9 month period reached 22.7 billion rubles, a 2.6 percent increase from the previous year. Russia's restaurant sector also grew 4.1 percent to 1.094

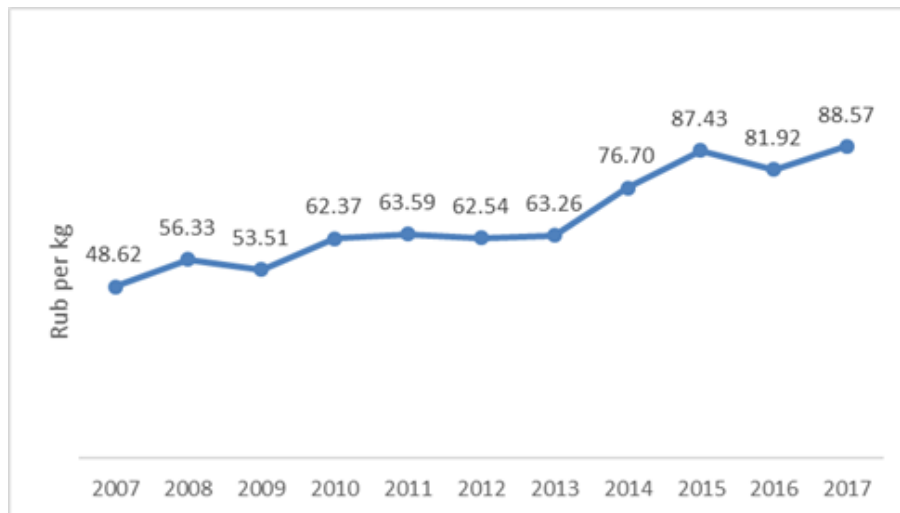
rubles. These results indicate that Russian consumers are spending, but they remain very conscious of price differentials.

Chart 2. Russia: Average Consumption of Fruits per Person in the household, 2006-2017



Source: Rosstat

Chart 3. Russia: Average Consumer Prices for Apples, 2007-2017



Source: Rosstat

Chart 4: Russia: By-Month Average Consumer Prices for Apples, 2017-Oct 2018



Source: Rosstat

Pears

Table 3. Russian Federation Pears: Production, Supply and Distribution

Pears, Fresh Market Begin Year	2016/2017		2017/2018		2018/2019	
	Jul 2016		Jul 2017		Jul 2018	
Russia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	31,863	31,863	31,863	32,180	0	32,180
Area Harvested	23,335	23,335	23,335	23,800	0	23,700
Bearing Trees	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0
Total Trees	0	0	0	0	0	0
Commercial Production	10,254	10,254	8200	10,905	0	11,000
Non-Comm. Production	226,228	226,228	180,900	195,015	0	200,100
Production	236,482	236,482	189,100	205,920	0	211,100
Imports	251,600	251,509	265,000	284,028	0	270,000
Total Supply	488,082	487,991	454,100	489,948	0	481,100
Fresh Dom. Consumption	390,054	390,000	394,900	410,000	0	405,000
Exports	400	363	300	480	0	500
For Processing	55,428	55,428	37,340	46,660	0	41,900
Withdrawal From Market	42,200	42,200	21,560	32,808	0	33,700
Total Distribution	488,082	487,991	454,100	489,948	0	481,100

(HA) ,(1000 TREES) ,(MT)

Production:

In MY 2018/19, Russian pear production is forecast to grow by 2 percent to reach 211,100 MT. Over 95 percent of all pears in Russia are cultivated by households for family consumption, and therefore do not formally enter mainstream commercial channels. Commercial production of pears represents only 5 percent of Russian's total pear production. According to industry sources, pear susceptibility to frost, as well as a high risk of bacteriosis, has discouraged investment in pear production. Most commercial fruit growers are gravitating toward apple cultivation. Area planted and harvested is forecast to remain stable at around 32,180 ha and 23,700 ha respectively. Abate Fetel, Williams and Conference pear varieties are popular in the warmer southern areas. Local pear varieties such as Kyure, and Lesnaya Krasavitsa are more resistant to frost but they are generally considered to be less flavorful.

Trade:

As most locally grown pears (95 percent) are for personal consumption, Russian retailers depend heavily on imports. Russia remains one of the world's largest importers of pears by volume and value. In MY 2017/2018, Russian pear imports increased 12 percent to reach 258,028 MT. In value terms, Russian pear imports grew by 30 percent reaching \$210.7 million. Imports from Argentina increased by 25 percent, while South Africa and China also increased by 34 percent and 29 percent, respectively. Over the last two years, Belarus has emerged as Russia's largest pear supplier. In MY 2017/18, pear imports from Belarus declined by 23 percent to 70,511 MT. In 2017/2018 Russian Federation authorities (Rosselkhoznadzor) detected illegal transshipments of pears coming from sanctioned European countries through Belarus.

In 2018/2019, imports of pears are likely to decline by 5 percent to 270,000 MT largely due to stagnating incomes and Russian consumers growing preference for less expensive domestically grown fruit. During the two month period July-August, 2018, Russian pear imports dropped by 10 percent. In August alone, the decline was even more pronounced, dropping 25 percent by volume and 33 percent by value, even as pear prices have remained generally stable. While supplies from Argentina dropped by 25 percent, South Africa by 9 percent and Chile by 11 percent, imports from Serbia have almost doubled compared to last year. Likewise, trade with less expensive suppliers like China and Belarus is also increasing.

Table 4. Russia: Import Trade Matrix for Pears in Metric Tons, MY 2015-2017 Year

MY 2015/2016		MY 2016/2017		MY2017/2018	
US	0	US	0	US	0
Others		Others		Other	
Belarus	113,854	Belarus	91,808	Argentina	83,053
Argentina	72,662	Argentina	65,426	Belarus	70,511
China	30,384	China	35,501	China	46,140
South Africa	17,139	South Africa	23,949	South Africa	32,113
Chile	7,484	Chile	12,383	Chile	16,977
Bosnia and Herzegovina	7,126	Serbia	11,037	Turkey	15,917
Serbia	6,872	Bosnia and Herzegovina	8,078	Bosnia and Herzegovina	7,784
Turkey	5,226	Azerbaijan	1,513	Serbia	5,719
Armenia	1,990	Armenia	537	Armenia	3,557
Azerbaijan	203			Azerbaijan	1,451
Total from Other	262,940	Total from Other	250,232	Total from Others	283,222
Others not listed	582	Others not listed	1,277	Other not listed	806
Grand total	263,522	Grand total	251,509	Grand total	284,028

Source: Federal Customs Service of Russia

Consumption:

For Russians, the ideal pear is usually described as juicy, crispy, sweet, and not overripe. Russian consumers typically eat pears whole or sometimes as an ingredient in fruit salads. Consumers are very aware of pear varieties such as Conference, Williams and Red Bartlett, but they generally do not pay much attention to specific countries of origin. Pears are not particularly associated with a specific season in Russia, and people normally buy them year round. Consumers tend to buy pears in supermarkets, but occasionally they also make purchases at fruit kiosks and open-air markets.

Pears remain a very popular and desirable fruit (along with apples, citrus, and bananas). However, for MY 2018/19, fresh pear consumption is forecast to decrease by 1.3 percent to 405,000 MT. Russia's pear consumption is generally very sensitive to income and changes in price. Unstable disposable incomes are expected to have an adverse effect on overall purchases. The average retail prices of pears has increased by 3 percent compared to last season, and in October 2018, the price reached 136.92 Rubles per kg (\$2.07). As long as relative prices remain high, this will have a dampening effect on consumption.

Table 5: Russia: Average Consumer Prices for Pears, 2016-Oct 2018 Rub per Kg

	2016	2017	2018
January	147.11	134.31	141
February	152.99	138.46	143.74
March	152.01	136.59	145.4
April	146.7	135.95	146.55
May	145.95	138.83	146.01
June	141.34	146.09	146.59
July	139.86	144.36	145.7
August	139.83	137.19	142.48
September	138.26	134.28	139.49
October	132.37	132.64	136.92
November	131.62	132.7	
December	129.96	134.16	

Source: Rosstat

Table Grapes:

Table 6. Russian Federation Grapes: Production, Supply and Distribution

Grapes, Fresh Table Market Begin Year	2016/2017		2017/2018		2018/2019	
	Jun 2016		Jun 2017		Jun 2018	
Russia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	9,200	4,200	0	4,400	0	4,400
Area Harvested	8,500	3,400	0	3,800	0	3,800
Commercial Production	42,480	22,540	40,000	26,890	0	30,923
Non-Comm. Production	60,180	0	60,000	0	0	0
Production	102,660	22,540	100,000	26,890	0	30,923
Imports	212,400	212,418	380,000	386,982	0	352,000
Total Supply	315,060	234,958	480,000	413,872	0	382,923
Fresh Dom. Consumption	304,360	228,248	479,000	411,882	0	381,923
Exports	1,700	1,710	1,000	1,990	0	1,000
Withdrawal From Market	9,000	5,000	0	0	0	0
Total Distribution	315,060	234,958	480,000	413,872	0	382,923
(HA) ,(MT)						

Rosstat data for table grapes only estimate table grape production in large scale agricultural enterprises. No data are available for the non-commercial household and farm level production.

Table grape cultivation for MY 2016/2017 has been revised according Rosstat data. In MY 2017/2018, the total planted area under table grape production was 4,400 ha. No changes are expected in MY 2018/19. Approximately 60 percent of Russia's commercial table grape production is concentrated in the Southern Federal District, while most of the remaining production is located in the North Caucasian Federal District. In the South, competition for suitable land tends to favor wine production as many growers see better opportunities in the wine sector. Growers are investing actively in wine grape varieties. The GOR is also providing support to Russian winemakers who use locally grown grapes.

In MY 2018/2019, commercial table grape production is expected to grow by 15 percent and reach 30,923 MT. The "Moldova" black grape variety, typically harvested in mid-September, accounts for almost 70 percent of Russia's commercial table grape crop. The other main grape variety is the white "Plevan," which is typically harvested in mid-August. According to industry sources, wholesalers and retailers in Moscow, St. Petersburg and Ekaterinburg have developed very good profit margins selling local grape varieties.

Trade:

Russia is one of the world's leading importers of table grapes. In MY 2017/2018, Russia imported 386,981, almost doubling imports from the previous year. Russian sanctions on Turkish fresh produce, which began on January 1, 2016, were lifted in October 2017. Turkey is Russia's largest single supplier of table grapes, and while trade with other countries has grown, Turkey's absence from the market had a dampening effect on imports. Soon after the ban was lifted, Turkey shipped 163,106 MT – equivalent to approximately 42 percent of Russia's table grape market in MY 2017/2018. Other major table grape suppliers like Moldova, Uzbekistan, and India have also increased shipments to Russia. During the winter off-season, table grapes from Peru, Chile, and South Africa dominate the market; however, consumption volumes are significantly lower due to the relatively higher prices.

In MY 2018/19, Russian imports of table grapes are forecast to decrease by 10 percent to reach 352,000 MT. From June to August 2016, Russia imported 64,492 MT of table grapes (for \$69 million), an 18 percent decline by volume and a 50 percent decline by value compared to the previous year. Supplies from China and Egypt could be displaced by more affordable products from Turkey, Moldova, Belarus and Armenia.

Table 7. Russia: Import Trade Matrix for Grapes in Metric Tons, MY 2015-2017 Years

Russia Import Statistics							
Commodity: 080610, Grapes, Fresh							
Year Ending: May							
Partner Country	Unit	2016		2017		2018	
		USD	Quantity	USD	Quantity	USD	Quantity
World	T	274,003,914	255,967	219,376,208	212,419	405,431,446	386,980
Turkey	T	124,354,298	119,167	0	0	166,960,820	163,105
Moldova	T	12,638,136	15,944	38,383,344	41,893	49,136,754	53,950
India	T	22,438,392	15,082	35,353,938	23,329	44,077,465	27,793
Egypt	T	20,975,962	11,483	14,136,066	8,275	30,275,779	17,422
Uzbekistan	T	8,552,202	13,441	17,681,016	24,976	28,063,842	38,057
Chile	T	22,041,818	13,980	23,926,046	15,246	27,801,532	17,670
Peru	T	20,621,755	12,890	18,405,088	11,224	16,010,161	9,157
China	T	11,194,331	8,025	11,305,135	8,003	14,301,184	9,529
South Africa	T	11,308,366	7,310	17,916,657	11,338	11,586,393	6,995
Argentina	T	3,508,944	2,207	1,759,351	1,055	3,075,937	1,900

Source: Federal Customs Service of Russia

Table 8. Russia: Average consumer prices for grapes, ruble per kg.

	2016	2017	2018
January	196.95	195.76	177.56
February	206.38	205.21	192.97
March	216.12	212.46	208.89
April	227.77	211.93	214.44
May	231.18	204.41	209.54
June	217.16	215.78	206.05
July	209.9	199.89	191.8
August	183.58	167.17	162.09
September	161.38	146.29	145.12
October	159.99	138.19	138.1
November	164.87	140.84	
December	174.03	151.5	

Source: Rosstat