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GAIN Report

Global Agricultural Information Network

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Fresh Deciduous Fruit

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Report Highlights:

A slowing economy, falling consumer purchase power, a food import ban, and a depreciating Russian ruble are all expected to lower demand in MY 2015 for imported apples by 6.5 percent, pears by 10 percent, and table grapes by 7 percent. In August 2014, the Russian government banned many agricultural products (including fresh fruits) from the European Union, United States, Canada, Australia and Norway in retaliation for the application of economic sanctions due to tensions in the region. The ban is currently in place until August 2016 but could be extended indefinitely by the Russian government.

General Information:

Russia is one of the largest consumer markets in Europe with a population of 143.9 million people. In 2014, fruit consumption declined the first time since 2003 (by 2 percent) to 76 kg per capita. According to market analysts, fruit consumption will continue to decline in 2015 as consumer purchase power continues to fall. According to a report released by ROSSTAT in August 2015, Russian gross domestic product (GDP) declined 4.6 percent, food retail turnover dropped by 7.7 percent, real disposable income declined by 3.1 percent, and real wages dropped by 8.5 percent compared to the first half of 2015. Multiple research polls conducted by official and private organizations inform that Russian consumers have been economizing on food purchases in 2015 and will likely continue to do so in 2016. The Russian research organization “Public Opinion” survey in February 2015 showed that approximately 50 percent of consumers spent less on food purchases in recent months. As Russia imports two-third of total fruits and berries for consumption, the prices for these products are closely connected with Ruble/USD dollar rate. The US dollar and Russian ruble exchange rate fluctuated during 2014 -2015 significantly from 40.05 rubles per US dollar in October 2014 to 62.5 in October 2015 with weakening peaks in February 2015 and August when the Ruble/Dollar exchange rate was 70 ruble per 1 US dollar. The prices for apples, pears, and grapes increased 30 percent in October 2015 compared to October 2014. Post expects total domestic consumption of apples to decline 6.5 percent in 2015 and to fall 7 percent for pears and grapes, respectfully in marketing year 2015 (July 2015-June 2016).

The Ministry of Agriculture has developed an import substitution policy which was outlined in the draft Order of the President of the Russian Federation on Amendments to the Food Security Doctrine. The amendments add new minimal levels of self-sufficiency in vegetables and melon production – 90 percent, and in fruits and berries – 70 percent by 2020. To reach these goals, the Russian government increased financial support to the horticultural sector. In 2015, the Russian budget ([RS Agricultural budget 2015](#)) included numerous provisions devoted to horticultural development including 1 billion rubles (\$16.3 million) of subsidies for partial compensation of maintenance of vineyards – 3 times more than in 2014. The budget also includes 110 million rubles (\$1.6 million) subsidy support for the removal of old orchards and re-cultivation of land; 2.5 billion rubles (\$40 million) subsidy support for partial compensation for maintenance of fruit and berries orchards (2 times higher than in 2014); and 100 million rubles (\$1.6 million) subsidy support for partial compensation of construction and modernization of fruit storage facilities.

In MY 2015, apple production is forecast to decline to 1,390,510 MT due mostly to poor weather conditions in the Central Federal District followed by a cold spell in April in South Federal District. These are two of the main apple growing areas in Russia. In MY 2015, the commercial crop is expected to be slightly less than in 2014 at 551,150 MT. Due to the food import ban which took effect in August 2014, the demand for local apples has been high and farm gate prices increased by 10 percent and even higher. In 2015, Russian farmers continue to replace old orchards with intensive and semi-intensive orchards. According to Ministry of Agriculture officials, 3,186 hectares (ha) of new intensive orchards (all types of fruits) had already been planted as of June 30, 2015, mainly in the Central Federal District. At least half of these new intensive orchards are apples orchards as apple the major fruit cultivated in Russia. In MY 2015, the area planted for apples is expected to increase to 212,200 ha.

In August 2014, the Russian government banned on a variety of agricultural products from the United

States, European Union, Canada, Australia and Norway in retaliation to the application of economic sanctions due to tensions in the region. The food import ban included HS code 0808 fruits among many other products and is scheduled to remain in place until August 2016. In addition, the GOR issued a Decree in August 2015 adding more countries to the food import ban (Albania, Montenegro, Iceland, and Liechtenstein). Ukraine will also be added on January 1, 2016 if a bilateral trade agreement is signed with the European Union as is currently being discussed. Apples, pears, and grapes are among banned products on the list.

Russia imports approximately 5.5 million metric tons (MMT) of fruits and berries each year which accounts for roughly two-thirds of total consumption. Russian buyers have been able to substitute missing volumes from the banned countries which usually supply 64 percent of total apple imports, 60 percent of pears, and 8 percent of grapes. Belarus, Turkey, China Serbia, Chile, Argentina, and Brazil increased exports of these fruits to Russia to backfill. The Federal Veterinary and Phytosanitary Surveillance Service (known as Rosselkhoznadzor) regularly reports of continued attempts by traders to ship banned produced from European countries under fake country of origin labels to bypass the restriction.

Most market analysts have stated that the food import ban has had a negative overall effect on the market. Coupled with a plummeting ruble and dropping disposal income, the current food ban resulted in 30 percent price increases for apples, pears and grapes and at the same time less assortment of fruits available on the market. Apple and pear imports declined by 32 percent while grape imports fell by 7 percent since the ban went into place. In MY 2015, this trend is expected to continue.

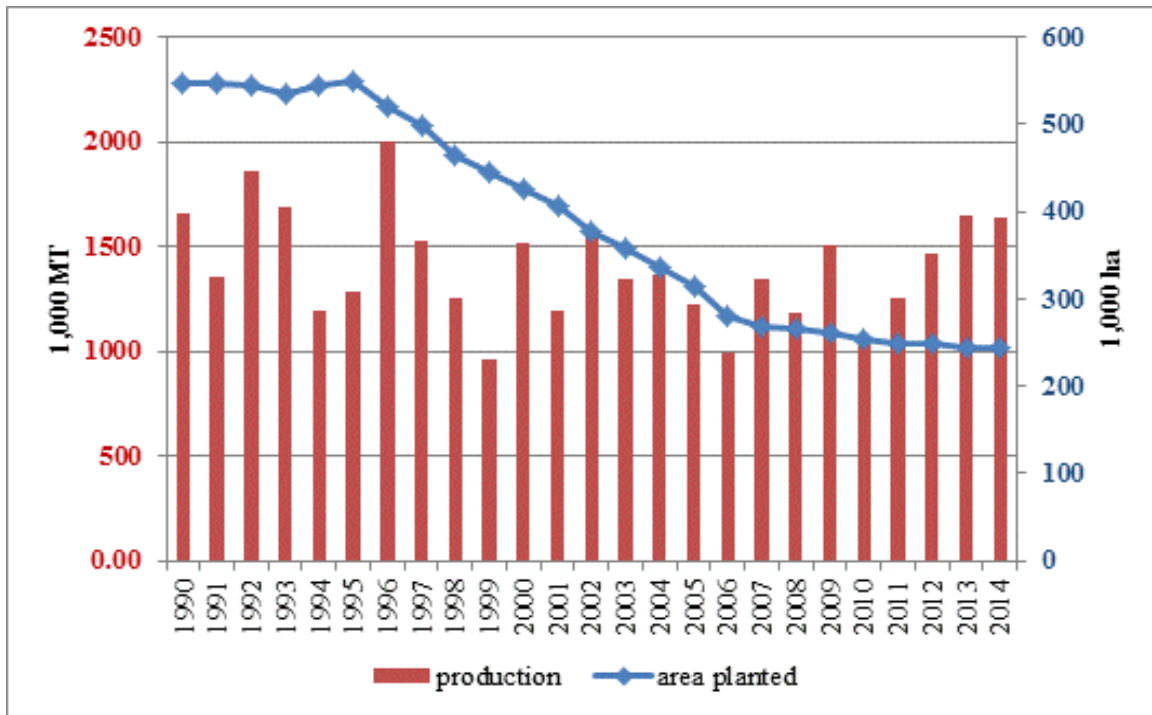
NOTE: USDA unofficial data excludes Crimean production and exports. However, as of June 2014, Russian official statistics (ROSSTAT) began incorporating Crimean production and trade data into their official estimates. Where possible, data reported by FAS Moscow is exclusive of information attributable to Crimea.

Apples/Fresh:

Production:

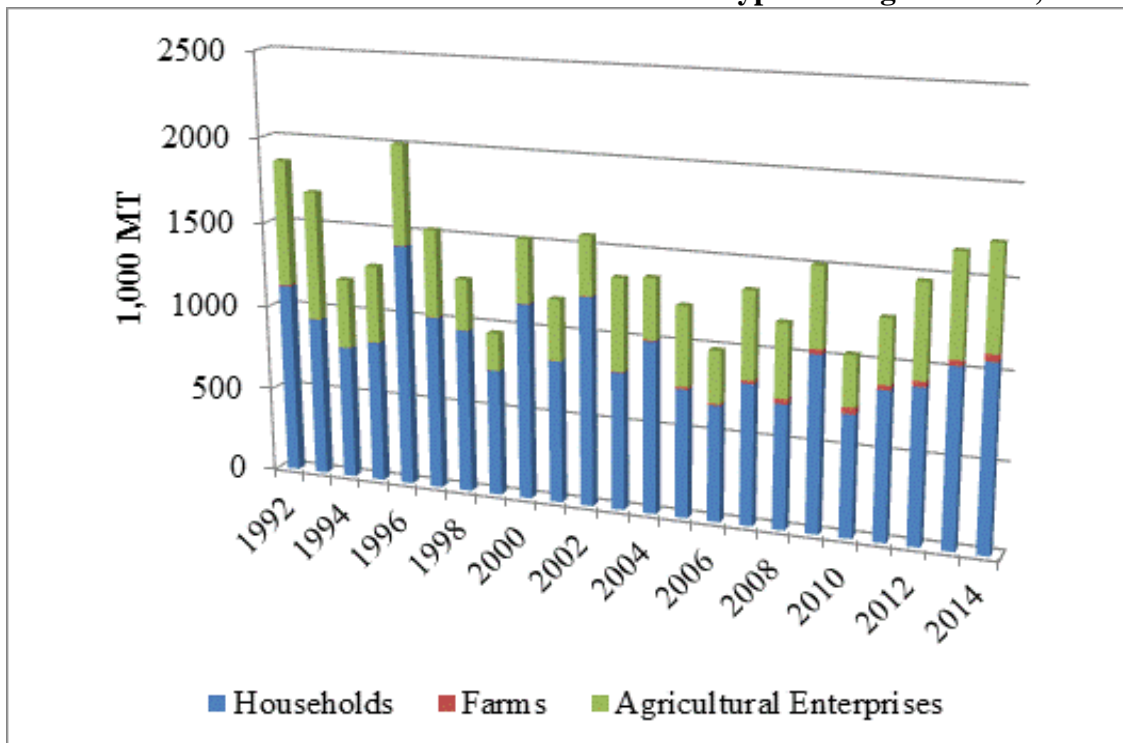
According to the Russian Federal Statistical Service (Rosstat) [1] production of seed fruits declined by 0.7 percent compared to 2013 and totaled 1,635,700 MT. The acreage has been declining from 521,300 ha in 1996 to 244,400 ha in 2014. Industrial orchards (agricultural enterprises and farmers) produced 579,950 MT (36 percent of the total), while private orchards (household backyards) produced over 64 percent of all seed type fruits (1,055,750 MT). Area planted in 2015 is forecast to stabilize and production in commercial sector will likely increase over the next few years as the sector continues to invest in new orchards (primarily apple orchards).

Chart 1. Russia: Seed Fruit Production and Area Planted, 1990-2014



Source: Rosstat

Chart 2. Russia: Seed Fruit Production in Different Types of Organizations, 1992-2014



Source: Rosstat

The vast majority of the seed fruits (86 percent) grown in Russia are apples - based on the 2006 All-Russia Census of Agriculture. Post revised the area planted in 2014 from 208,200 ha to 210,180 ha.

Growers actively planted new orchards in 2014 but there are still a large number of old and unproductive abandoned orchards. In 2015, the area planted is expected to increase to 212,200 ha as growers continue to plant new orchards encouraged by better gross profits and expansion of government support programs for horticultural production. According to Ministry of Agriculture officials, 3,186 ha of new intensive orchards (all types of fruits) were planted as of June 30, 2015- mainly in Central Federal District. At least half of these new intensive orchards are apples orchards, as apples are the main fruit cultivated in Russia.

Post revised the area harvested to 161,250 ha in 2014, in accordance with new data provided by Rosstat. In 2015, the area planted is expected to increase to 162,300 ha as new orchards planted 3-4 years ago will start to bare fruits. Post also revised the apple crop in 2014 downwards to 1,408,596 MT due to a worse than expected crop. The average yield increased slightly from 8.6 MT per ha in 2013 to 8.7 MT per ha in 2014. In 2015, apple production is expected to decline at 1,390,510 MT. Industry contacts have reported to Post that the current apple crop in Russia is average compared to last year's crop. A chilly summer in the Central Federal District and a thaw followed by cold spell in April in the South Federal District had some negative effects to the overall apple crop.

Only 36 percent of all Russian apples are cultivated in the agricultural enterprises. The rest are grow by households for family consumption or sales in outdoor the market during the season which don't enter modern commercial channels. Post revised downwards commercial crop production in MY 2014 from 650,000 MT to 556,720 MT due to low productivity and poor weather conditions.

Red Chief, Golden Delicious, Granny Smith, Gala, and local varieties as Semerenko, Slava Pobeditelyu, and Bolshevik are the major apple varieties grown in Russia. Most commercial apple production, as well as production of other seed fruits, is concentrated in the Southern Federal District (45 percent of total commercial crop), Central Federal District (33 percent), and North – Caucasian Federal District (13 percent). International apple varieties such as Red Chief, Golden Delicious, Granny Smith, and Gala are mostly cultivated in the southern parts of Russia, where the weather is warm enough for these varieties to ripen. In the rest of Russia, local varieties dominate.

In MY 2015, the apple commercial crop is expected to be slightly lower than in 2014 totaling 551,150 MT. Wholesalers are interested in local apples due to the food import ban which blocks European and U.S. apple supplies. The Ministry of Agriculture has reported a 10 percent increase of average farm gate price for apples from 27,972 Rubles (\$447.5) [2] per MT to 30,789 Rubles (\$492.6) per MT. According to industry contacts, some growers in the South are selling high quality apples for 40-45 Rubles (\$0.64-0.72) per kg – substantially higher compared to previous years. The growers are benefiting from the current situation in the market. Even apples of the 3rd grade, which usually go for food processing, within the current season are going to the consumer market. A shortage of technical apples have resulted in a doubling of prices from 5 Rubles (\$0.08) per kg to 10 Rubles (\$0.16) per kg in the current season. Post forecasts that fewer apples will go for processing in the current season dropping to 370,000 MT.

Crop protection agents, specialized horticulture machinery, and equipment and technologies for the new orchards being planted are mostly imported making them particularly expensive with the current exchange rate. Market analysts have reported that only 5-10 percent of all domestic apple producers have modern storage facilities for keeping fruits in good condition for the next season (and that call sell

apples at a better price in the off season). Russian producers have more actively started modernizing and building new storage facilities in 2015 even though these projects are very costly and bank credit rates average around 17 percent (in September 2015). Russian farmers continue to uproot old orchards and plant new ones but face the problem of lacking local planting stock and the high cost of intensive orchards planting technologies.

In 2015, the Russian government increased support for the horticultural sector focusing on subsidy payments for the uprooting and planting of new orchards and for building and modernizing fruit storage facilities. In addition, the Russian government has started a program supporting nursery plantations as well. These measures are expected to increase revenues in the sector will attract more investment going to planting new apple orchards and horticulture infrastructure modernization.

It is important to note, however, that 60 percent of the apple crop is cultivated by households in Russia. In 2014, the non-commercial production of apples is estimated at 851,876 MT. Traditionally, the rural population of Russia (38 million people as of 2014 census data) grows vegetable and some fruits in their backyards. According to All-Russia Public Opinion Research Center research, in 2013, 48 percent of the urban population (51.1 million people) has a house, dacha or plot of land where they spend the weekends during summer time for rest and gardening. Based on the same source, 46 percent of dacha owners grew vegetables, fruits, and berries for family consumption and some sales in outdoor markets. The trend of cultivating vegetable and fruits for personal consumption had been going down in recent years with the share of people growing vegetables and fruits on dachas declining from 60 percent in 2005 to 46 percent in 2013. However, in 2015, after prices for fresh produce rose sharply, many market analysts predict that Russians will return to more active cultivation of vegetables and fruits in backyard gardens and will store harvests for the winter period when supplies are low and prices are at their highest.

Policy:

The Ministry of Agriculture has developed an import substitution policy which was outlined in the draft Order of the President of the Russian Federation on Amendments to the Food Security Doctrine. The amendments add new minimal levels of self-sufficiency in vegetables and melon production – 90 percent, and in fruits and berries – 70 percent by 2020. To reach these goals, the Russian government increased financial support to the horticultural sector. In 2015, the Russian budget ([RS Agricultural budget 2015](#)) included numerous provisions devoted to horticultural development including 1 billion rubles (\$16.3 million) of subsidies for partial compensation of maintenance of vineyards – 3 times more than in 2014. The budget also includes 110 million rubles (\$1.6 million) subsidy support for the removal of old orchards and re-cultivation of land; 2.5 billion rubles (\$40 million) subsidy support for partial compensation for maintenance of fruit and berries orchards (2 times higher than in 2014); and 100 million rubles (\$1.6 million) subsidy support for partial compensation of construction and modernization of fruit storage facilities.

On May 18, 2015, the Ministry of Agriculture announced Order # 196 which established new levels of subsidy reimbursements to horticultural sector including:

- reimbursement up to 80 percent of expenses for the planting perennial fruit, but not more than

- 53,940 rubles (\$863.04 per ha), twofold increase in ruble equivalent from 2014 level of support);
- reimbursement up to 80 percent of expenses for planting nursery perennial fruit orchards, but not more than 200,000 rubles (\$3,200) per ha, 10 times exceed 2014 support level in ruble equivalent;
- reimbursement up to 80 percent of expenses for planting intensive fruit orchards, but not more than 232,540 rubles (\$3,720) per ha (threefold increase from 2014 level);
- reimbursement up to 80 percent of expenses for care after perennial fruit and berries orchard, intensive orchards, before their bearing in commercial volumes, but not more than 20,760 rubles (\$332) per ha (almost 10 times more than in 2014);
- reimbursement 18,190 rubles (\$291) per ha for the uprooting orchards older than 30 years and land cultivation after uprooting (twofold increase);

On June 26, 2015, the Russian government announced Order # 624, which introduced new measures of support to investors in the agro industrial complex including fruit storage facilities. The Russian government will subsidize up to 20 percent reimbursement of the direct expenses for the construction or modernization of fruit storage facilities including the purchase of new equipment.

Table 1. Russia: Production, Supply and Demand Data Statistics (PSD), Apples

Apples, Fresh	2013/2014		2014/2015		2015/2016	
Market Begin Year	Jul 2013		Jul 2014		Jul 2015	
Russia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	213000	213000	208200	210180	0	212200
Area Harvested	175000	175000	176000	161250	0	162300
Bearing Trees	92000	92000	93000	94000	0	95000
Non-Bearing Trees	40000	40000	45000	47000	0	53000
Total Trees	132000	132000	138000	141000	0	148000
Commercial Production	590000	587970	650000	556720	0	551150
Non-Comm. Production	826000	828450	900000	851876	0	839360
Production	1416000	1416420	1550000	1408596	0	1390510
Imports	1202700	1209090	800000	817457	0	780000
Total Supply	2618700	2625510	2350000	2226053	0	2170510
Fresh Dom. Consumption	2046400	2068500	1750000	1800000	0	1730000
Exports	700	3500	500	970	0	1000
For Processing	491000	458510	514500	369500	0	370000
Withdrawal From Market	80600	95000	85000	55583	0	69510
Total Distribution	2618700	2625510	2350000	2226053	0	2170510

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

Source: Rosstat, Global Trade Atlas, trade press, interviews

Consumption:

Russia is one of the largest consumer markets in Europe with a population of 143.9 million people. In 2014, fruit consumption declined the first time since 2003 (by 2 percent) to 76 kg per capita. In 2013 the average per capita consumption of fruits and berries reached 77 kilograms (kg), 4 percent more than 2012 and double compared with 2003, according to Rosstat. In 2014, fruit consumption declined to 76 kg per capita for fruits, from which 44.4 kg were fresh fruits and the rest amount included dried fruits and nuts, canned and frozen product, fruit and vegetable juices. Fruits consumption in cities is higher than in rural areas and in 2014 totaled 80 kg per person per year due to higher incomes and greater assortment and availability of fruits in retail chains. In the rural areas, where 24 percent of Russian population lives, fruit consumption was 65 kg per capita.

According to market analysts, fruit consumption will decline in 2015 as consumer purchase power continues to fall. According to a report released by ROSSTAT in August 2015, Russian gross domestic product (GDP) declined 4.6 percent, food retail turnover dropped by 7.7 percent, real disposable income declined by 3.1 percent, and real wages dropped by 8.5 percent compared to the first half of 2015. Multiple research polls conducted by official and private organizations inform that Russian consumers have been economizing on food purchases in 2015 and will likely continue to do so in 2016. The Russian research organization “Public Opinion” survey in February 2015 showed that approximately 50 percent of consumers spent less on food purchases in recent months. As Russia imports two-third of total fruits and berries for consumption, the prices for these products are closely connected with Ruble/USD dollar rate. The US dollar and Russian ruble exchange rate fluctuated during 2014 -2015 significantly from 40.05 rubles per US dollar in October 2014 to 62.5 in October 2015 with weakening peaks in February 2015 and August when the Ruble/Dollar exchange rate was 70 ruble per 1 US dollar. The prices for apples, pears, and grapes increased 30 percent in October 2015 compared to October 2014. Post expects total domestic consumption of apples to decline 6.5 percent in 2015 and to fall 7 percent for pears and grapes, respectfully in marketing year 2015 (July 2015-June 2016).

Apples are without question the most popular fruit in Russia and one of the most affordable fruits in Russia. Apples alone capture 20 percent of the fruit market and are recognized in Russia as one of the healthiest products available in the market. According to Rosstat, per capita apple consumption in 2014 reached 13.9 kg per person, 3.5 percent lower than in 2013 due to higher apples prices and a decline in consumer purchase power. The average price for apples on the markets jumped by 17 percent in December 2014 compared to a year earlier, and by 37 percent in February 2015 year on year. At the same time, the quality of apples dropped prior to the food import ban as fewer varieties of apples are now present in retail stores. Post forecasts fresh apples consumption to drop even more significantly in 2014 to 1,800,000 MT. In 2015, fresh consumption of apples is forecast to decline by 6.5 to 1,730,000 MT.

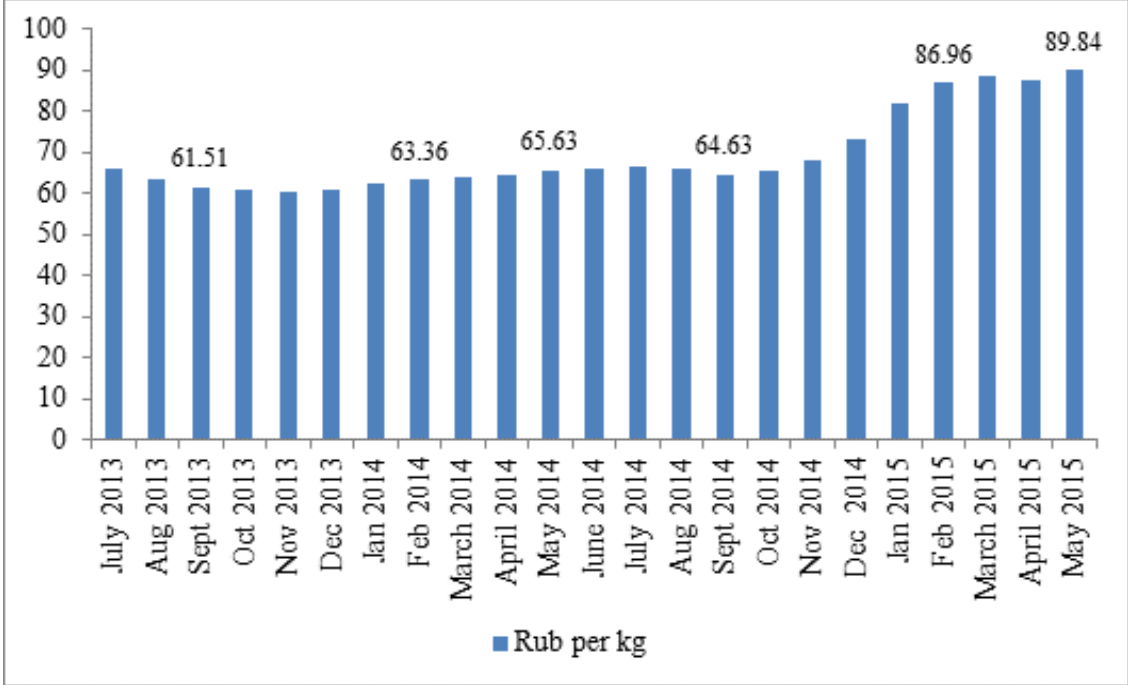
Consumer purchasing power continues to decline in Russia. According to a report released by Rosstat in August 2015, Russian gross domestic product (GDP) declined 4.6 percent, food retail turnover dropped by 7.7 percent, real disposable income declined by 3.1 percent, and real wages dropped by 8.5 percent compared to the first half of 2014. Multiple research polls conducted by official and private organizations have found that Russian consumers are economizing on food purchases in 2015. The Russian research organization “Public Opinion” survey in February 2015 informed that approximately

50 percent of consumers spent less on food purchases in recent months. According to research conducted by PWC, 32 percent of consumers reduced the amount of food purchases, 31 percent switched to less expensive brands, 24 percent started to buy more food items that were on sale, and 19 percent switched to less expensive discount stores. Increasing consumer demand for more affordable products is causing the leading retailers to increase the amount of “goods of the first price” or cheapest goods within product groups by an average of 20 percent.

According to Rosstat, the average price for apples reached in 87.16 Rubles per kg (1.39 USD per kg) in August 2015, 35 percent higher than in August 2014. From September – October 2015, consumer prices for apples varied between 60 Rubles (\$0.96) per kg and 100 Rubles (\$1.60) but considered high as these months still have a lot of locally grown fruits. Historically, consumer prices go down in these months. Apple prices are expected to go up in December, when local apples will come to an end, and demand will grow for imported product. Seventy percent of the Russian apple crop is grown by households for personal consumption and does not reach commercial channels. The domestic commercial crop is sold mostly by December as Russian growers don’t have enough storage facilities to keep the crop till next season. This makes retail chains highly dependent on imported apples - particularly in the off season, from December to July.

Prices for imported products are closely connected with the Ruble/Dollar exchange rate – which has fluctuated greatly in 2014 -2015 from 32.5 Ruble/USD in July 2014 to 70 Rubles/USD in February 2015. As of October 27, 2015, the exchange rate has stabilized at 62.50 Rubles per 1 USD – substantially higher than October 2014 exchange rate (41.16 Rubles/USD).

Chart 3. Russia: Average Consumer Prices, January 2013-May 2015



Source: Rosstat

Russian consumers know such apple varieties as Semerenko, Belyy Naliv, Ranet, Slava Pobeditelya, Royal Gala, Golden Delicious, Red Delicious, and Granny Smith. Russians usually consume apples in

whole, and increasingly eat apples as snacks. One of the most popular desserts in Russia is apple pie and baked apples with cinnamon and/or nuts. Also, apples are often used in salads and in main courses.

Russian consumers have a strong preference for locally-grown apples and buy them in large quantities when they are in season (August to November). During the season, large volumes of fruits are sold in open markets and outdoor street kiosks. During the rest of the year, Russians tend to buy fruits in supermarkets. Large Russian retailers offer a big assortment of fruits, competitive prices, discount programs, and convenient locations in residential areas. Retailers are offering fresh produce at different price points for various income levels based on quality and packaging. X5 Retail Group, Magnit, Aushan Group, METRO Cash&Carry, Dixi Group, Dorina Holding (O'key), and others continue to expand in big cities and to Russian provinces.

Three major trends being reported in the retail sector in 2015 are the growing use of “private labels”, a switch to domestic suppliers, and increasing purchases of less expensive food products. According to multiple media reports, increasing consumer demand for more affordable products is causing the leading retailers to increase the amount of “goods of the first price” or cheapest goods within product groups by an average of 20 percent.

Trade:

Despite the drastic drop in apple imports in 2014, Russia is the 4th largest apple importer globally in volume and in value terms. In MY 2014, Russia imported 817,457 MT of apples valued at \$408.2 million, 32 percent less in volume and 41 percent less in value compared to 2013. The geography of suppliers has changed significantly due mostly to a food import ban (including fruits) from the European Union, United States, Canada, Australia, and Norway, which traditionally supplied up to 50 percent of apples to the Russian market. The Russian government also applied import restrictions on apples from Moldova ostensibly due to phytosanitary concerns, another big supplier of inexpensive fruits to Russia.

In 2014, the biggest suppliers of apples to Russia were Belarus (328,649 MT), Serbia (146,779 MT), China (85,472 MT), and Azerbaijan (61,812 MT). The volumes of Belarussian apple shipments to Russia are most likely being underreported. According to Eurasian Economic Commission data, Belarus exported 93,000 MT of seed fruits to Kazakhstan. But Kazakhstan import data only shows 30,114 MT of imported seed fruits from Belarus. Belarus and Serbia doubled apple supplies to Russia in 2014 while Azerbaijan shipped 50 percent more apples. Supplies from South America also increased as Chilean apple exports jumped 26 percent. Apple supplies from South Africa also jumped 150 percent in 2014 compared to the previous year. Several new countries began shipping apples to Russia after the food import ban went into place such as Brazil (22,804 MT), Turkey (11,914 MT), and Morocco (10,382 MT). Supply from Macedonia, Bosnia and Herzegovina jumped from negligible number in previous years to 8,144 MT and 8,902 Mt percent in 2014 accordingly.

Post forecasts that the apple import will decline by 5 percent in 2015 to roughly 780,000 MT. In June 2015, the GOR extended a ban on a variety of agricultural products (including fruits, HS code 0808) from the United States, Canada, the European Union, Australia, and Norway until August 6, 2016 ([RS1540 Russian Food Ban Extended Until August 2016](#)). In addition, the GOR issued a decree extending the ban for Albania, Montenegro, Iceland, Liechtenstein, and Ukraine [3] in August 2015.

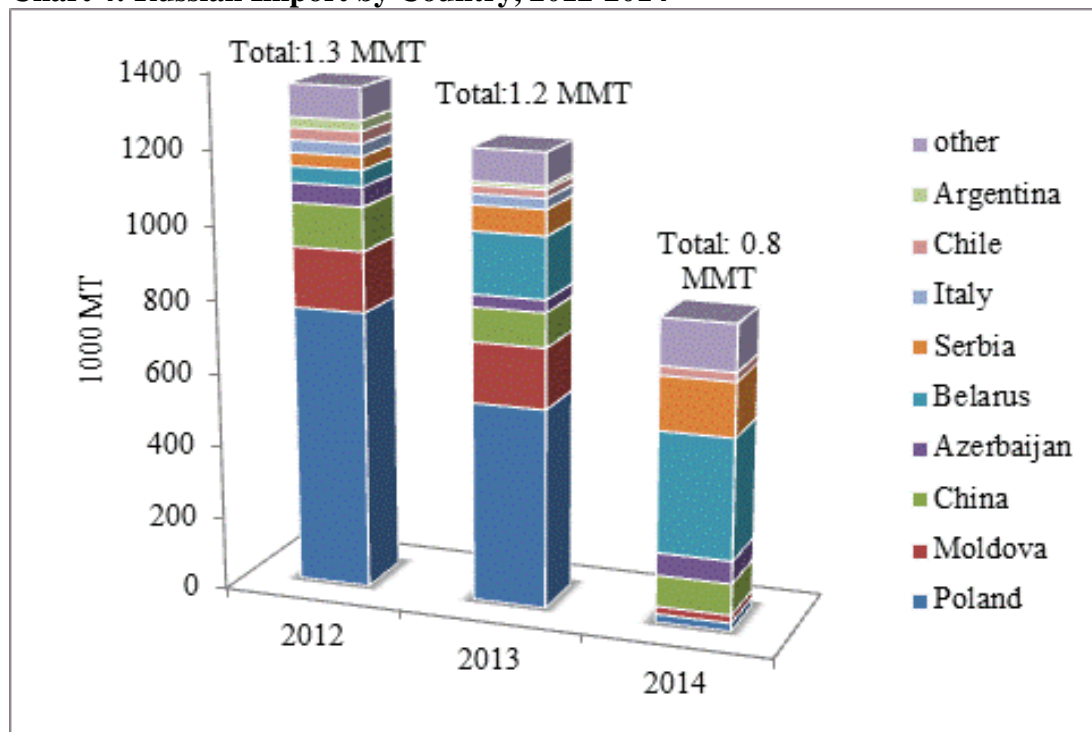
Market analysts inform that Russian apples dominate at the wholesale level. Since 2014, importers have found new apple suppliers and created new supply and logistical chains. In August 2015, exports from Moldova, Argentina, South Africa, and Brazil already increased compared to the previous year.

Table 2. Russia: Import Trade Matrix for Apple in Metric Tons, MY 2012-2013 Year

2012		2013		2014	
U.S.	7,307	U.S.	10,855	U.S.	19
Others		Others		Others	
Poland	761,017	Poland	544,637	Belarus	328,649
Moldova	165,143	Belarus	166,370	Serbia	146,779
China	118,218	Moldova	165,157	China	85,472
Azerbaijan	53,236	China	93,126	Azerbaijan	51,813
Belarus	43,845	Serbia	68,762	Chile	24,863
Serbia	35,885	Azerbaijan	34,135	Brazil	22,985
Italy	33,334	Italy	28,566	Poland	22,280
Chile	32,047	France	22,585	Moldova	21,201
Argentina	28,080	Chile	22,173	Ukraine	17,593
Belgium	20,536	Belgium	21,779	Macedonia	14,578
Total for Other	1,291,341	Total for Other	1,167,290	Total for Other	746,213
Others not Listed	46,777	Others not Listed	41,800	Others not Listed	71,244
Grand total	1,338,118	Grand total	1,209,090	Grand Total	817,457

Source: Russian Customs Service

Chart 4: Russian Import by Country, 2012-2014



Source: Global Trade Atlas

Pears:

Production:

In MY 2014, the Russian pear crop totaled 160,447 MT (revised from USDA forecasted 150,000 MT) - 10 percent higher than in 2013 in accordance with Rosstat statistics for seed fruit production. The vast majority (85 percent) of the total pear crop was grown on private plots by households for personal consumption and amounted at 137,251 MT, a 12 percent increase compared to the 2013 crop. The commercial production of pears reached 23,196 MT in 2014, up 1.2 percent from 2013 level.

The main pear varieties popular with Russian growers are Abbat Fettel, Williams, Conference, Kyure, and Lesnaya Krasavitsa. Local pear varieties are able to withstand winter frost well but the fruit is generally considered to be less flavorful than western type varieties. Pears are sensitive to frost and lack of resistance to plant diseases compared to other crops leading growers to resisting the expansion of new pear orchards. After the food import ban went into place in August 2014, a shortage of high quality pears in the market was seen increasing demand for local products. As such, many growers increased pear orchards planting.

In MY 2015, the pear crop is expected to decline to 158,800 MT due to unfavorable weather conditions. The commercial production is expected to decline by 1 percent and amount to 22,900 MT.

Table 3. Russia: Production, Supply and Demand Data Statistics (PSD), Pears

Pears, Fresh	2013/2014		2014/2015		2015/2016	
Market Begin Year	Jul 2013		Jul 2014		Jul 2015	
Russia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	31000	31000	31000	31770	0	31900
Area Harvested	26200	26200	26200	24375	0	24400
Bearing Trees	11200	10200	11200	11500	0	10750
Non-Bearing Trees	2800	2700	2800	3900	0	2950
Total Trees	14000	12900	14000	15400	0	13700
Commercial Production	22800	17500	20000	23196	0	22900
Non-Comm. Production	121800	115000	130000	137251	0	135900
Production	144600	132500	150000	160447	0	158800
Imports	411500	365000	275000	263554	0	237200
Total Supply	556100	497500	425000	424001	0	396000
Fresh Dom. Consumption	516200	460000	398800	398800	0	370800
Exports	200	2000	200	310	0	300
For Processing	21900	20000	10000	8891	0	9500
Withdrawal From Market	17800	15500	16000	16000	0	15400
Total Distribution	556100	497500	425000	424001	0	396000

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

Source: Rosstat, Global Trade Atlas, trade press, interviews

Consumption:

Pears are one of the most popular fruits in Russia along with apples, citrus, and bananas. In 2014, pear consumption decline by 20 percent and amounted to 398,800 MT. Due to the cooling economy and falling consumer purchasing power, consumers have been buying less pears in recent months. The assortment of pears declined tremendously after the August 2014 food import ban went into place while consumer prices jumped 30 percent following the Russian ruble depreciation against the US dollar. In MY 2015, Post forecasts fresh pears domestic consumption to decline by 7 percent to 370,800 MT resulting from the weaker Russian ruble, slowing economy and falling consumer purchase power.

For Russians, the ideal pear is usually described as juicy, crispy, sweet, and not overripe. Russian consumers usually eat pears whole or sometimes include them in fruit salads. Consumers are aware of the more popular pear varieties like Conference, Williams, and Red Bartlett, but don't pay a great deal of attention to product origin. Pears are not associated with a definite season in Russia and people buy them year round. Consumers tend to buy pears in chain supermarkets during their weekly shopping and some still make purchases close to home at fruit kiosks and open air markets. Pear consumption patterns are different in rural areas because of lower incomes and because many rural residents grow their own fruits and vegetables. Around 25 percent of the Russian population lives in rural areas and mostly consume fruits grown on their own plots.

Trade:

The vast majority of locally grown pears (85 percent) are grown by households for personal consumption. Russian retailers rely strongly on imported products virtually year round. In MY 2014, Russia imported 263,554 MT of pears, 32 percent less than in 2013. In value terms, pear imports dropped 57 percent from \$440.8 million to \$185.5 million. Belgium, Poland, and the Netherlands supplied, on average, 60 percent of total pear imports. The ban, together with the strong dollar, has led to a 30 percent price increase for pears in retail stores along with less product assortment and lower quality. The largest suppliers of pears to Russia in 2014 were Belarus (95,001 MT), Argentina (70,079 MT), China (30,505 MT), and South Africa (20,870 MT). Belarus increased pear exports to Russia tripled in MY 2014 while, at the same time, the country imported 180 percent more pears that same year primarily from Belgium, Poland, Serbia and Netherlands. According to Global Trade Atlas, China, South Africa, Chile, and Turkey increased pear exports to Russia by 84 percent, 78 percent, 30 percent, and 60 percent respectively. New suppliers like Morocco, Brazil, and Bosnia & Herzegovina have started shipping large quantities of pears to Russia as well.

In 2014, pear imports declined by 10 percent and reached just 237,800 MT. In July-August 2015, imports of pears already declined by 16 percent in volume and 25 percent in value terms against the same period of 2014.

Table 4. Russia: Import Trade Matrix for Pears in Metric Tons, MY 2012-2014 Year

2012	2013	2014
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U.S.	7,100	U.S.	10,367	U.S.	0
Others		Others		Others	
Argentina	108,443	Belgium	119,487	Belarus	95,001
Belgium	84,134	Argentina	81,996	Argentina	70,079
Poland	44,507	Poland	49,044	China	30,505
Netherlands	27,364	Netherlands	44,075	South Africa	20,871
China	26,523	Belarus	27,639	Chile	8,880
South Africa	16,915	China	16,438	Serbia	6,107
Spain	14,731	South Africa	11,717	Turkey	4,823
Italy	9,297	Spain	11,536	Bosnia & Herzegovina	4,158
Chile	5,563	Portugal	6,432	Morocco	3,672
France	5,141	Serbia	5,631	Armenia	3,400
Total for Other	342,618	Total for Other	373,995	Total for Other	247,496
Others not Listed	21,029	Others not Listed	17,065	Others not Listed	16,058
Grand total	363,647	Grand total	391,060	Grand Total	263,554

Source: Global Trade Atlas

Chart 5. Russia: Pear Import by Country, MY 2013

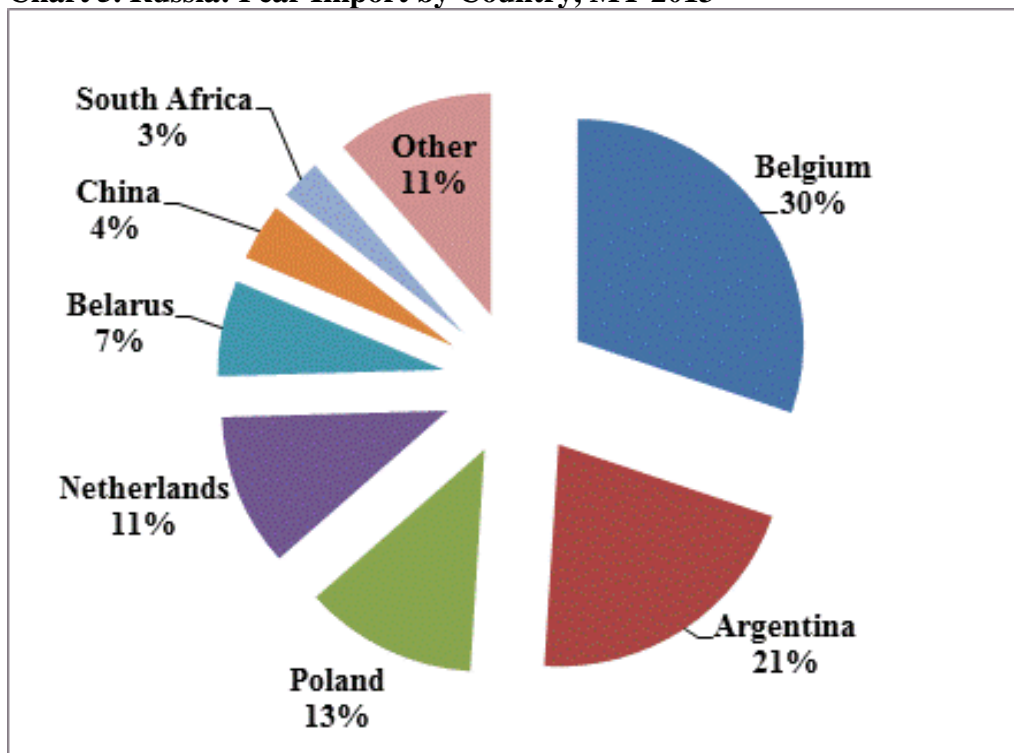
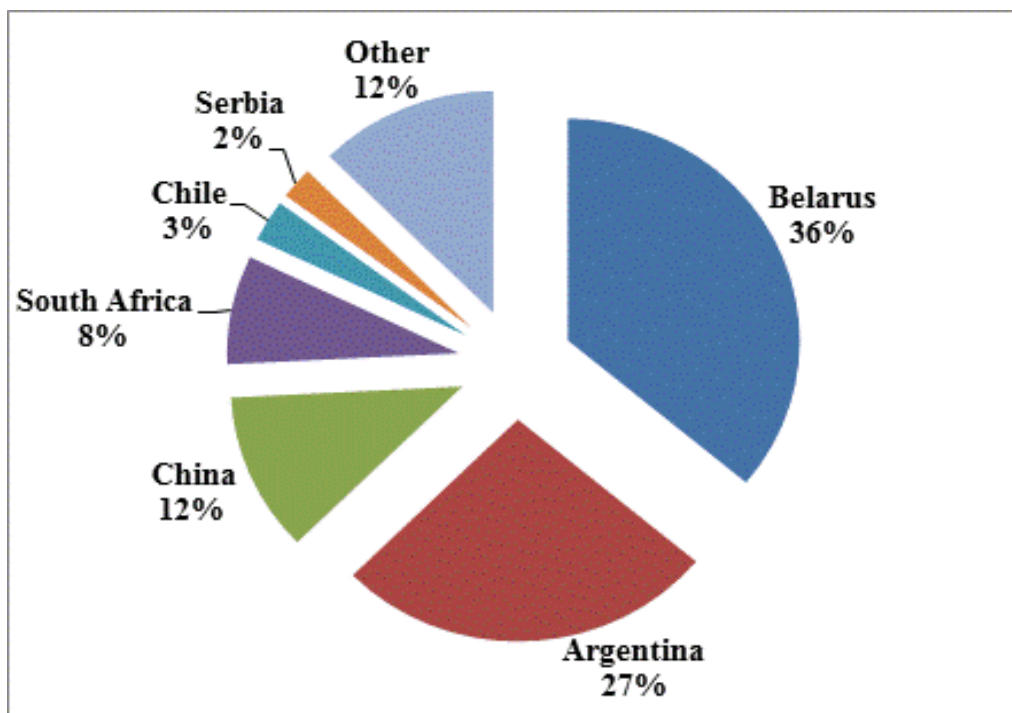


Chart 6. Russia: Pear Import by Country, MY 2014



Grapes:

Production:

Post revised the table grape production from 80,000 MT to 99,300 MT in MY 2014. Based on recent Rosstat reports, the actual crop increased by more than 34 percent instead of the previous 10 percent growth that Post expected. The commercial crop increased by only by 2.6 percent totaling 39,000 MT. The main growth happened in household production as official statistics reported that it reached 60,300 MT in 2014 compared to 36,000 MT in 2013. The MY 2015 table grapes crop is forecast to decline by 10 percent and reach 90,000 MT. According to data from industry contacts, overall grape production declined from 528,300 MT in 2014 to 480,000 MT this season due mostly to unfavorable weather conditions in the grape growing areas. In 2015, commercial production of grapes is expected to reach 36,000 MT. Commercial grape production is concentrated in Krasnodarskiy Kray (Southern Federal District), and Kabardino-Balkaria (North –Caucasian Federal District), respectfully 44 percent and 36 percent of overall commercial production. The most popular grape varieties cultivated in Russia are local such as white grape “Plevan” (around 30 percent of the crop) and harvested in mid-August. The “Moldova” is a black grape (around 70 percent of the crop) which is harvested in mid-September). According the industry contacts, wholesalers showed great interest to local grapes and bought large supplies or big cities like Moscow, St. Petersburg, Ekaterinburg, and others that pay high prices for local products. In September 2015, farm gate prices were 40 percent higher than last year and reach 35 rubles (\$0.56) per kg.

Table grape production in Russia is limited due to a lack of good climate in most of the country and strong competition from wine grapes and other crops. The production of wine grapes is much larger than production of table grapes in Russia. Growing table grapes is very labor intensive while wine grapes are picked by machines and have a guaranteed channel of sales and acreage. In 2015, Post

expects more investments will flow towards grape cultivating as part of the Russian government import substitution policies. According to Ministry of Agriculture data, 1,026 ha of new vineyards were planted by June 30, 2015, while an additional 770 ha were planted in the Northern-Caucasian Federal District and 252 ha planted in the Southern Federal District. Although, most investments will go towards wine grape cultivation, government support and increased interest by wholesalers for local grapes may encourage producers to plant more table grapes in 2015. In 2015, Russian increased support to vineyards by 1 billion rubles (\$16.3 million), which include the following measures:

- Reimbursement up to 80 percent of expenses for the planting vineyards, but not more than 50,000 rubles (\$800) per ha;
- Reimbursement up to 80 percent of expenses for care after young vineyards before their bearing in commercial volumes, but not more than 20,000 rubles (\$320) per ha;
- Reimbursement up to 80 percent of expenses, but not more than 20,000 rubles (\$320) per ha for the trellis set up ;

Table 5. Russia: Production, Supply and Demand Data Statistics (PSD), Grapes

Grapes, Fresh	2013/2014		2014/2015		2015/2016	
Market Begin Year	Jun 2013		Jun 2014		Jun 2015	
Russia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	7300	9600	7400	9400	0	9600
Area Harvested	5555	5555	5600	7700	0	7800
Commercial Production	38000	38000	42000	39000	0	36000
Non-Comm. Production	36000	36000	38000	60300	0	54000
Production	74000	74000	80000	99300	0	90000
Imports	325100	325100	325000	301307	0	280200
Total Supply	399100	399100	405000	400607	0	370200
Fresh Dom. Consumption	383900	383900	388700	388700	0	360200
Exports	600	600	300	460	0	500
Withdrawal From Market	14600	14600	16000	11447	0	9500
Total Distribution	399100	399100	405000	400607	0	370200

(HA) ,(MT)

Source: Rosstat, Global Trade Atlas, trade press, interviews

Consumption:

Grapes are one of the most popular fruits in Russia and consumption has grown in recent years.

According to Rosstat, in 2013 grape per capita consumption in Russia reached 3.5 kg, the same as in 2013. Due to consumer purchasing power decline and increased prices for grapes, consumers have started to buy less expensive basic fruits like apples, citrus, bananas. In 2014, table grape consumption is estimated at 388,700 MT.

Post expects that the consumers will buy less grapes in the near future especially in winter-spring season and consumption will decline by 7 percent to reach 360,200 MT. Grape prices in retail stores in October 2015 varied from 95 - 220 rubles per kg, which is 30 percent higher compared to last October. September – November are peak months for grapes when affordable supplies from Uzbekistan, Azerbaijan, Turkey, Moldova, and Southern Russia are presented in the market and prices are the lowest within year. By December the prices tend to rise substantially.

Russians prefer seedless and esthetically beautiful grapes and prefer the Uzbek and Moldovan varieties when they are in season. Both consumers and traders still consider grapes from former Soviet Union countries to be “local product”. Grapes are available year round in Russia, however, and the peak consumption months are August-November (66 percent of annual sales takes place in these months). During the fall season, Russians purchase large volumes of fresh seasonal grapes and other produce usually in open air fruit stands where the product from former Soviet Republics are broadly available. Grapes are available on the shelves of big city supermarkets year round as retail chains tend to supply product from Turkey, Argentina, Peru, and South Africa. Grapes from former Soviet Union countries are available in retail chains soon after picking, when they are to get sufficient volumes of product on a regular basis. Like wholesalers, retailers comment on the shorter life span of “local grapes” and also note that the percentage of waste during handling is much higher compared to grapes from Europe or South America.

Trade:

According to Russian Customs data, Russia remains one of top importers of grapes in the world. In MY 2014, Russia imported 301,307 MT of grapes valued at \$353 million - down 7 percent in volume and down 25 percent in value from the previous marketing year. Post believes that grape import volumes in Russia are higher than official figures due to large and unrecorded shipments of grapes entering from Uzbekistan. These grapes are custom cleared at the borders of Uzbekistan and Kazakhstan and travel to Russia without additional duty payments when entering Russian territory. As such, these shipments are not always reflected in Russian customs statistics. Uzbekistan is a traditional supplier of grapes to Russia and exports from 46,000 MT – 73,000 MT of grapes per year depending on the given crop year.

The food import ban has not affected Russian grape market. Italy was the only noticeable supplier of grapes with 8.5 percent market share among banned countries. Missing volumes from Italy were substituted by larger shipments from other traditional suppliers. According to Global Trade Atlas, Turkey remained the largest supplier of grapes and increased imports to 168,000 MT -- maintaining 55 percent of Russia’s market by volume. Moldova also increased exports of grapes from 23,504 MT to 30,093 MT. And due to counter-seasonal production, grapes from Chile, Argentina, Peru, and other South African countries dominate the market until June each year but the volumes of the more expensive grapes from these destinations decline due to less consumption.

In 2015, imports are forecast to decrease by 7 percent to 280,200 MT following the decline in

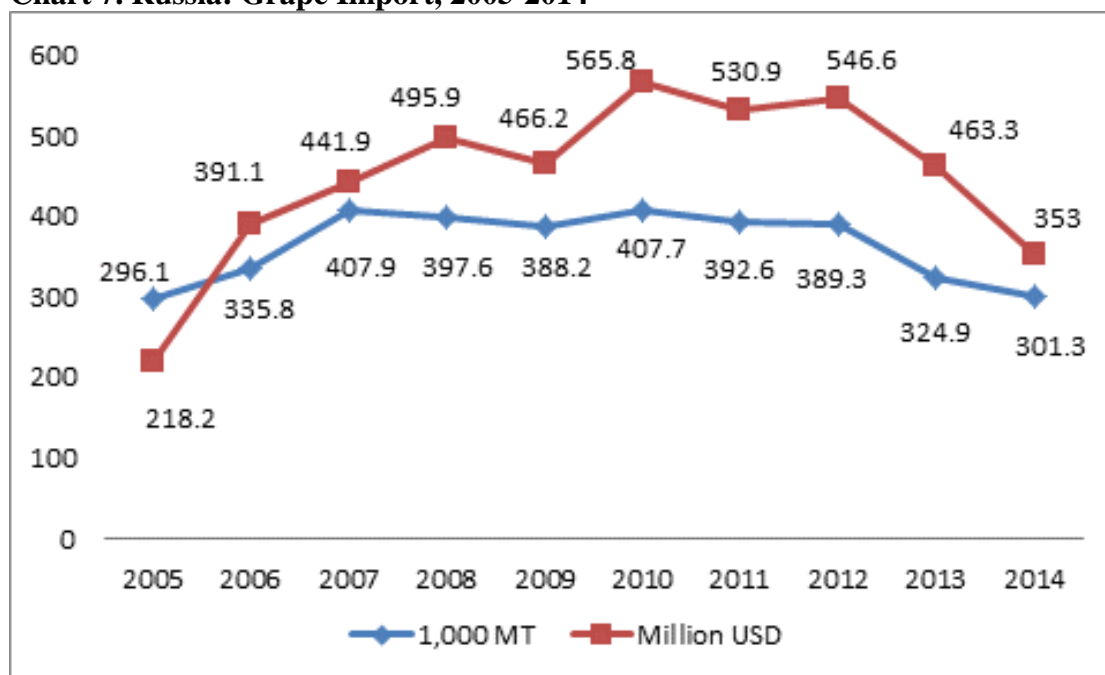
consumption. From June – August 2015, Russian imports dropped by 20 percent in volume and 27 percent in value already. Given the dollar appreciation, wholesale prices for grapes increased 25-30 percent compared to October 2014. Turkey, the major supplier of grapes to Russia, has shipped 27 percent less grapes in volume from June – August 2015. Imports of more expensive grape from South Hemisphere are expected to decline as well due to the depreciated Russian ruble.

Table 6. Russia: Import Trade Matrix for Grapes in Metric Tons, MY 2012-2014 Year

2012		2013		2014	
U.S.	796	U.S.	1,017	U.S.	0
Others		Others		Others	
Turkey	146,010	Turkey	139,011	Turkey	168,088
Uzbekistan	46,723	Chile	29,369	Moldova	30,093
Chile	33,229	Italy	27,869	Chile	18,596
Italy	31,080	India	26,807	Peru	15,184
Peru	19,445	Moldova	23,504	South Africa	10,572
Moldova	17,088	Peru	22,360	China	10,167
South Africa	16,627	South Africa	12,516	Belarus	9,893
India	15,834	China	9,653	India	9,174
Argentina	12,301	Iran	6,677	Egypt	6,284
China	11,628	Armenia	6,118	Armenia	5,815
Total for Other	349,965	Total for Other	303,884	Total for Other	283,866
Others not Listed	38,309	Others not Listed	21,026	Others not Listed	17,441
Grand total	388,274	Grand total	324,910	Grand Total	301,307

Source: Global Trade Atlas

Chart 7. Russia: Grape Import, 2005-2014



^[1] Only aggregated apple, pear, and quince data is available under the category “seed type fruits” in the Rosstat data.

^[2] The exchange rate used is 62.50 Rubles per 1 USD, actual for October 27, 2014. This exchange rate is applied to all further Ruble –USD conversions in the current report. More information and history of the Ruble/USD exchange rate can be found on the web: <http://bankir.ru/kurs/dollar-ssha-k-rossijskij-rubl>

^[3] As per GOR Resolution No. 778 dated August 7, 2015 Sanctions on Ukraine may be imposed under special conditions. <http://government.ru/docs/19265/>