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Russian Stone Fruit Market Brief - Imports High But U.S. Share Low

Report Categories:

Stone Fruit

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Report Highlights:

Russia is the largest importer of cherries in the world and the second largest importer of peaches. Since 2005, cherry imports have increased more than twofold from 34,917 metric tons (MT) to a record 73,796 MT in 2010. Additionally, 228,200 MT of cherries are grown in Russia, including 162,500 MT of tart cherries in private orchards. In 2010, the import growth rate decreased to modest 3 percent compared with 19 percent growth in 2009 and showed negative growth during the January – May 2011 period. Imports are expected to be lower in 2011. Due to shipping advantages from the West Coast American cherries have a limited niche in the Russian Far East. Russia is already the second largest importer of peaches and demand for peaches and nectarines continues to climb. For the January-May 2011 period, imports went up by 80 percent in volume and 157 percent in value, and seem to be on the way to breaking last year’s record. At this time, the United States is virtually shut out of the market due to the length of delivery and heavy competition from European product.

General Information:

Russia relies on imports of most types of fruits, including stone fruits. Within that category Russia is the largest importer of cherries in the world and the second largest importer of peaches. Commercial production of sweet cherries and peaches is possible in limited areas of the Southern and Northern Caucasus in Russia. However, most of the land there is under cultivation of other most competitive crops and therefore Post believes that Russia won't increase cherry/peach production significantly in near future. Since 2005, cherry imports have increased more than twofold from 34,917 metric tons (MT) to a record 73,796 MT in 2010. Additionally, 228,200 MT of cherries are grown in Russia, including 162,500 MT of tart cherries in private orchards. In 2010, the growth rate decreased to modest 3 percent compared with 19 percent growth in 2009 and showed negative growth during the January – May 2011 period. This might indicate that the market is reaching its saturation point. Imports are expected to be lower in 2011 due to limited supply from Turkey. Due to shipping advantages from the West Coast, American cherries have a limited niche in the Russian Far East but elsewhere in Russia U.S. cherries are not as competitive. Russia is already the second largest importer of peaches and demand for peaches and nectarines continues to climb. For the January-May 2011 period, imports went up by 80 percent in volume and 157 percent in value, and seem to be on the way to breaking last year's record. At this time, the United States is virtually shut out of the peach market due to the length of delivery and heavy competition from European product.

Cherries:**Production:**

The Russian Federation Statistic Committee provides only aggregated plum, cherry, apricot, and peach data under the category "stone type fruits." Production of stone fruits decreased from 479,540 metric tons (MT) in 2008 to 430,690 MT in 2010. Private orchards produced around 330,000 MT of all stone type fruits for personal consumption (77 percent of the total). Meanwhile, commercial stone fruit orchards have been shrinking from 18,700 ha in 2006 to 13,400 ha in 2010. Based on Post's calculations¹, the Russian crop is estimated at 228,200 MT of cherries and 42,000 MT of peaches in 2010. This includes 187,700 MT of tart cherries and 40,500 of sweet cherries.

176,900 MT of cherries (162,500 MT of tart cherries and 14,400 MT of sweet cherries) were grown on the private orchards for personal consumption or sold during the season at wet markets and did not enter commercial channels. Tart cherries are widely grown throughout Russia and largely satisfy the country's demand for tart cherries.

The commercial production of cherries is estimated at 51,300 MT, including 26,100 MT of sweet cherries and 25,200 of tart cherries. Wholesalers usually pick up cherries from growers and sell it on the wet market in urban areas.

¹ Post used the 2010 data on the aggregated stone fruit area and All Russia Agricultural Census 2006 data on land break down under different types of stone fruits.

In 2011, the cherry production is forecast to go down by 5%, because rain during blooming damaged the seed-bud. The efficient commercial production of sweet cherries is possible on limited areas of the Southern and Northern Caucuses. However, the land here is expensive and rarely available because strategically important crops (wheat, oil seeds, sunflower) compete for the land. If land were to be cultivated for cherries it would require significant investment for replanting and cultivation and better storage technologies to ensure post-harvest quality. Thus, Post does not expect the Russian Federation will be increasing its cherry production in near future and will continue to import sweet cherries to meet demand.

Consumption:

Russians are eating more fruit and diversifying the types of fruit they consumer due to increasing disposable incomes and a trend toward eating more healthy diets. In 2010, consumption of fruit in Russia increased to 71 kg per capita, up 10 percent compared with 2009. Per capita spending on fresh products also exceeded the 2009 level by 19 %. Russians claim to prefer locally grown produce and seasonable fruits and berries. There is also a historic preference for fruits and vegetables from former Soviet republics such as: Uzbekistan, Tajikistan, and Moldova. These countries traditionally supplied Russia with fruit and Russians still have the perception that their product is more fresh and higher quality.

There is no official data on stone fruit consumption in Russia, so Post's estimates are based on aggregated production and trade data. Total cherry supply is estimated at approximately 272,000 MT, after losses from handling and transportation, and includes 175,000 MT of tart cherries and around 97,000 MT of sweet cherries.

The tart and sweet cherries in Russia are two different categories of product. 95 percent of tart cherries are locally grown. Most people get tart cherries from their (or their relatives') small private orchards or in the wet market. It is a less expensive product, broadly used for jams and other winter preserves. In the rural areas locally-grown tart cherries cover all demand for the product. The season for locally-grown cherries is June- July. In Moscow, St. Petersburg, and other big cities fresh produce consumption and in particular cherry consumption consists mostly of higher priced imported fruits.

With respect to sweet cherries, over 65 percent are imported. Import records indicate that consumption of sweet cherries increased twofold since 2005. The buyers don't differentiate between cherry varieties and don't place much emphasis on the country of origin rather they are looking to satisfy the Russians preference for big, dark-colored cherries. Still, the most important factor is the price followed by taste. 90 percent of sweet cherries are sold during the peak season from May to August. During the season a lot of the open air vendors appear and sweet cherries are among the most popular seasonal fruits. In December, expensive cherries from Chile and Australia are available for the New Year holidays when Russians buy cherries together with other exotic fruits for serving and for table decoration.

Trade:

The cherry import forecast for 2011 is around 73,000 MT, down slightly from last year.

Russia is the biggest importer of cherries in the world. Since 2005 cherry imports have increased more than twofold from 34,917 MT to a record 73,796 MT in 2010 worth \$145.8 million. In 2010, the growth rate decreased to modest 3 percent compared with 19 percent growth in 2009 and showed negative growth during the January – May 2011 period. This might be an indication that the market is reaching its saturation point.

9 percent of the imported cherries (6,849MT) are sour cherries (HS 08092005) from Hungary and Poland. This trade pattern has been stable for several years.

Given that cherries are a seasonal fruit, supply patterns shift according to the season. In 2010, over 40.6 percent of cherries supplied came from Turkey which supplies product from the end of May to August. Supplies from Turkey have not been stable over the past several years. While Turkey increased its Russian market share twofold in 2010 their supplies in 2011 were down drastically leading to higher prices on the market. Former Soviet republics Uzbekistan, Kyrgyzstan, Azerbaijan, and Ukraine have a stable supply of 25 percent and enjoy buyer loyalty as well as logistical advantages supplying the Russian market. Their cherries are available in May and June and therefore overlap with part of the Turkish season.

The U.S. share of the cherry market in Russia is negligible. In 2010, 97 MT of cherries were imported from the United States to the Russian Far East, down twofold compared with 2009 due to the limited crop in the United States. Another limiting factor is the cost of delivery, which must be by air. However, with proper marketing, American cherries can find a niche in upscale Moscow supermarkets, where the demand for expensive fruits is higher. American cherries have better, limited potential in the Russian Far East, where delivery in 21 days by ocean is feasible and higher prices on cherries.

For the May-August 2011 period, the price range for sweet cherries in St. Petersburg varied from 150 to 450 Rubles per kg (\$5-\$15.15 per kg)², depending on the timing, the store, and quality of product. However, during the New Year holidays the price is significantly higher and can reach 2,000 Rubles per kg (\$67.36 per kg).

² Here and in the further price tables the retail prices were identified during a price survey in July –August 2011. The exchange rate used was 29.69 RUB/USD. This exchange rate is applied to all further Ruble –USD conversions in the current report. More information about the history of the RUB /USD exchange rate can be found on the web: <http://bankir.ru/kurs/dollar-ssha-k-rossijskij-rubl>

Table 1. Russia: Import Trade Matrix for Cherries 080920 in Metric Tons, MY2009-2010

	2009		2010
World	71,580	World	73,796
United States	197	United States	97
Others		Others	
Turkey	18,106	Turkey	29,987
Kyrgyzstan	12,858	Uzbekistan	9,091
Poland	11,829	Kyrgyzstan	7,719
Hungary	6,191	Hungary	6,545
Uzbekistan	4,629	Poland	3,848
Serbia	3,152	Syria	3,092
Azerbaijan	3,072	Ukraine	2,855
Syria	2,367	Serbia	2,385
Spain	1,466	Azerbaijan	1,613
Romania	1,369	Greece	1,552
Others not listed	6,344		5,042

Peaches and Nectarines

Production

In 2011, peach production is forecast at 24,500 MT, lower than in 2010 due to seed-bud damage by heavy rains during blooming. In 2010, Russia produced around 26,000 MT, 10 percent of total consumption. Two thirds of peaches are grown for personal consumption in private orchards. Peaches can produce good yields only in some areas of the Southern Federal District, where the land is mostly occupied under wheat, oilseeds and sunflowers, so there is not much room for the expansion of commercial peach orchards and Russia will depend on imports in this category.

Consumption

In 2011, consumption of peaches will increase due to growing popularity. Based on the import record, the consumption of peaches has been growing in Russia since 2001. There is no official data available about the consumption per capita, but according to Post's estimation, the consumption of peaches and nectarine in 2010 was around 225,000 MT, including 145,000 MT of peaches and 80,000 MT of nectarines (based on imports and production data including 10 percent loss during in-country transportation).

Russians prefer to eat seasonal fruits in summer. 90 percent of peaches and nectarines is consumed during the June – September period. Peaches and nectarines are well known and one of the most beloved seasonal fruits in Russia. Russians prefer big, beautiful, soft, but not over-ripe fruits for immediate eating. However, tough peaches are more widely available and consumers have to buy the product and wait for ripening at home. Many Russians buy stone fruits during their weekly shopping in supermarkets and discounters.

However, during the peak season, Russians purchase a lot of fresh produce spontaneously on a daily basis and usually in open-air fruit stands, which are located along the main pedestrian walkways.

The most popular sizes of peaches in Russia are 16-14, 16-18, according to the number of fruits in the box³. [3] Peaches and nectarines from Spain, Greece and Italy are widely available in the retail stores, as these countries can supply a definite quantity and quality according to the importers' schedule. The product from Azerbaijan and Uzbekistan is more commonly available in the open air fruit stands and wet markets.

Trade

The peach import forecast for 2011 is around 234,100 MT, up 5 percent due to growing consumption. Russia is the second largest importer in this category in the world and buys 90 percent of peaches and 100 percent of nectarine for domestic consumption. Peach and nectarine imports increased from 46,296 MT in 2001 to 223,944 MT in 2010. For January-May 2011, imports went up by 80 percent in volume and 157 percent in value, and seem to be on the way to breaking last year's record. This growth is supported but several factors namely: growing peach and nectarine consumption, insignificant local production, and growing purchasing power in Russia.

Spain, Greece, and Italy supply 72 percent of peaches and nectarines to Russia, where Spain alone captures up to 42 percent of the market (95,896 MT). Product from European countries goes to the retail supply, because of the consistent quality, volumes, and longer shelf life. Peaches from Uzbekistan, Kyrgyzstan and Azerbaijan together capture around 14 percent of the market. The product from Former Soviet republic is often called "local", imported by the traders associated with the growers, and distributed largely via a network of open air seasonal fruit stands. Chinese peaches and nectarines are broadly sold in the Russian Far East, where sales are stronger due to the close proximity to the market and competitive price. Chilean peaches and nectarines cover demand in winter. American product is not present on the Russian market. American stone fruits have been hampered due to the long delivery time (36 days to St. Petersburg and 21 to Vladivostok) and competition from European and Middle Eastern countries. Almost all peaches and nectarines travel in trucks to Russia (8 days from Spain with one driver, 4 days from Italy or Greece, up to 6 days from Uzbekistan, Kyrgyzstan and Azerbaijan). This factor is critical. According to importers, the ideal delivery time for the product is a maximum of 8 days plus 8 days to market in the regions or in retail. Due to the highly perishable and risky nature of this business not all importers handle it.

From May-August 2011, the average retail price range for peaches in St. Petersburg varied from 50 Rubles per kg to 250 Rubles per kg (\$1.68-8.42 per kg), depending on the timing, country of origin, place of sale, and quality of product.

³ Spanish boxes are around 4-4.5 kilograms (kg), Greek boxes are around 3.6-3.8 kg. So Spanish peaches size 14 will be heavier and larger than Greek peach 14.

Table 2. Russia: Import Trade Matrix for Peaches 080930 in Metric Tons, CY 2009-2010

Year	2009		2010
Grand total	155,753		223,944
U.S.	28	U.S.	33
Others		Others	
Spain	57,477	Spain	95,896
Greece	25,931	Greece	41,499
Italy	18,426	Italy	23,926
Kyrgyzstan	12,109	Uzbekistan	16,794
China	9,261	Turkey	10,259
Turkey	8,510	Kyrgyzstan	9,813
Azerbaijan	6,995	Serbia	8,098
Uzbekistan	5,960	China	7,639
Serbia	5,416	Azerbaijan	4,635
Macedonia	1,502	Macedonia	1,459
Others not Listed	4,138	Others not Listed	3,893

Safety Regulations Related to Stone Fruits:

The formation of the Russia-Kazakhstan-Belarus Customs Union (CU) has caused continuous revisions of Russian SPS import regulations. Post recommends checking regularly the www.fas.usda.gov database of Attaché reports for updates under the “sanitary/phytosanitary/food safety report” category and also advises that exporters consult with their importer.

Stone fruits are subject to sanitary-epidemiologic inspection, based on Decision # 299 on use of Sanitary Measures in the Customs Union. This inspection checks whether the imported produce complies with the chemical, radiological, biologically active, microbiological, and pesticide content norms of the Russian Federation. The Customs Union Commission adopted the Unified Sanitary–Epidemiological requirements that can be found here:

<http://www.tsouz.ru/db/techregulation/sanmeri/Documents/PishevayaCennost.pdf>

The Russian competent authority, VPSS, requires that the exporter provides information to VPSS on the pesticides used at growing and storing of the plant products, on the date of the last treatment, and on the MRLs of pesticides in these products. The information may be in the form of a letter from producer or from the producer’s association, etc. The maximum residue levels for pesticides specifically can be found in the following GAIN report *The Customs Union Update on MRLs for Pesticides in Ag Products*:

http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Customs%20Union%20Update%20on%20MRLs%20for%20Pesticides%20in%20Ag%20Products_Moscow_Russian%20Federation_12-22-2010.pdf

Stone fruits, as products of recognized high phytosanitary risk, go through phytosanitary control. Please

refer to GAIN report *RS1102 _ Russia Updates Quarantine Regulations of Imported Products _ Moscow _ Russian Federation _ 1/18/2011* which provides detailed information on the list of quarantine objects that shall be controlled in products imported from the United States, and also an unofficial translation of the general phytosanitary requirements of the Russian Federation for imported products subject to phytosanitary control at the border and inside the territory of the Customs Union, specified by products groups.

http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Russia%20Updates%20Quarantine%20Regulations%20of%20Imported%20Products_Moscow_Russian%20Federation_1-18-2011.pdf

Import procedures:

The importer must undertake several steps while handling stone fruit imports into the Russian Federation:

1. Russia no longer requires an Import Quarantine Permit for imported products.
2. The importer must obtain a declaration of conformity prior to product shipment. This document certifies that the product conforms to GOST (i.e. State Standard) quality standards of the Russian Federation. The certification bodies approved by the Russian authorities have the right to issue the declaration of conformity. The declaration can be issued for one shipment or according to the contract for several shipments. For stone fruits, the declaration of conformity is issued based on a copy of the contract and phytosanitary certificate of the exporting country authorities. The certificate of Conformity will accompany the product use and sales in Russia.
3. The importers must submit originals of all documents necessary for phytosanitary control and customs clearance to the customs office. For stone fruits the package of documents should be as follows: the contract, an invoice, bill of lading, packing list, declaration of conformity, phytosanitary certificate from the exporting country authorities (APHIS for American produce), safety certificate for some for some produce from European and South American countries.
 - The phytosanitary certificate of the exporting country should be issued before actual departure of the lot from the territory of the Party, the authorized body which issued the certificate.
 - The phytosanitary certificate must be printed out, not filled in handwriting.
 - The net weight in tons or kilograms must be identified in the document. The weight in the certificate should comply with actual weight of the shipment.
 - All boxes on the document should be completed. If there is a box requesting information not applicable for the current shipment, the empty box should be marked with cross.

Each of these defects in filling out the phytosanitary certificate causes Customs authorities to question the importers and requires extra effort and time for shipment clearance that makes the produce more expensive and less competitive on the market.

4. Stone fruits are subject to sanitary-epidemiologic inspection and phytosanitary control.

Russia strengthened its phytosanitary control at the boarder of the Customs Union. The instruction (No. FC-AC-3/10489) to the heads of its territorial offices orders border officials to conduct thorough phytosanitary checks on virtually all imported products of high phytosanitary risk. This instruction also means that Russia's "one window" approach stipulated in the Russian Federal Law No. 394-FZ, which moved documents control and customs clearance to customs, will not be applicable for products of high phytosanitary risk. Please see more information in *Gain Report RS1141 VPSS Strengthens Border Quarantine Check*

5. After the papers are examined, the value added tax (VAT) and customs duties are paid, and Customs releases the cargo.

The importer pays the customs duties accounting for a percentage of the customs value of the shipment (product value and transportation cost) in U.S Dollars or Euros. The VAT, 18 %, is taken from the summarized customs value and duties. The customs duties are calculated according to the Unified Customs Tariff list accepted by Customs Union Commission in the Decision #130 on the 27 of November 2009. Please see the tariffs via the following link: <http://www.tsouz.ru/db/ettr/tnved/Pages/default.aspx>

Table 3. Russia: Customs duties according to the Customs Union Tariff List.

Harmonization code	Product	Customs duty (in percentage of customs value, either in USD or Euros)
0809	Apricots, sour cherry and cherry, peaches (including nectarines), plums and sloe thon, fresh :	
0809 10	- apricots	5
0809 20	- sour cherry and cherry	
0809 20 050 0	- - sour cherry (Prunus cerasus)	5
0809 20 950 0	- - - other	5
0809 30	- peaches, including nectarines	
0809 30 100 0	- - nectarines	0
0809 30 900 0	- - - - other	0
0809 40	- plums and sloe	
0809 40 050 0	- - plums	5
0809 40 900 0	- - - sloe	5

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>

Exporter Guide: Opportunities in Russia

http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Exporter%20Guide_Moscow%20ATO_Russian%20Federation_12-21-2010.pdf

Food and Agricultural Import Regulations and Standards Narrative

http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative_Moscow%20ATO_Russian%20Federation_12-29-2010.pdf

Russia Update Quarantine Regulations of Imported Products

http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Russia%20Updates%20Quarantine%20Regulations%20of%20Imported%20Products_Moscow_Russian%20Federation_1-18-2011.pdf

Customs Union Update on MRLs for Pesticides in Ag Products

http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Customs%20Union%20Update%20on%20MRLs%20for%20Pesticides%20in%20Ag%20Products_Moscow_Russian%20Federation_12-22-2010.pdf

VPSS Strengthens Border Quarantine Check

http://gain.fas.usda.gov/Recent%20GAIN%20Publications/VPSS%20Strengthens%20Border%20Quarantine%20Check_Moscow_Russian%20Federation_8-22-2011.pdf