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Global Agricultural Information Network

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FRESH DECIDUOUS FRUIT ANNUAL

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Report Highlights:

Russia is the largest importer of apples and pears in the world, and despite the economic crisis, devaluation of the ruble, and negative income growth, imports in 2009 remained steady. Fruit remains popular with consumers, but they are buying less exotic fruits, pears, and grapes. Demand for most U.S. fresh fruits is growing, and U.S. fruit importers continue diversifying their product lines. Domestic fruit production is limited, and growers already suffering from the economic crisis are facing increased competition from imports.

Executive Summary:

Russia is the largest importer of apples and pears in the world, and despite the economic crisis, devaluation of the ruble, and negative income growth, imports in 2009 remained steady. Fruit remains popular with consumers, but they are buying less exotic fruits and pears. Consumers are spending their food budgets on more affordable and necessary products, and Russians bought 30 percent less exotic fruits, 17 percent fewer pears, and 5 percent less grapes.

Russia imported 5.1 million metric tons (MT) of fruit while domestic production was only 2.1 million MT. Fruit imports from Europe and the Southern Hemisphere are declining, while imports from the Commonwealth of Independent States (CIS) and Poland are increasing. Demand for most U.S. fruit is growing, and importers of fresh fruit from the U.S. continue to diversify their product lines.

Domestic fruit production is limited, and growers already suffering from the economic crisis are facing increased competition from imports. The main commercial fruit crop is apples and both the area planted and production fell in 2008. The Russian Government provides subsidies to stimulate production and investment in plantations with perennial crops and help growers modernize and remain in the industry. Investment in new rootstock and equipment is continuing, but at a pace of only 2 to 3 percent per year.

The Russian Far East remains a stable market for U.S. fruits, responsible for 30 percent of the total volume imported to Russia. U.S. fruit sales and their price competitiveness in Russia will depend a lot on the U.S. Dollar/Russian ruble and Euro/Russian ruble exchange rates.

Production:

In preparation of this report, Post obtained 2008 production data from the Russian Federation State Statistics Committee (Rosstat) and the figures indicated that apple production in Russia had declined by 30 percent from the previous year. Post made an additional request with Rosstat for 2007 data and the statistics provided differed from the data provided by Rosstat last year for the same period, including revised figures for apples and grape production and for the area planted for pears. GAIN RS8308 the Fresh Deciduous Fruit Report 2008 contained data and analysis based on the information provided by Rosstat in 2008. While we cannot know all of the reasons behind the revision of the 2007 data, we believe Rosstat has now provided us the most accurate figures available. Post analysis for this report was done utilizing the revised data provided by Rosstat in 2009 and tables have been revised to account for the updated figures for 2007 and the new data for 2008.

The economic crisis negatively impacted development of the fruit growing industry in Russia. In 2008, Russia reported a decrease in apple production, as well as area planted. In 2008, Russia produced 2.1 MT of fruit. Apples account for 52 percent of the total fruit crop, followed by stone fruits with 26 percent, grapes were 13 percent (including table grapes), and pears were 9 percent. Apples and grapes are the only fruits commercially grown in Russia. Other fruits, berries, and nuts are grown on household plots for household consumption and the surplus is sold in local wet markets.

Most commercial apple production is in southern and central Russia. Golden Delicious, Red Chief, Semerenka (Russian light green sour variety), Granny Smith, Gala, and Fuji are the major apple varieties cultivated in Russia. In 2008, Russia produced 1.1 MT of apples, 15 percent less compared to

the revised yield data for 2007. Rosstat reported a 4 percent decrease in area planted. According to the Russian business magazine “Expert,” 80 percent of apple orchards are more than 35 years old, demanding major investment in replanting, irrigation, modern storage, and packing technologies in order to be efficient and produce good yields. In 2008, apple yields averaged 5.8 MT per hectare, six times less than the yields in China’s apple growing provinces.

The Russian horticultural industry is largely outdated and inefficient, but experts say there are additional factors leading to decreased apple production in Russia. First, 2008 was a “down” year because trees needed “rest” after the good yields in 2007. Another hurdle was the lack of affordable credit for operating costs which impaired the industry’s ability to harvest and it is likely that some crops were simply abandoned. Finally, storage facilities and packing technology are inadequate to preserve the crop year around, and the existing distribution channels may not be sufficient for smaller producers to market and sell their crop.

Increasingly, imported apples produced in the CIS and Poland are pushing Russian apples out of the market because distributors and major retailers prefer working with imports because they are more consistent in quality, sizes, price, and supply.

Despite the difficulties facing the Russian horticulture industry, some in the industry have been implementing modernization and development projects for at least the last four years. Apple producers in the major apple growing provinces such as Krasnodarskiy Kray, Linetskaya, and Volgogradskaya Oblast, are replacing rootstock and are developing new orchards according to new “intensive garden” technology. This technology uses higher yield planting material, which is smaller in size to help maximize productivity. The number of trees can exceed 1,500 per hectare while traditional gardens would typically have only 300 trees in the same space. The gardens can be harvested within 2 to 3 years after planting. According to industry experts, only 10 percent of the total are planted in Russia is this newer, intensive variety. Russia’s overall apple orchard replacement rate is 2 to 3 percent compared to the world average of 10 percent. According to Expert magazine, one hectare of intensive garden costs around \$25,000 including irrigation equipment and storage and packaging facilities. The larger horticultural producers such as Sad Gigant, Sadi Pridonya, the Centralno-Chernozemnaya Company are continuing investment projects. The yields from intensive gardens are better quality and have longer shelf life and are usually in demand from retail chains. Russian consumers like buying locally produced apples and consider them the most ecologically safe and natural product on the market which helps support sales of Russian apples. The long term viability of the intensive garden projects is threatened by the lack of available credit and increased competition from imports. Post expects the larger commercial players in Russia to continue modernizing.

According to Selskaya Zhizn’ (Agricultural Life), the main agricultural newspaper in Russia, 11,700 hectares of new fruit orchards were planted in 2008. A small percentage of the drop in production from 2007 to 2008 could be attributable to the lag time between cultivation from old orchards and the new intensive gardens which do not begin producing fruit until the second or third year.

The Russian Government continues to provide domestic support in the form of subsidies for agricultural producers. According to Selskaya Zhizn’, the government provided 116 billion rubles (\$4.1 billion) for agricultural projects in 2008. In 2009, 302 million Rubles (\$10 million) went for subsidies for new orchard planting and treatment and state support for horticulture is planned to reach 420 million rubles (\$14 million) in 2010. The subsidies are intended to stimulate investment and production on plantations

with perennial crops, such as fruit orchards, berry farms, horticultural nurseries, and help growers modernize and remain in the industry.

Selskaya Zhizn' reported that the horticultural industry requested increased subsidies from the Federal government to help cope with the challenges they faces. Currently they receive 140,000 to 150,000 rubles (\$4,660 to \$5,000) per hectare of perennial gardens and an additional 25,000 rubles (\$800) per hectare for cultivation. Thus far, the government has not responded to the industry's request for assistance.

According to Russian producers and distributors, 2009 has been a very good year for apples in Russia. The World Apple and Pear Association forecast a 7 percent increase in apple yield in Russia in 2009/2010 compared to the previous year, but stiff competition from imported apples from Uzbekistan, Ukraine, Moldova, and Poland is expected to continue.

Considering the ongoing competitiveness problems in quality, shelf life, and price, the crisis could be acting as a catalyst for farm failures now and in the future. Post expects that the rate of crop abandonment and waste to increase unless there is additional intervention by the government. Of course, the government has shown no hesitation to use sanitary and phytosanitary issues to manage trade, such as the MRLs applied to fruit imports from the EU. The government may choose to address increased competition with new trade barriers in order to protect domestic production.

Consumption:

In Marketing Year (MY) 2008, the size of the Russian fruit market totaled 6 million MT, which is level with figures for 2007. Total trade and production statistics indicates that per capita fruit consumption rose in Russia to 40 kgs per year, a 20 percent increase compared to 2004 data. According to the Rosstat, Russians consumed 9.4 kgs of apples, 5.9 kgs of citrus, 5.6 kgs of bananas, and 2.6 kgs of grapes in 2008. According to Post estimates, pears are one of the most popular fruits in Russia, and per capita consumption is approximately 3.2 kgs. According to research conducted by the international marketing and media information agency, Nielson, 69 percent of Russians eat fruit at least once per week during the summer, but that figure falls to 55 percent in the winter months.

According to the Russian produce industry analysis firm, the Fruit and Vegetable Alliance, Russian consumers favor the following fruits:

- Favorites: apples (40 percent of Russians prefer apples to other fruits), bananas (31 percent), and oranges (28 percent);
- Popular fruits: grapes (22 percent) and pears (21 percent);
- Regularly purchased fruits: apricots, peaches, water melons, mandarins, grapefruits, lemons, plums, pineapples and kiwifruits (7-18 percent); and
- Other fruits include mangos and avocados (less than 4 percent).

Fruit consumption in Russia is driven by two factors - the level of income and retail prices. According to the Rosstat, fresh produce retail prices increased by 15 percent in 2008 as the ruble was losing its value and real income decreased. Thirty percent of Russian consumers shifted their shopping habits toward lower quality, lower priced goods. According to Nielsen, Russians chose to spend their food budget on fruits such as apples, bananas, and oranges in 2008. The market share of other fruits dropped significantly as Russians bought 30 percent less exotic fruits, 17 percent less pears, and 5 percent less grapes compared to MY 2007.

Consumption figures also vary widely depending on geographic location. In rural areas, Russians tend to consume locally grown fruits and vegetables where a lot of canning is traditionally done in order to preserve fruits and vegetables for out of season consumption. Fruit consumption, especially imported fruit, is substantially higher in urban areas.

Russian consumers like locally grown produce because they believe that it is fresher, contains less pesticides, and is ecologically safe, and these ideas are perpetuated by the media and government officials. In summer and early autumn, many families grow their own berries, fruit, and vegetables on private plots. Tending gardens and collecting apples at dachas (summer cottages) is a beloved pastime for Russians. In addition to apples, other popular items include strawberries, pears, plums, cherries, apricots, blueberries, green onion, cucumbers, dill, and other herbs. Even Russians who do not have land for gardens of their own enjoy buying from local open air markets and street vendors. Therefore, demand for imported products is lower when local products are fresh and readily available.

Produce grown in the CIS countries of Azerbaijan, Uzbekistan, Moldova, Ukraine, Tajikistan, and Kyrgyzstan are popular with Russians as well due to historic distribution channels that date back to Soviet times when these were the only sources of exotic fruits for Russians. These products are not usually the highest quality items available on the market, but the varieties and characteristics are familiar and represent the historic “standard” of these products to Russian. Russians prefer products from these CIS countries such as grapes, watermelons, peaches, apricots, and plums when they are in season over imported products. In the late summer months, more than 40 percent of fruit sold on the Russian market are these seasonal items.

Many Russians are seeking healthier lifestyles and new products. The Russian Government launched a social advertising and education campaign to discourage drinking alcohol, smoking, and overeating. The number of people quitting smoking, beginning exercising regimens, tracking calories and nutritional content, and eating healthier foods is rising. Diets are changing as consumers chose more fresh and dried fruit as a substitute for other snacks. Fruit-based desserts are increasingly available in foodservice, and people are drinking more freshly squeezed juices. August 2009 was the first month within the last 5 years when the birthrate was higher than the death rate in Russia. If the trend continues, consumption rates should rise as well.

As previously reported, 65 percent of all fruit is sold through wholesale and wet markets. Russian consumers prefer to buy fruits at markets rather than in retail stores because they believe the prices are lower and the product is fresher when there are fewer people involved in the supply chain. However, the popularity of retail chains has become more popular for fruit consumption because the larger chains such as X5, Metro, Aushan, Lenta, O’Key, and Pyatorochka are spreading to smaller cities in provincial Russia and their higher volumes mean they can offer competitive prices and conveniences. Retail chains have improved the assortment of fresh produce available for consumers at various income level that are well merchandised and there are numerous choices of consumer packaging.

According to the marketing company, Express–Obzor, the ten top retail chains by annual receipts, are:

- X5 Retail Company - 221 billion rubles (\$7.6 billion)
- Auchan - 142.4 billion rubles (\$4.9 billion)
- Magnat- 132.9 billion rubles (\$4.6 billion)
- Metro Group Russia - 125.9 billion rubles (\$4.3 billion)
- Lenta - 58.2 billion rubles (\$2 billion)
- Kopeyka - 51.6 billion rubles (\$1.7 billion)

- O'Key - 50.3 billion rubles (\$1.7 billion)
- Dixie - 47.8 billion rubles (\$1.6 billion)
- Sedmoy Continent - 43.9 billion rubles (\$1.5 billion)
- Victoria, GC - 34.9 billion rubles (\$1.2 billion)

Trade:

According to Global Trade Atlas, Russia is a net importer of fruits, the third largest after the United States and Germany by volume. Russia's climate conditions and outdated infrastructure impede development of the commercial fruit growing sector, and thus, the country remains heavily dependent on imports to satisfy consumer demand for fruit.

According to Global Trade Atlas, during MY 2008, Russia imported 5.1 million MT of fruit and nuts. The value reached \$4.3 billion, a 10 percent increase compared to 2007, primarily due to inflation.

The global economic crisis had a negative impact on the Russian economy and by mid 2009, Rosstat showed negative income growth. The Russian ruble depreciated against the U.S. dollar and Euro making imported products more expensive and less competitive with the produce from Poland and the CIS. Consumers reacted by purchasing more affordable and necessary products. The crisis demonstrated how over reliant both importers and retailers in the Russian market are on credit for operating capital. The lack of available credit has made what little there is available, very expensive, to the point of being almost cost-prohibitive. Even the top players in the retail sector are expecting 90-day credit terms from their suppliers putting importers in an even tougher position with working capital tied up in prepayment to exporters while their retail customers are slow to pay. Last year, the two largest fruit importers in Russia were forced into bankruptcy while others shifted to smaller fruit shipments out of concern over reduced sales in Russia.

From December 2008 to June 2009, Russia's imports of apples and citrus remained steady with calendar year (CY) 2008 figures. However, Russians bought 30 percent less exotic fruits, such as dates, figs, avocados, guavas, and mangos; 17 percent fewer pears; 5 percent fewer grapes; and 3 percent fewer bananas. Russia buys fruit from all over the world, but the effects of the crisis are apparent when looking at fruit trade statistics. For example, the European Union (EU), which traditionally supplies pears and apples to Russia, exported 20 percent less in MY 2008. Russia also imported less from the Southern Hemisphere countries of Argentina, Chile, and South Africa. In 2008, Russia's largest suppliers of fresh produce were Ecuador (bananas), Poland (apples), Turkey (citrus, grapes, and stone fruits), Argentina (apples, pears, and citrus), Chile (grapes), and China (apples, citrus, stone fruits).

The CIS countries of Azerbaijan, Uzbekistan, Moldova, Ukraine, Tajikistan, and Kyrgyzstan play an increasingly important role as fruit suppliers to Russia. The volume of fruit import to Russia sourced from these countries reached 400,000 tons, a 25 percent increase over the previous year. These countries which have historically supplied fruits to Russia, have a built-in transportation advantage and lower prices. Since Soviet times Uzbek, Azerbaijani, Tajik suppliers handled the fruit trade throughout Russia and created fully integrated systems of product distribution including imports and wholesale distribution to the regions, as well as sales at wet markets nationwide. Post expects fruit imports from these CIS countries to increase at least 5 percent in MY 2010.

As reported previously, Russia is a vast country stretching for 12,000 km from East to West and spans 11 time zones. The food market in Western Russia differs significantly from the Pacific coast market.

There are two points of entry for imported foods to the Russian Federation. The Port of St. Petersburg is the major trade route handling around 80 percent of imported food shipments to Russia. Most consumption is concentrated in the Western market, with approximately 120,000 million people in the territory reaching from the Western border stretching to the Ural Mountains. The fruit market in Western Russia is very competitive because suppliers from the EU, the Middle East, and the CIS are in close proximity to this market. Importers of U.S. products face several difficulties such as, complicated logistics (30-day transit time from the U.S.), lack of awareness about U.S. fruit quality among consumers, and strong competition from neighboring countries.

The fresh produce market in the Russian Far East (RFE) differs from that of Western Russia. The climate condition in the RFE is not conducive to commercial production of fruit; and therefore, all fruit is imported. Moreover, there is a great distance between the RFE and major fruit suppliers in the EU, the Middle East, and even Russia's fruit growing region. The RFE imports directly 114,000 tons of fruit, mostly from Asian Pacific countries. Chinese fruit is dominant in the RFE with more than 80 percent of total fruit imported to the region. The RFE remains a good market for American fruits despite the crisis because the U.S. fruit industry has been present on the market doing promotional campaigns and the products are widely recognized for their high quality and taste. U.S. apples and pears have been available on the market for more than 10 years and importers have long standing relationships with their suppliers on U.S. West coast. The typical fruit shipment is on the water between the U.S. and the RFE only 18 days. According to Russian Customs, in MY 2008, the RFE was responsible for 30 percent of the total volume of U.S. fruit imports to Russia and shipments of apples, pears, and citrus for MY 2009 are already well underway for what is expected to be a strong season.

In MY 2008, Russia imported 27,900 MT of U.S. fresh fruit, a 7 percent drop from MY 2007. U.S. apples sales went down 45 percent and totaled 9,700 MT, due to the limited supply of apples appropriate for the high-end Russian market (extra large and bright in color) and decreased demand for premium produce products. The volume of pears held steady while imports of citrus and grapes were at a record high, more than doubling the 2007 level which had been the previous record. Western Russian tested American pomegranates and citrus and found that even during the crisis, there is demand for this product, and Post expects pomegranate imports to increase in MY 2009. U.S. fruit sales and their price competitiveness in Russia will depend a lot on the U.S. Dollar/Russian ruble and Euro/Russian ruble exchange rates.

Figure 1. Fruit Imports to Russia, by Percentage, Jan. to Sept. 2009

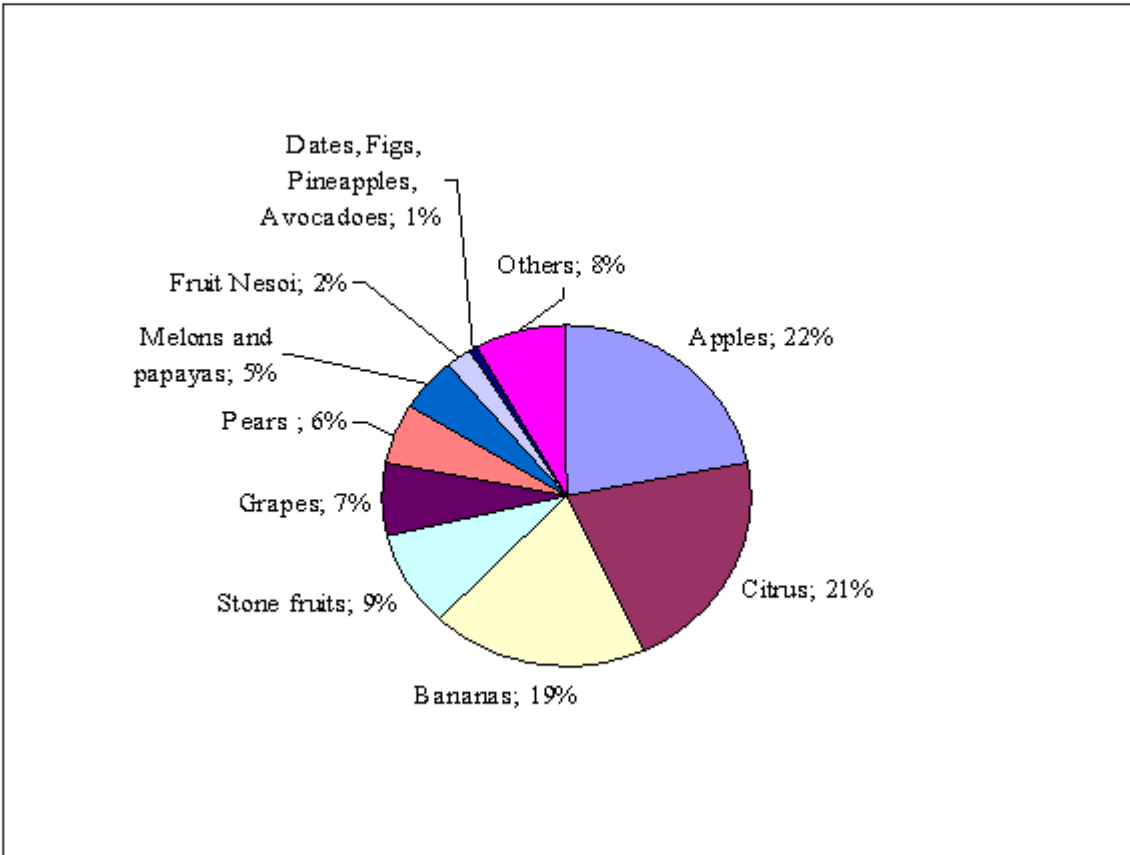


Figure 2. Dollar/Ruble Exchange Rate, 2002-2009

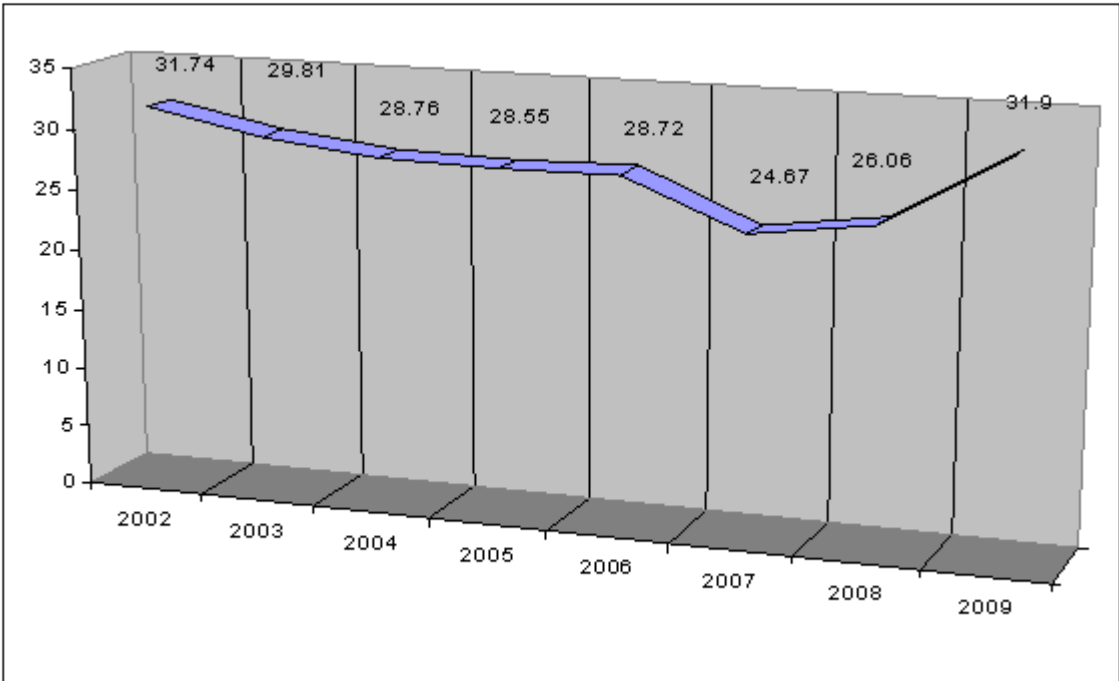
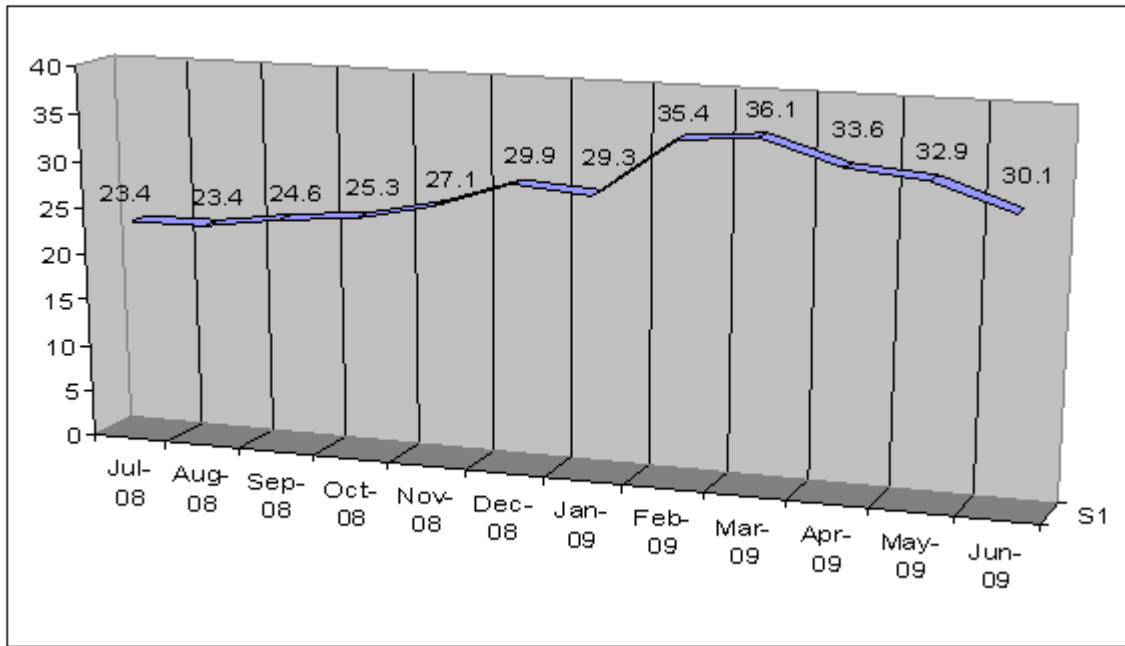


Figure 3. Dollar/Ruble Exchange Rate, July 2008 to June 2009.



Apples

Apple imports are forecast to be 1.2 million MT in MY 2009, up four percent from the 2008 record. Apples are the most popular fruit in Russia and according to Global Trade Atlas, Russia remains the largest importer of apples in the world with record 1.1 million MT (949,000 MT in 2007), valued at \$565,000. The Russian domestic apple market reached 1.1 million MT in 2008. Domestically grown apples are available only until December due to their short shelf life, and when the supply sells out, prices for all apples tend to increase. According to some Russian distributors, they do not bother to deal with domestically produced apples because the quality, size, and supply are too inconsistent to supply retail chains. However, the crop from the new intensive gardens is more consistent with the international varieties and has a longer shelf life, but prices are higher than typical Russian apples because growers need to recoup some of their investment in the new orchards.

In MY 2008, Russia imported 21 percent less European apples, meanwhile, Russia increased imports of lower quality, less expensive products from CIS countries and Poland. In late 2008, Russia lifted a ban on Polish apples, and 30 percent of all imported apples to Russia were from Poland. The supply of affordable apples from the CIS countries doubled accounting for 236,000 MT. According to Russian importers, apples from CIS countries and Poland were sometimes less expensive than locally-grown and are larger and better quality, which contributed to increased sales in 2008. Post expects this trend of higher quality, inexpensive apples from CIS and Poland to continue which could make it even more difficult to develop commercial apple production in Russia.

Apples from Belgium and France typically arrive in Russian in September and U.S. apples arrive in late November. U.S. apple exports to Russia decreased 45 percent compared to the record volume in MY 2007, totaling just 9,550 MT. Russian consumers like large, richly colored apples, which are characteristics that U.S. suppliers can normally provide. The U.S. apple crop in 2008 was smaller than in previous years and there were fewer products available for export. The decrease in apple imports from the U.S. can partly be attributed to the short supply, higher prices, and consumer demand shifting to more affordable options during the economic crisis. However, the RFE remains a stable market for

U.S. fruit. In MY 2008, the total amount of U.S. apples imported to the RFE reached 3,500 MT, a 6 percent increase. European apples, comparable in both price and quality, are the main competitor to U.S. apples on the Russian market and importers will be examining the U.S. Dollar/Russian ruble and Euro/Russian ruble exchange rates when making purchasing decisions throughout the coming year.

According to an estimate from the World Apple and Pear Association, in 2009 European apple production dropped 7 percent compared with 2008, primarily due to lower yields in Poland. The total crop is expected to reach 10.7 million MT (22 percent of the crop is Golden Delicious, 10 percent is Gala, 6 percent is Red Delicious, and 6 percent is Jonagold). China will produce 10 percent fewer apples in 2009. The crop in the Southern Hemisphere will go up 4 percent and amount to 5.3 million MT.

According to importers and apple industry representatives, U.S. apple imports are expected to increase in MY 2009 because the crop size, quality, and color are appropriate for the Russia market and should be price competitive. The Russian ruble recently began to appreciate against the U.S. dollar which could help increase exports if the exchange rate holds or continues to improve.

Table 4. Import Trade Matrix for Apples in Metric Tons, MY 2007-2008

Year	2007		2008
U.S.	17,707	U.S.	9,755
Others		Others	
China	232,784	Poland	378,517
Azerbaijan	86,723	China	203,179
Poland	85,651	Azerbaijan	114,430
Argentina	81,467	Moldova	82,400
France	57,693	France	49,085
Italy	52,760	Italy	41,339
Moldova	45,720	Ukraine	40,947
Belgium	41,597	Argentina	38,328
Serbia	38,296	Chile	35,484
Chile	37,218	Belgium	33,805
Total for Others	759,909		1,017,514
Others not Listed	162,330		119,731
Grand total	939,946		1,147,000
Source: Global Trade Atlas			

Table 5. Russia: Imported Apples, U.S. Dollars per Metric Ton, MY 2007-2008

Prices in U.S Dollars/MT

Year	2007	2008	%
Jul	542	557	2%
Aug	434	467	7%
Sep	429	453	5%
Oct	430	454	5%
Nov	422	454	7%
Dec	435	473	8%
Jan new CY	513	596	16%
Feb	512	563	10%
March	522	590	13%
April	529	589	11%
May	536	591	10%
Jun	566	592	5%

Source: Global Trade Atlas

Table 6. Average Retail Prices for Apples in Western Russia MY 2008, in U.S. Dollars per kg

Month, year	Variety	Countries of origin	Price range, per kilo
August 2008	Gala Royal	France	2.78-4.16
	Golden	Italy	2.67-3.82
	Red Delicious	Argentina	3.19-5.63
	Local varieties	Moldova Ukraine	2.04-3.67
	Idared	Russia Moldova Ukraine	2.04-2.45
	Local varieties	Russia	1.22-1.58
September 2008	Golden	Italy	2.56-4.01
	Fuji	China	3.07-4.24
	Pink Lady	France	3.50-6.81
	Red Delicious	USA	2.53-3.11
	Idared	Russia Moldova Ukraine	1.95-2.33
	Local varieties	Russia	1.69-4.90
November 2008	Royal Gala	Italy	2.97
	Red Delicious	France	4.25
	Grany	France	5.02
	Gala	Russian	2.95

	Golden Delicious	Azerbaijan	2.34
	Red	Poland	1.45
	Gala	Poland	2.05
	Fuji	China	3.39
	Jonagold	Holland	2.65
December 2008	Red Chief	Italy	4.42
	Braeburn	France	2.43
	Gala	France	4.33
	Red Delicious	Chile	2.87
	Golden Delicious	Russia	2.43
	No variety	Russia	1.24
	No variety Poland	Poland	1.61
	Fuji	China	3.0
	Red Delicious	USA	5.39
	Golden Delicious	USA	8.81
January 2009	Grany Smith	France	3.52
	Red Delicious	France	4.25
	Golden Delicious	Russia	2.05
	Idared	Poland	2.7
	Royal Gala	Argentina	1.92
	Red Delocious	Chile	2.02
February 2009	Golden Delicious	Italy	3.18
	Braeburn	France	2.76
	Golden Delicious	Belgium	2.67
	Golden	Argentina	2.8
	Idared	Poland	1.39
	Golden	China	1.60
	Red Chef	USA	2.23
March 2009	Gaanny Smth	France	2.02
	Red Delicious	USA	2.4-4.1
	Golden Delicious	Belgium	2.56
	Red Delicious	Argentina	2.89
	Golden	China	1.99
April 2009	Fuji	China	2.32-3.80
	Gala Royal	France	3.66-4.09
	Gloster	Poland	1.74-2.26
	Gala Royal	Argentina	1.93
	Red Delicious	USA	1.16-4.96

May 2009	Cameo	USA	2.18
	Gala Royal	Chile	2.52-4.07
	Gala Royal	France	3.92
	Granny Smith	Spain	1.77
	Red Delicious	Argentina	1.87
	Red Delicious	USA	2.02-4.85
June 2009	Golden Delicious	Italy	1.72
	Granny Smith	Argentina	1.59
	Pink Lady	Chile	2.07
	Fuji	China	1.91-2.23
	Red Deliciuos	USA	2.83

Pears

Imports and domestically grown pears account for 496,000 MT. Pears are not commercially grown in Russia and the majority of domestic pears are grown in private plots and used for household consumption.

Russia remains the world's largest importer of pears. In MY 2008, Russian imports decreased by 25 percent and totaled 316,487 MT. Post estimates that due to the crisis, consumers chose to purchase fewer varieties of fruit, giving preference to tree fruits such as apples, bananas, and citrus. Despite the drop in pear imports, Post calculates pear consumption in Russia to be approximately 3.2 kg per capita, making it still one of the most popular fruits in the country.

In MY 2008, the largest suppliers of pears to Russia were Argentina (94,281 tons), Belgium (66,190 tons), and China (36,540 tons). Russian pear imports from the EU decreased by 30 percent and imports from the Southern Hemisphere fell by 20 percent. The pear season started early in the U.S. in MY 2008 and Russian importers placed orders before the full impact of the economic crisis was felt in Russia. U.S. pear imports reached 7,800 metric tons, which was on par with MY2007. Forty-one percent of all U.S. pear imports (3,200 MT) were imported to the RFE from the U.S. West Coast.

According to Fruit News www.fruitnews.ru, the pear crop in MY 2009 will be larger. Europe's production is expected to go up 16 percent compared with 2008 and total 2.5 million MT, including Conference variety at 856,000 MT, Williams BC at 296,000 MT, and Abbat Fetel at 277,000 MT. Pear production forecasts in China and Ukraine are expected to fall by 25 percent and 5 percent, respectfully.

U.S. pears are a rather unique product. Some varieties, like Anju, have no European equivalent. U.S. pears also have good quality and long shelf life, which is critical for regional distribution within Russia. Thus, if U.S. pears are price competitive, Russian importers will buy U.S. pears. The first shipments of U.S. pears have already arrived in Russia for MY 2009 and Post expects sales to be strong if prices remain steady.

Table 7. Import Trade Matrix for Pears in Metric Ton, MY 2007-2008

Year	2007		2008
U.S.	7,728	U.S.	7,880
Others:		Others:	
Argentina	117,174	Argentina	94,281
Belgium	115,205	Belgium	66,190
Netherlands	46,820	China	36,540
China	38,932	Netherlands	25,809
South Africa	23,651	Spain	22,873
France	11,341	South Africa	17,623
Spain	8,994	France	11,522
Portugal	5,180	Portugal	9,015
Italy	4,660	Chile	4,975
Chile	4,553	Poland	3,964
Total for others	376,510		292,792
Others not listed	3,614		15,806
Grand total	380,624		316,478

Source: Global Trade Atlas

Table 8. Russia: Imported Pears, U.S. Dollars per Metric Ton, MY 2007-2008

Prices in US Dollars/MT			
Year	2007	2008	%
Jul	795	841	5%
Aug	762	887	16%
Sep	805	906	12%
Oct	812	884	8%
Nov	819	880	7%
Dec	827	884	7%
Jan	902	899	-1%
Feb	874	849	-3%
March	855	811	-6%
April	843	797	-6%
May	836	788	-6%
Jun	836	778	-7%

Source: Global Trade Atlas

Grapes

Russia's grape imports have grown steadily since 2002. In 2008, Russia imported 394,000 MT, for \$488,000. Grape imports dropped by 5 percent in volume, but increased in value by \$40 million. The main grape exporters to Russia are Turkey (120,897 MT, which is a 30 percent increase), Uzbekistan

(64,359 MT), and Kyrgyzstan (41,394 MT). Russian consumers are accustomed to the grape varieties from CIS countries and they are also the least expensive, adding to their popularity. Grapes from CIS countries have a short shelf life and are only available until December.

Turkey is the largest supplier of standard table grapes to Russia while U.S. and Italian grapes are considered premium or niche products. Due to counter-seasonal production, grapes from Argentina, Chile, and South Africa arrive in January and dominate the market until July. The RFE imports grapes from China and the product is available on the market for a long time, competing successfully with Turkish and Uzbek grapes.

In MY 2008, U.S. grape imports to Russia doubled totaling 4,100 MT. According to grape importers, the new season can be successful for Californian grapes if prices remain steady. The main competitor to the U.S. in the premium segment is Italy, and heavy rains there recently may have damaged the crop quality, according to trade sources. California's grape crop has been good and the first shipments already arrived in Western Russia. If the Russian economy and Russian ruble remain stable, and the price for California grapes does not rise, Post expects grape imports from California to increase.

Table 9. Import Trade Matrix for Grapes in Metric Tons, MY 2007-2008

Year	2007		2008
U.S.	1,679	U.S.	4,100
Others:		Others:	
Uzbekistan	118,597	Turkey	120,897
Turkey	86,016	Uzbekistan	64,359
Chile	48,463	Kyrgyzstan	41,394
Italy	24,881	Chile	38,244
Kyrgyzstan	21,128	Italy	36,917
Argentina	19,600	China	17,721
China	15,653	Moldova	13,997
South Africa	14,653	South Africa	11,104
Moldova	11,083	Argentina	9,714
Kazakhstan	10,363	Tajikistan	4,997
Total for Others	370,268		359,344
Others not Listed	42,699		34,105
Grand total	412,967		393,449
Source: Global Trade Atlas			

Table 10. Russia: Imported Grapes, US Dollars per Metric Tons, MY 2007-2008

Prices in US Dollars/MT			
Year	2007	2008	%
Jul	1,400	1,624	16%
Aug	1,302	1,242	-5%

Sep	1,166	1,153	-2%
Oct	1,075	1,146	6%
Nov	1,068	1,213	13%
Dec	1,086	1,269	16%
Jan new CY	1,169	1,303	11%
Feb	1,073	1,366	27%
March	1,181	1,371	16%
April	1,242	1,372	10%
May	1,280	1,384	8%
Jun	1,302	1,360	4%
Source: Global Trade Atlas			

Policy:

The Russian Federation only allows fruits to enter the country with permission from the Veterinary and Phytosanitary Surveillance Service (VPSS) in the form of an import permit. Importers apply to VPSS for this permit prior to the shipment and it is not uncommon for it to take more than a month to be processed; and thus, the importer should obtain the import permit before the cargo arrives at the port of entry.

The fruit must be accompanied by a sanitary-epidemiological certificate issued by the Federal Service for Consumer Rights and Human Well-Being. This document states that products imported are produced according to the safety standard and do not contain biotech components. The document should contain an attached list of products for imports and the MRLs of harmful substances required by Russian regulation. A sanitary-epidemiological certificate is issued for 5 years.

In order for the imported fruit to be cleared, the importer must obtain a phytosanitary certificate from VPSS, based on the phytosanitary certificate from the exporting country's national plant protection authority.

Once all the certificates are in order according to the Russia standard, the importer pays customs duties and value added tax (VAT) and in the goods are cleared for import to Russia. The package of document necessary for customs clearance contains:

- Import license
- Sales transaction documents such as the contract and bill of lading;
- Import permit form VPSS
- Sanitary-epidemiological certificate
- Phytosanitary certificate from the exporting country's national phytosanitary authority;
- Phytosanitary certificate issued by VPSS
- Quality certificate from producer (not obligatory)
- Safety certificates (obligatory for EU countries to cite MRLs - see list below)

The Russian government began imposing MRLs on fruit from the EU on July 1, 2008. As of November 15, 2008, imports of certain European products had to be accompanied by safety certificates issued by several European laboratories. Those products include: grapes, peaches, nectarines, oranges, and mandarins coming from Greece; peaches, nectarines, mandarins, grapefruits, pears, and oranges from

Spain; all products from Latvia; tomatoes, apples, carrots, beetroots, and cabbages from the Netherlands; apples, celery, cabbage, and plums from Hungary; and grapes from Italy.

As of August 6, 2009, the customs duties for major fruit items were:

- Apples (HS 080820, excluding for cider production)
From January to July 0.1 Euro/kg plus 18 percent VAT
From July to December 0.2 Euro/kg plus 18 percent VAT
- Pears (HS 080810) 10 percent duty plus 18 percent VAT
- Grapes (HS 080610) 5 per cent duty plus 18 percent VAT
- Oranges (HS 08510) orange-percent , but not less than 0.02 Euro/kg plus 18 percent VAT

Marketing:

In Russia, marketing of fresh produce is less developed than the promotion of snack, alcohol, dairy, and confectionary items. However, within the last few years, exporting countries' trade development agencies, fresh produce associations, and larger exporters and importers have put more effort into merchandising and promotion.

The marketing techniques and programs utilized differ depending on consumer awareness of the product and whether the product is already available on the Russian market. If the product is new or needs marketing support to overcome market access problems, government-funded trade facilitation programs are often used to help build foreign markets for the exporting country. The Chilean government, through its Chilean Fresh Fruit Association, is actively promoting the country as one of the leaders in fresh produce exports from the Southern Hemisphere by hosting educational tours for importers, retailers, and the media. In addition, they run consumer marketing programs, such as product tastings, product merchandising displays, point-of-sale (POS) materials, and media placements. The Governments of Korea and Japan regularly sponsor buyer missions to their counties in which they organize visits to the country's growing regions as well as trade meetings between growers and exporters. These buyer missions are successful in introducing new products to potential buyers and are critical for establishing direct contacts between buyers and sellers.

For the products already available on the Russian market, distributor- and consumer-oriented marketing programs are used to solidify consumer awareness and develop sales. Some distributor- and retail-focused marketing techniques include product handling training, product education materials, and food safety or supply chain seminars. Typical consumer-oriented marketing techniques include internet promotions and giveaways, POS materials, in-store promotions, billboard advertising, and print advertising campaigns.

According to Fresh News (www.freshnews.ru), President of the World Apple and Pear Association Alexander Dalpiaz, said during the Prognosfrutis Conference in August 2009 that, "Russia remains the key and most prosperous market for European produce and European companies' success is in developing partnership relations with Russia." In MY 2008, various government agencies from Europe, together with their produce associations, launched several new projects to promote fresh produce exports from the EU. The European apple association "Pink Lady" has a robust campaign promoting its Pink Lady apples in Russia by organizing retail displays and in-store product tastings. The Spanish fresh produce marketing organization, Anecoop, and an alliance of the 5 major Italian apple growers recently announced the opening of their trade representative offices in Moscow. These offices will help connect Russian importers with growers, negotiate contracts, coordinate product deliveries, and monitor quality

and control. Russian importers believe this sort of in-country representation will create a significant competitive advantage for Italian and Spanish products, because they will be able to deal with a single person in Russia who is responsible for both signing contracts and overseeing the quality and control. This is especially meaningful to Russians because culturally, they put a high value on face-to-face business relationships. European exporters, even those who do not have full time representative offices in Russia, regularly visit the country which helps raise their Russian partners' comfort level and reinforces the relationship-based way of doing business.

Other relevant reports:

RS 9304 Exporters Guide
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/EXPORTER%20GUIDE%20ANNUAL_Moscow%20ATO_Russian%20Federation_9-15-2009.pdf

RS 9008 Economic Crisis Update
<http://www.fas.usda.gov/gainfiles/200902/146327327.doc>

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

RS 8308 Fresh Deciduous Fruit Report 2008
<http://www.fas.usda.gov/gainfiles/200811/146306497.doc>

RS 7335 Fresh Deciduous Fruit Report 2007
<http://www.fas.usda.gov/gainfiles/200712/146293158.doc>

Production, Supply and Demand Data Statistics:

Table 1. PSD Table, Apples

Fresh Apples,	Apples, Fresh				(HA)(1000)(MT)	
	2007/2008		2008/2009		2009/2010	
	Market Year Begin: Jul 2007		Market Year Begin: Jul 2008		Market Year Begin: Jul 2009	
	USDA Official Data	Old Post Data	USDA Official Data	Old Post Data	USDA Official Data	New Post Estimate
Russia						

Area Planted	385 000	385 000	258 000	390 000	390 000	250 000		248 000
Area Harvested	320 000	320 000	210 000	325 000	325 000	190 000		188 000
Bearing Trees	120 000	120 000	80 000	126 000	126 000	85 000		80 000
Non-Bearing Trees	40 000	40 000	25 000	42 500	42 500	35 000		40 000
Total Trees	160 000	160 000	105 000	168 500	168 500	120 000		120 000
Commercial Production	1 250 000	1 250 000	930 000	1 250 000	1 250 000	775 000		820 000
Non-Comm. Production	550 000	550 000	370 000	550 000	550 000	340 000		330 000
Production	1 800 000	1 800 000	1 300 000	1 800 000	1 800 000	1 115 000		1 150 000
Imports	940 000	940 000	940 000	1 200 000	800 000	1 147 000		1 170 000
Total Supply	2 740 000	2 740 000	2 240 000	3 000 000	2 600 000	2 262 000		2 320 000
Fresh Dom. Consumption	1 326 000	1 361 200	1 365 000	1 692 000	1 292 000	1 350 000		1 450 000
Exports	4 000	3 800	4 000	3 000	3 000	5 000		6 000
For Processing	1 400 000	1 365 000	861 000	1 300 000	1 300 000	887 000		839 000
Withdrawal From Market	10 000	10 000	10 000	5 000	5 000	20 000		25 000
Total Distribution	2 740 000	2 740 000	2 230 000	3 000 000	2 600 000	2 262 000		2 320 000

Sources: Rosstat [1] , All Russia Agricultural Census, and Global Trade Atlas

^[1] Revised data for 2007 was provided in 2009.

Table 2. PSD Table, Pears

Fresh Pears, Russia	Pears, Fresh							(HA)(1000)(MT)	
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Jul 2007			Market Year Begin: Jul 2008			Market Year Begin: Jul 2009		
	USDA Official Data	Old Post Data		USDA Official Data	Old Post Data		USDA Official Data	New Post Estimate	
Area Planted	58 200	58 200	45 000	58 000	58 000	43 000			43 000
Area Harvested	39 000	39 000	30 000	39 000	39 000	30 000			30 000
Bearing Trees	12 200	12 200	13 000	12 400	12 400	13 000			13 000
Non-Bearing Trees	7 600	7 600	5 000	6 000	6 000	5 000			5 000
Total Trees	19 800	19 800	18 000	18 400	18 400	18 000			18 000
Commercial Production	30 000	30 000	35 000	30 000	30 000	30 000			30 000
Non-Comm. Production	140 000	140 000	155 000	14 500	14 500	150 000			150 000
Production	170 000	170 000	190 000	17 500	17 500	180 000			180 000
Imports	397 000	397 000	397 000	36 000	34 500	316 000			320 000
Total Supply	567 000	567 000	587 000	53 500	52 000	496 000			500 000
Fresh Dom. Consumption	450 800	450 800	450 000	42 600	41 100	425 000			430 000
Exports	2 000	2 000	2 000	1 000	1 000	2 000			2 000
For Processing									

	110 000	110 000	131 000	10 500 0	10 500 0	65 000			64 000
Withdrawal From Market	4 200	4 200	4000	3 000 0	3 000 0	4 000			4 000
Total Distribution	567 000	567 000	587 000	53 500 0	52 000 0	496 000			500 000
Sources: Rosstat [1] , All Russia Agricultural Census, and Global Trade Atlas									

[1] Revised data for 2007 was provided in 2009.

Table 3. PSD Table, Table Grapes

Fresh Grapes, Russia	Table Grapes, Fresh						(HA)(1000)(MT)		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Jul 2007			Market Year Begin: Jul 2008			Market Year Begin: Jul 2009		
	USDA Official Data	Old Post Data		USDA Official Data	Old Post Data		USDA Official Data	New Post Estimate	
Area Planted	N/A	N/A	10 500	N/A	N/A	6 900			7 000
Area Harvested	N/A	N/A	8 500	N/A	N/A	5 100			5 200
Commercial Production	N/A	N/A	30 000	N/A	N/A	24 000			25 000
Non-Comm. Production	N/A	N/A	10 000	N/A	N/A	4 000			4 000

	A	A		A	A	000			
Production	N/ A	N/ A	40 000	N/ A	N/ A	28 000			29 000
Imports	41 3 50 0	41 3 00 0	413 0 00	37 0 00 0	34 3 00 0	393 000			380 000
Total Supply	N/ A	N/ A	453 000	N/ A	N/ A	421 000			409 000
Fresh Dom. Consumption	41 3 55 3	41 3 05 3	451 00 0	37 0 05 5	34 3 05 5	418 000			407 000
Exports	N/ A	N/ A	1000	N/ A	N/ A	1 000			1 000
For Processing	N/ A	N/ A	0	N/ A	N/ A	0			0
Withdrawal From Market	N/ A	N/ A	1 000	N/ A	N/ A	2 000			1 000
Total Distribution	41 3 55 3	41 3 05 3	453 000	37 0 05 5	34 3 05 5	421 000			409 000

Sources: Rosstat [1] , All Russia Agricultural Census, Global Trade Atlas

^[1] Revised data for 2007 was provided in 2009.