



# THE Russian Market Place

U.S. AGRICULTURAL TRADE OFFICE - MOSCOW

## SEPTEMBER HIGHLIGHTS

In this edition:

- Starbucks Comes to Moscow
- Farewell from ATO Director, Eric Wenberg
- Russia TV Crew Travels to U.S
- Wine Tasting in Belarus
- Vladivostok Culinary Festival
- Potato Russia
- ATO Upcoming Events
- USDA in Russia



## Starbucks Comes to Russia

Starbucks opened their first café in Russia last Thursday, September 6, marking a great success for the Starbucks chain and the U.S. food service industry. The new café is located in Mega Khimki, a shopping center located outside the city limits of Moscow. Starbucks presence in

Moscow will enhance the image of the United States here; Many Russians mistake America as only a fast food nation.

Starbucks joins five other coffee chains in Mega Khimki and will face similarly tight competition throughout Moscow. Coffee shops have been aggressively expanding for the last five years. Starbucks opens two years after a legal issue surrounding the Starbucks trademark was resolved.

Russia is characterized as a difficult market to enter and operate in. Starbucks Manager, Mojtaba Akbari, described an extensive process to get all of their products and equipment certified. Nevertheless, Akbari said entering the Russian market was not any more difficult than his previous experience entering the market in Greece. “We are a transparent company, so sometimes it takes longer.” **Continued on Page 2**



A comment from Eric Wenberg, departing ATO Director.

*“I want to offer my thanks for three wonderful years working for USDA’s Foreign Agricultural Service in Moscow. FAS has a great staff here at the Embassy and in the consulates. Russia’s potential as a market for imported agricultural goods is just beginning to be realized. I keep wondering when the growth might slow down, only to find out that the trade is increasing again. Food service, retail, and food processing sectors are all set to double in size again over the next three years. U.S. companies need to visit and establish business while the market stays in this upswing. USDA continues its work to guarantee that Russia’s import regime complies with international practice. U.S. business deserves support for its activities abroad, and I think our office has helped grow markets for U.S. fish, seafood, grapes, apples, pears, pork, poultry, almonds, wine, and spirits. New ATO Director Dana Johnson will be hard at work soon to assist you. All the best, Eric”*

## Starbucks Comes to Russia—Continued from page 1

Although the new Starbucks has been open for just over a week, management has already noticed some interesting customer trends. The food business has been larger than expected with 30-40% of customers purchasing food with their coffee. Only 10-20% of Europeans purchase food when entering Starbucks and an even smaller fraction of Americans. Marketing director, Maria Timonina, helps explain this behavior as Russians' propensity to try new things. The high food sales can also be explained by Russia's "see it and eat it" culture.



Starbucks will be selling a variety of locally-produced foods which should look and taste familiar to Russians. They will also sell pastries and cakes from Sweet Street, an American frozen gourmet dessert company based in Reading, Pennsylvania. Starbucks usage of Sweet Street is particularly significant as U.S. exporters try to develop a reputation for food and beverages beyond the fast food industry. Starbucks is also selling their U.S.-manufactured Tazo brand teas and U.S.'s Tropicana Juice.

A 270-square feet model Starbucks kitchen and counter used to train Starbucks employees is located in Starbucks' downtown office. This will help train Russian employees, who may never have been inside a Starbucks café before, to deliver the standard Starbucks quality beverages and service. Managers have tried to create compensation packages to attract workers. In general, employees seek high hourly wages instead of packages with extensive pensions and healthcare.

ATO representative, Kristy Goodfellow, meeting with Operation Manager, Mojtaba Akhbari a few days after Starbucks opened their first café in Russia.

There are plans to open another store on Stariy Arbat, a street in downtown Moscow famous for shopping and tourists. Starbucks has already sent five Russian store managers to Seattle for extensive training. Instead of focusing on expansion plans, Akhbari seemed focused on the larger Starbucks strategy to develop individual relationship between customers and Starbucks high quality coffee.



## Russian TV Crew Travels Back to U.S.

In August, ATO's Daniil Schultz organized a second media tour with Domashniy TV, touring sites in Colorado with the U.S. Meat Export Federation, in Virginia with the Virginia Department of Agriculture, and in Washington State with the Washington Apple Commission. These shows, broadcast nationally, will feature a variety of products and places including a ranch and rodeo, a washing machine museum, crabs and fish, Jamestown, apples, a county fair, Seattle, and Cyrus McCormick farms.

## Wine Tasting in Minsk, Belarus

On September 5, 2007, the U.S. Embassy in Minsk hosted the first promotional event for American products in Belarus targeting Belarusian specialists in the wine industry and restaurant owners.

Belarus's population is 9.8 million of which 1.78 million people live in the Capital city, Minsk where the major political, economical and industrial entities are situated. The Belarusian government has been politically controversial which has hampered trade between Belarus and the United



States. Still, Belarus's Russian-fed economy grew by more than 8% in 2006. Sixty percent of all goods imported to Belarus are of Russian origin. Imports grew 33.5% in 2006.

In September, ATO marketing specialist, Natalia Comizzoli, traveled with Foreign Agriculture Service Attaché Erik Hanson to Minsk to host a wine tasting at the U.S. Embassy. The wine tasting was attended by wine wholesalers, retailers, specialists, and restaurant owners. Approximately sixty people attended including the U.S. Ambassador to Belarus, Karen Brevard Stewart.

During the presentation, it became obvious that American wines are relatively unknown in Belarus. The presentation of American wine was conducted by Veronika Denisova, one of Russia's best wine experts. Wines were donated by Marine Express, Alianta Group, MBG Impex, and almonds were donated by the California Almond Association.

Grape wine consumption is new to most Belarusians. The majority of the local population prefers to drink cheaper beverages with higher alcohol content. The most popular alcoholic drinks are vodka, vodka-based beverages, fortified berry and fruit wine and beer as a result of low incomes and tradition. Even citizens with above average incomes are still drinking stronger alcoholic beverages such as whiskey, gin or rum rather than quality wine. This tradition is changing slowly and currently grape wines can be found in almost every store that sells alcohol.



U.S. Ambassador to Belarus, Karen Brevard

Stewart, Nathan Lane head of the Political and Economic Department, and Foreign Agriculture Service Attaché, Erik Hansen



Wine tasting in the Ambassador's residence in Minsk, Belarus.

# ATO at Culinary Festival in Vladivostok



The Fourth Annual Culinary Festival brought together over 10,000 experts and professionals from the hospitality industry (hotels, restaurants, and cafés) from all corners of the Russian Far East. The American Product School organized by the Agricultural Trade Office's (ATO) Svetlana Ilyina was widely recognized as one of the most interesting events.

The new Consul General in Vladivostok, Tom Armbruster, greeted participants and organizers during the opening ceremony and was interviewed by one of the prominent Far East TV stations, TVTS. During

the interview, Armbruster stressed the importance of developing the hospitality industry as a key to regional prosperity and to attract international investment.

The ATO is a regular participant in the Culinary Festival. More than 350 attendees visited the ATO's informational booth to learn more about American foodservice products available in Vladivostok. Recipe books for U.S. poultry, California almonds, US peas, and American pork were very popular. Twenty-six new products from American producers arrived to Vladivostok a week before the festival including: sauces, canned tomatoes, other vegetables and fruits, and five different kinds of pasta for Italian cuisine. These products joined the products that have been promoted in the past: pork, cheesecakes, turkey, chicken meat, California almonds, pears, and apples.

The master classes helped attract even more attention to the ATO booth and American products. One master class was funded by the ATO and promoted almonds, American chicken quarters, and Lamb Weston's potatoes. The second class was funded by the U.S. Meat Export Federation and promoted U.S. pork. The classes attracted over 130 people. Sergey Klimenko, a famous Vladivostok chef who hosts a weekly Culinary TV program, managed to demonstrate preparation for 4-course dinners during each master class. Klimenko turned the classes into part of his regularly broadcast show which meant that in addition to him cooking, he took questions from the audience, and engaged guests in active participation.

CARGILL Co independently hosted a master class during the fourth Culinary Festival with their local partners promoting Australian beef and U.S. pork. The American presence in the Culinary Festival in Vladivostok continues to expand, hopefully resulting in growth of U.S. product sales.



## POTATO RUSSIA

The POTATO RUSSIA International Conference took place in August 2007 in Moscow, Russia. Hundreds of representatives from companies involved in potato production, breeding, chemicals, machinery, and research and development were present. It was organized as a collaborative effort of the Russian Ministry of Agriculture and the Dutch organization Europoint.



Before POTATO RUSSIA began, the Seed Potato Section of the United Nations Economic Commission for Europe (UNECE) Working Party on Agricultural Quality Standards met to discuss promotion of the UNECE Standard on Seed Potatoes.

Russia is the second largest potato producer in the world, but the average yield is still well below the global average. Low potato yields can largely be explained by the fact that 93 percent are produced on privately-owned family plots of about 0.06-4.00 hectares, farm plots do not have access to adequate farm inputs, and producers may underreport production.

The Russian Veterinary and Phytosanitary Surveillance Service (VPSS), has imposed a de facto ban on imports of fresh potatoes from the United States by declaring a list of quarantined pests and diseases that exclude U.S. exports. Because of import restriction on fresh potatoes, U.S. potatoes are primarily going to Russia in frozen form. The volume of imported potato flakes, granules, and pellets is still relatively low but growing. There is potential for U.S. processed potato exports to grow.

Potatoes are a staple food for Russians, often referred to as their second bread. Although Russian consumers generally prefer traditional potatoes with white flesh, they are warming up to potatoes with yellow flesh or red skin. Potatoes are being sold in smaller, more convenient packages. Quality and convenience are becoming increasingly important to consumers attracting them to processed products. Potatoes in Russian stores and markets are being marketed by variety.

### ATO Upcoming Events:

**Fresh Summit PMA** October 11-21: 28 Russian fruit importers will visit Houston, Texas to look at America's fruits and vegetables. Many will travel to Oregon and Washington afterwards to see apples and pears.

**World Food** September 17-21: is an excellent opportunity to introduce U.S. food and beverage products in Russia. This event is the largest international show and conference for importers, wholesalers, and food processors in Russia.

**Golden Autumn** October 12-16: is the largest Russian trade show in the area of production agriculture, organized by the Russian Ministry of Agriculture. U.S. animal, poultry and plant genetics companies, producers of high-grade feeds, animal nutrients, additives and technology are encouraged to participate.

Email [Ksenia.Evdokimova@usda.gov](mailto:Ksenia.Evdokimova@usda.gov) regarding World Food and PMA Fresh Summit or [Daniil.Schultz@usda.gov](mailto:Daniil.Schultz@usda.gov) regarding Golden Autumn

## ATO Russia

**Agricultural Trade Office  
PSC-77 AGR  
APO AE 09721**

**Embassy of the United States  
Bolshoy Devyatinskiy Per., 8  
121099 Moscow  
Russia**

**Phone: (011)7(495) 728-5560  
Fax: (011)7(495) 728-5069  
Email: [ATOMoscow@usda.gov](mailto:ATOMoscow@usda.gov)**

**In St. Petersburg,  
[AgStpetersburg@usda.gov](mailto:AgStpetersburg@usda.gov)  
In Vladivostok,  
[AgVladivostok@usda.gov](mailto:AgVladivostok@usda.gov)**

**We're on the WEB!**

**In Russia:  
[eng.usda.ru](http://eng.usda.ru)  
In Washington, DC:  
[www.fas.usda.gov](http://www.fas.usda.gov)**

**The Russian Market Place  
Editor: Kristy Goodfellow  
[Kristy.Goodfellow@usda.gov](mailto:Kristy.Goodfellow@usda.gov)**



**G R E A T  
A M E R I C A N  
F O O D**

## USDA in Russia

The Agricultural Trade Office (ATO) in Moscow, part of USDA's Foreign Agricultural Service (FAS), with the support of satellite offices in St. Petersburg and Vladivostok, works closely with importers, wholesalers and retailers to promote the import and sale of U.S. food, beverage, and agricultural products throughout Russia. The ATO conducts promotional activities to help introduce new products and promote U.S. food and agricultural products already available in the Russian market. We support the activities of USDA's foreign market development cooperators and U.S. producer and trade associations participating in the Market Access Program (MAP). In Russia, FAS operates an Office of Agricultural Affairs at the U.S. Embassy, directing all of USDA's operations and programs not only in Russia, but also in Georgia, Armenia, and Belarus. While ATO Russia supports USDA's market development efforts, the Office of Agricultural Affairs negotiates for greater market access for U.S. products in Russia, supports USDA's effort to improve Russian agriculture, and operates a reporting program.

The ATO offers a range of programs and activities that are designed to help link U.S. exporters and Russian buyers:

[Market Reports](#)  
[Trade Shows](#)  
[Trade Missions](#)

The ATO also provides the following services:

Arrange appointments for first-time visitors

Organize trade team visits

- ✓ Coordinate participation in trade shows, seminars and other activities where U.S. exporters can meet Russian importers;
- ✓ Provide advice on market development cooperation;
- ✓ and provide briefings on Russia's import regulations, trade volumes and marketing channels