



# THE Russian Market Place

U.S. AGRICULTURAL TRADE OFFICE - MOSCOW

## MARCH HIGHLIGHTS

Opportunities in Food: Talking with the Russian Restaurant Industry's Dmitry Pronin

### The Industry

- The New Russian Consumer
- Fruit Trade: Ripe for Growth
- Alcohol Update

### News and Notes

- Culinary Classes
- New Russian TV Series Sparks Interest in American Foods

United States – Russian Trade Through December 2007

Other Happenings: NRA Pavilion and U.S. Seafood Reception

USDA in Russia

ATO Upcoming Events

## Fine Dining and Fine Foods

Dmitry Pronin, Manager of Filomonova and Yankel Fish House, has been in the restaurant industry in Moscow for over 12 years. During that time, he has seen a lot of changes in both the way the industry operates and consumer tastes. The Russian Market Place visited with him about his restaurant, food trends, and his views on changes in this growing industry.

Fish House has been tremendously successful, along with its partner steakhouse chain Goodman, named for jazz clarinetist Benny Goodman. The restaurants are fully Russian-owned and managed. I asked Dmitry how they position both Fish House and Goodman in the market. He says that they provide a very high quality product at moderate prices, and that both Fish House and Goodman Steakhouse are accessible for a large segment of the population. Goodman is celebrating the opening of its 5<sup>th</sup> restaurant in Moscow, and there are four Fish House locations. The new restaurant just opened at the European Trade Center, Moscow's newest and Europe's largest downtown mall, with over 320 shops. There are plans to open a Goodman in St. Petersburg within a few months, and southern Russia in late 2007 or 2008. There are also plans underway to open a Goodman location in London!

Both Goodman Steakhouse and Fish House have menus that resemble their North American counterparts. This is in contrast to traditional Russian menus that may feature 30-40 different main courses alone! Dmitry prefers to have fewer, consistently good offerings. New dishes are introduced through daily specials, but changes to the main menu are not frequent.

He consistently mentions that the restaurants have been successful because of its reputation for quality, and that preserving this is the most important element in their business plan. When selecting ingredients and dishes, he is always will to pay more to get the best. (continued on page 2)

## Fine Dining and Fine Foods (Cont.)

Consistency in the ingredients is also a concern, and Dmitry says that they must work with a variety of distributors to procure a high quality, consistent product. He is very proud of the fact that they import their cheesecake from Brooklyn, New York!

Dmitry says high quality products can be found in Russia, but the price is high and consistency is a problem. Restaurants pay for local transportation costs of products. Since freshness and quality are such key issues, he prefers to order in small shipments without a large assortment to ensure a high turnover of stock.

At both Goodman and Fish House, the meat makes the meal. While they strive for quality in all areas of the menu, fish and steak reign supreme.

“No exotic fish on the menu! That way we can make sure there is fresh fish every day. We use a lot of sea bass and trout. Smoked fish is very popular, but grilled and pan-seared dishes are also sell well. It depends on the texture and flavor of the fish. Lobster is very popular. We usually sell 600g. lobster tails at Fish House.”

Wine and spirits are another area of opportunity for restaurants and American suppliers. There is a noticeable lack of American wine on the list:

“We get most of our wine from Italy and Chile, because of the price. Some European wine is too expensive. We used to sell Australian wine, but not anymore. It didn't sell. We would like to sell some American wines, but we don't work with anyone who carries it. Russians aren't aware that America produces quality wine.”

When asked about current trends in Russia, Dmitry says that there are more professional managers with experience and that the restaurant business in Russia is becoming more service oriented. He sees a constant quest for improvement, both in product offering and management style. Unlike in the Soviet era, Russia today is a quality conscious market. At the end of our discussion, I asked Dmitry what he thought the secret to their success was:

“Always get the best quality you can find, even if the price is higher. That is what makes our reputation. If the quality is not there, we lose face with the customer.”

Good advice for any just about any business!



John Folse, a featured chef in the new television series (see page 3) talks to our Marketing Specialist Danil Schultz and the film crew.



Dr. Alexander Baturin, ATO Director Eric Wenberg, and Consul General Mary Kruger present the Program on U.S. Food Quality and Safety in St. Petersburg in January.



Several local journalists participated in the press conference and presentations designed to promote healthy nutrition.



The Russian delegation at Fresh Summit included Ksenia Evdokimova, Svetlana Rusakova, Udzhar Mamedov, Dilbar Salikhova, Elena Yurova, Andrey Kolchevnikov, Olga Verevkina and Igor Khavak.

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## The Industry

### The Changing Russian Consumer

Russia's appetite for consumer goods is increasing faster than any economy in Western Europe! Decreased unemployment and lower interest rates are making Russians more confident in their economy, and household spending is matching this confidence. In fact, Russians spend a higher proportion of their disposable income on food (46%) than any other European nation. Traditionally, Russians entertain at home, but dining out is becoming a popular option. Either in retail or restaurants, the market for fresh, high-quality food products is large, and getting larger.

### The Fruit Trade: Ripe for Growth

The USDA organized a Russian delegation to the recent Produce Marketing Association's Fresh Summit trade show. As a result, Russian importers met one-on-one with a variety of US fruit producers, and an assortment of fruits were ordered. Ideas on packaging and marketing were also exchanged between American producers and Russian importers with the hopes of increasing sales of premium products.

The best news to come out of the Fresh Summit show is that fresh fruit opportunities in Russia are expected to triple by 2010, with total U.S. sales topping \$125 million. During a workshop, Mr. Matthew Tripodi, a client-relations manager with Euromonitor, extolled the market potential and mentioned that apples, pears, grapes, stonefruits, and nuts such as almonds, hazelnuts and pistachios have the greatest growth opportunities.

Fresh fruits face competition from European producers, but the high quality and variety of American produce offers a competitive advantage. The vast majority of imports will be consumed on the Moscow and St. Petersburg markets, and importers note that Russian consumers respond well to marketing. Any producer hoping to sell to the Russian market should be prepared to assist the importer and distributor with marketing. The ATO St. Petersburg is very active in its fruit trade mission, and is working with importers and distributors of American fruits. For more information, contact Ksenia Evdokimova at [ksenia.evdokimova@usda.gov](mailto:ksenia.evdokimova@usda.gov).

### Alcohol Update

The Russian government has recently made changes to its laws regarding wines and spirits. A new resolution, Number 132, was issued at the beginning of March and now allows importers to apply the necessary excise stamps to wine and spirits held by wholesalers. While this resolution addresses one of the issues with alcohol imports, importers report that the excise stamps are difficult to obtain. All bottles must be stamped before a March 31 deadline. The ATO Moscow has issued a notice to exporters that any exporter who is aware that a Russian importer holds unstamped, U.S. origin products should contact the ATO Moscow immediately. [atomoscow@usda.gov](mailto:atomoscow@usda.gov)



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## News and Notes

### Culinary Master's Classes Increase Awareness and Appetite

A series of master classes have been organized by ATO and feature a number of highly regarded Master Chefs. These classes are held in a variety of locations throughout Russia and are designed to increase awareness of the quality of U.S. foods, and draw attention to American cuisine. A December demonstration at the Culinary Festival in Moscow attracted overflowing crowds, and featured American lobster, poultry, and Southwestern cuisine. The chefs also directed audiences to [www.usfoods.ru](http://www.usfoods.ru), a website informing Russian consumers about the food safety system and quality checks in the American system, along with providing nutritional information and recipes. The website is a global based initiative of the MAP program involving five U.S. associations from the poultry meat, pea and lentil, apple and pear industries. Future classes are scheduled in Kaliningrad, Kazan, and Yekaterinburg. For more information, contact the ATO Moscow.

### New Russian TV Series Showcases U.S. Foods

This past January and February, Daniil Schultz, Marketing Specialist at the ATO Moscow organized a tour of the U.S. in collaboration with Domashniy Television Network and American trade associations, including the U.S. Poultry and Egg Export Council, Distilled Spirits Council U.S., the Southern United States Trade Association and Jackson Wine Estates. They executed a unique television project, which will result in 14 television shows that will run in the spring on Domashniy TV starting March 10. About 10 million people throughout Russia and the Commonwealth states will view the programs. One of the main goals of the project was to promote American products in Russia, and to provide a cultural perspective to traditional American recipes and celebrations.



Daniil talks to vintners at the Hartford Winery in California to get the perfect shot!

The program “Foreign Fancies” has one of the highest ratings on the Domashniy network, which is oriented toward families, housewives, businessmen and their homes. The group toured poultry farms in Georgia, wineries in California, and many other locations. Each episode tells the story of a product and the people behind it, and emphasizes the quality of American products. With a new episode appearing each week during the spring, Russian consumers are sure to be interesting in new US products and recipes. In fact, the project was so successful that a second season is in the works. For further information, contact Daniil at [daniil.schultz@usda.gov](mailto:daniil.schultz@usda.gov).

### Other Happenings

- USDA is sending a Russian delegation to the National Restaurant Association show in Chicago from May 19-22. There, the Foreign Agricultural Service is hosting an “American Food Fair” pavilion featuring unique food specialties and products from across the U.S. This provides another opportunity to producers to make contacts with international distributors and importers. The trip will support U.S. Food Export Northeast, and follows up a buyers’ mission to the Boston Seafood Show.
- On April 19<sup>th</sup>, the U.S. Embassy Deputy Chief of Mission Dan Russell will host a U.S. Fish and Seafood reception in Moscow. This event will feature American scallops and lobster, and will also showcase a variety of American wines. Over 50 people from restaurants, hotels and the media are expected to attend.

## U.S. Food Quality and Safety Programs

On January 30, the U.S. Food Quality and Safety Program was unveiled in St. Petersburg. This program was attended by over 80 guests and featured presentations by Eric Wenberg, Director of the ATO Russia, Consul General Mary Kruger, and Program Spokesperson Dr. Alexander Baturin. The event caught the attention of the local media, and generated a great deal of positive press about the quality and safety of American foods. Importers also mentioned [www.usfoods.ru](http://www.usfoods.ru) as a helpful place to guide customers for additional information. The website is now one of the most frequently viewed nutrition websites in Russia with over 200 unique visitors each day.

## United States Exports to Russia Through 2006

JANUARY - DECEMBER | JANUARY - JANUARY  
VALUES IN 1000 U.S. DOLLARS | COMPARISONS

	2002	2003	2004	2005	2006	2006	2007	CHANGE	
POULTRY MEAT	373,021	383,513	534,454	669,667	462,486	49,317	20,588	-58.3%	
RED MEATS, FR/CH/FR	79,613	60,546	38,812	67,800	157,475	4,672	8,020	71.7%	
OTHER INTERMEDIATE	15,792	38,615	31,044	40,133	48,074	3,286	3,758	14.4%	
SEAFOOD AND PRODUCTS	10,844	10,601	25,030	41,790	44,591	1,174	2,348	100.0%	
TOBACCO	11,998	6,814	71,212	65,762	33,518	3,229	1,908	-40.9%	
TREE NUTS	8,251	16,841	27,404	34,279	31,644	4,397	5,378	22.3%	
OTHER CONSUMER	7,210	23,356	32,760	23,571	14,960	528	1,230	133.0%	
PEANUTS	762	760	1,448	1,693	12,783	148	666	350.0%	
FRESH FRUIT	1,514	2,139	6,327	9,994	10,806	1,479	1,399	-5.4%	
SNACK FOODS	3,433	7,968	15,049	9,192	10,291	599	1,192	99.0%	
PET FOODS	650	1,046	2,365	4,697	7,842	214	676	215.9%	
SOYBEAN MEAL	23,033	12,454	5,126	4,534	6,749	20	1,145	5625.0%	
PROCESSED FRUIT & VEG	5,931	4,404	5,519	4,834	6,298	372	2,024	444.1%	
PLANTING SEEDS	153	358	1,122	4,872	4,794	1,999	2,267	13.4%	
DAIRY PRODUCTS	826	704	1,386	4,792	4,658	120	788	556.7%	
HIDES & SKINS	163	468	966	5,036	4,344	526	481	-8.6%	
RICE	630	1,716	1,766	2,397	3,069	311	14	-95.5%	
WINE, BEER AND SPIRITS	1,185	1,118	1,810	2,200	2,743	0	134	-	
FRESH VEGETABLES	470	381	699	1,089	303	0	0	-	
<b>TOTAL</b>	<b>545,479</b>	<b>573,802</b>	<b>804,299</b>	<b>998,332</b>	<b>867,428</b>	<b>0</b>	<b>72,391</b>	<b>54,016</b>	<b>-25.4%</b>

SOURCE: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

- U.S. poultry is one of the most important exports of the United States to Russia, and generally shows vigorous growth. However, sales were down in 2006 due to a change in Russian import certificate requirements that delayed shipments. Poultry sales are expected to recover in 2007.
- Seafood is another area of growth, and includes frozen whole fish, fillets, crab, mollusks and crustaceans, and fish paste. Sales have been increasing every year, and industry experts are predicting increased volume in scallops, fillets and crustaceans.
- In the “Other Intermediate” category, products include animal offals, protein isolates, essential oils, and vegetable thickener. “Other Consumer” products include seasonings, prepared sauces, vinegar, coffee, peanut butter, pasta, non-alcoholic beverages, and prepared frozen foods.
- Russia imported over \$21 billion dollars worth of food and agricultural products from all origins in 2006.

## ATO Russia

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## 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:

- [Trade Leads](#)
- [Buyer Alert](#)
- [Foreign Buyer Lists](#)
- [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 project plans of U.S. business groups, trade associations and USDA market development cooperators; and provide briefings on Russia's import regulations, trade volume and marketing channels.

### ATO Upcoming Events

#### March 22

U.S. Foods Master Class, Kaliningrad

#### March 27-28

USDA Food and Nutrition Service visit to Russia

#### April 19

U.S. Fish and Seafood Promotion and Reception

#### May 15

U.S. Food Master Class, Yekaterinburg

#### May 19-22

National Restaurant Association Show in Chicago Illinois

#### September 14-46

Vladivostok Culinary Show

#### September 18-21

World Food Moscow, U.S. Pavilion

#### October 12-16

Golden Autumn, U.S. Pavilion for production agriculture: genetics, seeds, and other products