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Russian Organic Market Continues to Grow

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Approved By:
Deanna Ayala, ATO Director
Prepared By:
Olga Kolchevnikova, Marketing Specialist

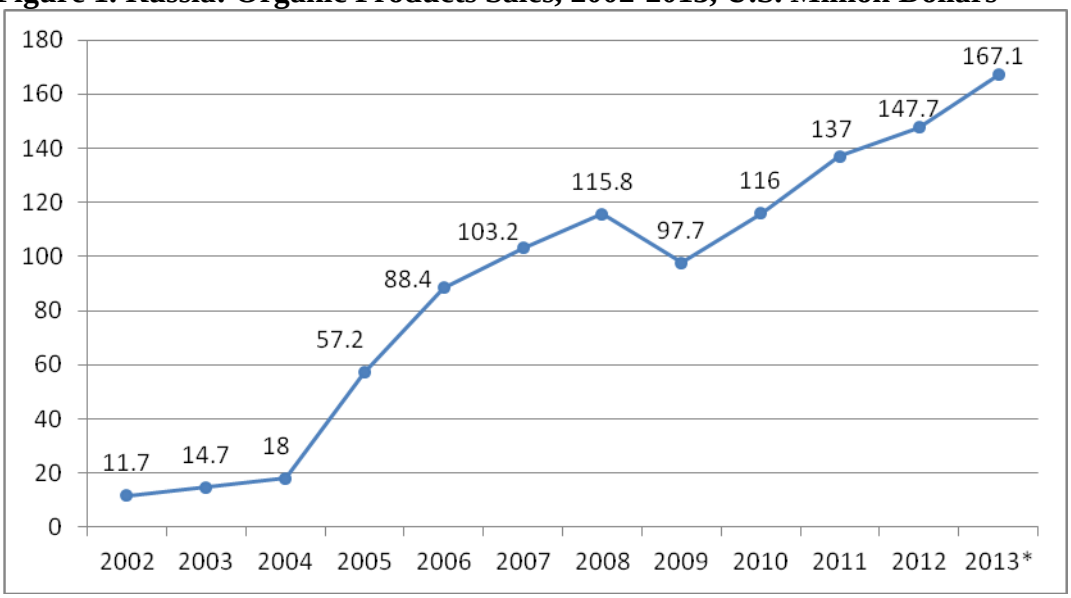
Report Highlights:
In 2012, organic sales in Russia reached $148 million which is 7.8 percent growth compared to 2011. The lack of a Russian certification system continues to be a challenge to the steady expansion of demand for Russian organic food. Absent this, Russian producers keen to operate in the organic food market under the auspices of an official organic certifying body have to obtain official certification from third countries (e.g. the United States or EU) or to import the products from abroad which increases the final prices significantly. In 2012, Russian industry and government collaborated on a draft law on the production of organic agricultural products that was introduced by the Russian Ministry of Agriculture in November 2012. The law is anticipated to come into force in 2015. This is expected to boost development of the Russian organic market in coming years and provide a benchmark for consumers who buy products labeled, “organic”. Experts estimate future sales of organic products could reach $167 million in 2013 and up to $225 million in 2015. This growth will be also driven by new product development, improved distribution and increasing demand from more affluent Russian consumers.

General Information:

Section I. Market Overview

Russia's organics market is in the early development stage but it is quickly expanding. In 2012, organic sales accounted for about $148 million which is 7.8 percent growth compared to 2011. Nevertheless, organic packaged food remained one of the smallest categories within health-positioned food in Russia, accounting for about a 0.2 percent share of total packaged food retail sales in the Russian market in 2012. This is mainly due to high prices of organic products and the lack of a national certification system in Russia. A national certification system, slated for 2015, is expected to boost development of the Russian organic market in the future.

Figure 1. Russia: Organic Products Sales, 2002-2013, U.S. Million Dollars

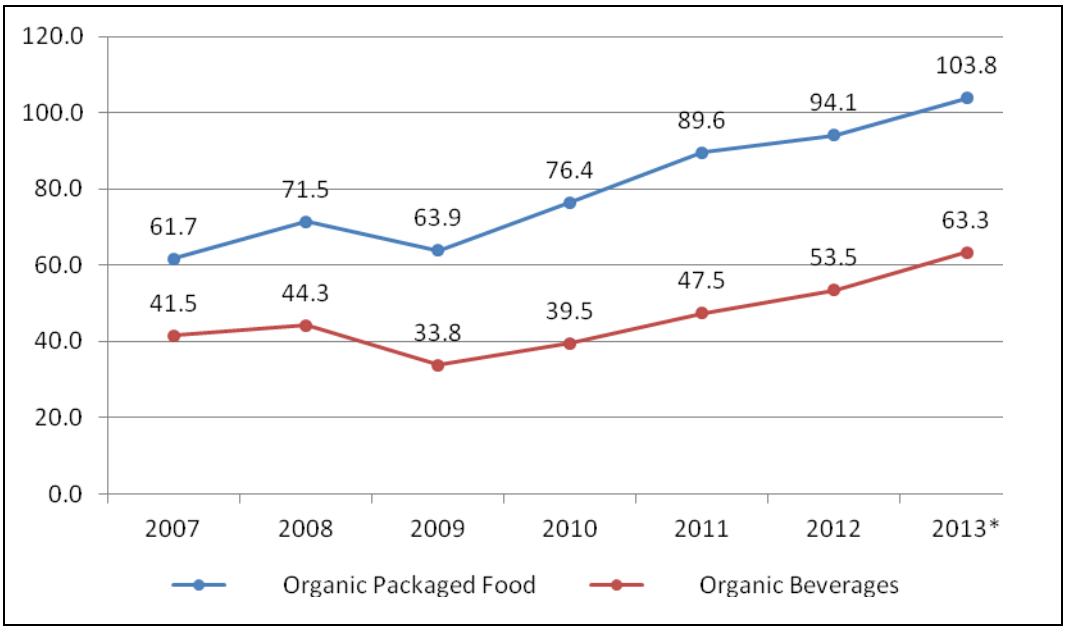


Source: Euromonitor International from trade sources/national statistics
*- Forecast

Currently, most organic products in Russia are imported from EU countries, e.g. Germany, France and Italy, and positioned as premium or super-premium. They are sold in specialized stores in areas where upper income Russians live, as well as other premium retail chain outlets like Azbuka Vkusa and Globus Gourmet in Moscow, which are well known for the distribution and promotion of value-added green and healthy products. Organic goods are typically 20 to 400 percent more expensive than their conventional equivalents and they account for two to seven percent of supermarket sales.

The main consumers of organic food in Russia are high-income urbanites, largely in Moscow and St. Petersburg, who tend to be aware of their diet. Currently, Russian consumers have no reliable standard to refer to when purchasing organic foods.

Figure 2. Sales of Organic Products by Type, 2007-2013*, U.S. Million Dollars



Source: Euromonitor International from trade sources/national statistics
*- Forecast

As disposable income levels continue to rise for more Russian people, it is expected that in coming years they will be ready to pay more for ecologically sound and so-called "natural" products. Growth in green and organic products is expected to be most significant in the larger cities, such as Moscow and St. Petersburg, where consumers are wealthiest and most open to following Western trends. An increasing interest in health issues among consumers, partly in the run-up to Russia's hosting of the winter Olympics in 2014, will offer retailers new opportunities to market health-related goods and services.

Rising consumer incomes and the development of the organic legislation will not only help to strengthen consumer demand for organic food and beverages, but also encourage manufacturers to step up investments in new product development and marketing campaigns. Multinationals are likely to play a leading role in this regard, but there will also be plenty of opportunities for smaller domestic companies, particularly in less well-known and niche categories that are still underdeveloped.

Overall, organic packaged food sales are projected to grow by 30 percent in retail volume over the 2010-2015 periods, according to Euromonitor International estimations. Value sales are forecast to total $225 million in 2015. This growth will be driven by new product development, improved distribution and increasing demand from more affluent Russian consumers.

Section II. Market Sector Opportunities and Threats

Exporters should review some of the advantages and challenges of the Russian organic market (please see Table 1 below) when considering their marketing strategy.

Table 1. Russia: Advantages and Challenges for U.S. Exporters of Organic Products

Advantages	Challenges
Population of 143 million people who are potential consumers. Significant number of consumers can afford purchasing high-quality food products.	Large group of poor and low-income population. Per capita spending in the regions outside Moscow and St. Petersburg remains quite low.
U.S. companies can supply a range of high-quality and innovative organic products, many of which are yet to be sold in Russia.	Strong competition with European organic producers and exporters, who can more quickly supply the Russian market. Several supermarkets already stocking organics have strong links to Europe.
Russian Government policy aimed at improving food safety and quality standards should result in the introduction of a unified organic certification system in coming years.	Currently, no unified and official system for organic certification in Russia. Lack of general development concept and regulations on organic farming. USDA certified products have to compete with products that might be following less strict requirements, due to lack of regulations governing the term organic.
Changing consumer preferences in favor of healthy eating and choosing high quality natural products.	Lack of knowledge of what exactly organic products are.
With consumer interest in organics on the rise, the penetration of organic products in more mainstream supermarkets/hypermarkets chains is improving steadily.	At present, imported organic products are offered mainly by a few elite organic supermarkets and specialized stores.
Development of the mass grocery retail industry. In general Russian retailers are open to new healthy and organic products in order to attract customers. Development of internet retailing.	Spontaneous development of major retail chains in Russia without planned diversification of organic products import.
Unlikely that domestic organic production will take off in the near future. Low interest in organic farming in Russian regions with favorable conditions for it; poor social advertising which results in misunderstanding of the essence of organic farming by many agro-enterprises, and lack of governmental support to organic farmers.	Great potential for organic production, as extensive areas of the country have never been subjected to agrochemical treatments.
Paying in dollars is advantageous for exporting to Russia compared to Europe due to the lower cost of the dollar relative to the euro.	High price of imported organic products.
Russia's accession to the World Trade Organization (WTO) is expected to create positive changes that will provide a more predictable trade environment for the U.S. companies.	Competition with products imported from EU and other countries may rise.

Main Obstacles for Developing Organics in Russia

There are three main obstacles for expansion of the organic market in Russia – high prices of organic

products, the lack of certification system and the lack of general knowledge about organic products. According to CIS Insight, a survey held in several Russian cities (including Moscow and St. Petersburg) showed that the main obstacle to the expansion of the Russian organic food market is the price gap between conventional and organic food. Since more than 90 percent of organic products in Russia are imported the cost of these products on the shelf is significantly higher due not only to the organic nature of the products but also to transportation expenses, customs fees, etc.

Another significant obstacle is that Russians do not trust to local systems of certification. This stems from the post-perestroika era when more than half the product labels and lists of ingredients did not correspond to the facts. According to market research conducted by AgriCapital, about 60 percent of the customers in Moscow supermarkets are willing to pay more for products if their packaging contains a special “organic” sign. The survey also shows that currently 45 percent of Russian manufacturers place on their labels the words “BIO”, “natural” or “eco friendly” without any appropriate certification. As usual, suppliers set the price for these products 20-35 percent higher. Only 54 percent of respondents answered “yes” to the question “Do you trust the information on the package which says that the product is “natural”, “eco friendly” or “organic”?” Customers need reassurance that products sold as organic have indeed been produced using organic methods which must be defined and protected by a federal law. Development of organic legislation and certification is expected to satisfy the demands of most of the population.

The last obstacle for developing the organic products market in Russia is the lack of general knowledge about organic products both at the governmental level (there are no statistics of existing organic production initiatives in Russia) and at the consumer level (barely half of the respondents of the survey are know the meaning of organic labeling). As part of the draft law the Government f the Russian Federation plans to educate consumers and producers about organic farming and organic labeling which is expected to increase the consumers’ demand for organics in coming years.

Legislation

Sanitary requirements for organic food production came into force in July 2008, issued by Rospotrebnadzor, the Russian consumer safety regulatory and monitoring body. However, there were no clear rules for the labeling of organic products and no official certification system or certifying agency. As a result, Russian producers keen to operate in organic food have to obtain official certification from third parties, e.g. the United States or the EU, in order to label their products as officially certified bio or organic, and be able to export them outside Russia.

In November 2012, as a result of collaboration between the Government of the Russian Federation and organic food suppliers, the Russian Ministry of Agriculture published the draft law "On the Production of Organic Agricultural Products and Amendments to Legislative Acts of the Russian Federation". A definition of organic products, where its main feature is compliance with the requirements of national or international standards of organic agricultural products, is provided in the draft law.

According to the law, in order be able to put an "organic" or “bio” label on packaging it is necessary to pass a voluntary certification. At this stage, the specific requirements of that certification have not been laid out. The development of a national standard will begin after the draft law's approval by the State Duma. Until then, government experts are studying U.S., European and Japanese certification schemes for organic products. The committee reports that harmonization of international and national standards is their main task. The law also covers issues related to state support of the production of organic agricultural products by means of directed lending, risk hedging, and informational and methodological

support of production. The draft law also provides amendments to be made in a wide range of federal laws. The law is expected to come into force in 2015.

To find more information on this topic as well as to see unofficial translation of the draft law please follow the link: http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Development%20of%20a%20National%20Standard%20for%20Organic%20Products%20in%20Russia_Moscow%20ATO_Russian%20Federation_2-8-2013.pdf

Profile of Organics Consumers

In Russia, the main consumers of organic food and beverage products are mid-to-high income urban dwellers. These consumers tend to be well educated and thus more knowledgeable about how diet influences health and more aware of environmental issues. Organic foods are perceived to be healthier than non-organic and as a result, some consumers are willing to pay higher prices organic products.

The Comcon Company, a market research firm, found that the largest consumers of organic products in Russia are:

1. consumers between the ages of 25 and 45;
2. highly educated;
3. high and middle class; and
4. residents of Moscow or St. Petersburg.

The following factors influence consumer purchases of organic products:

1. greater disposable income;
2. concern for their health and fitness;
3. concern for their children's health;
4. reduced level of free medical services;
5. negative publicity about genetically engineered (GE) ingredients in food;
6. negative publicity about "unhealthy" ingredients in packaged food;
7. negative publicity about the use of chemicals in traditional agriculture; and
8. publicity from Western cultures that brands an organic lifestyle as "fashionable."

Supply of Organic Products

For consumers looking for organic, natural and eco-products there are four possibilities to buy them: open-air markets, the newly created farmers' cooperatives (most of them provide internet sales and delivery services), specialized organic stores, and high-end supermarkets.

One of the most typical ways to buy fresh grocery products in Russia remains local open-air markets. Fruit and vegetables, meat and dairy products presented at these locations are grown locally, sold at reasonable prices and have a reputation as fresh and "natural" products. These unpackaged artisanal foods have an excellent reputation for quality, and though they are not labeled "organic", they are generally considered to contain fewer potentially unhealthy ingredients (e.g. additives, preservatives and various chemicals) than packaged food products. As a result, they pose a real competitive threat to premium-positioned naturally healthy packaged food products. The issue is particularly relevant for meat and dairy products. This is because a significant number of Russian farmers continue to rely on wild pasture to feed their cattle. The meat thus provided is not organically certified but is generally not

treated with chemicals, relatively low in price and regarded as fresh and high in quality by most Russian consumers.

However, according to Russian Statistic Committee (Rosstat), open-air markets continue to decline in popularity and are losing market share to modern retail formats. The share of open-air market sales is about 12 percent of total retail sales and steadily shrinking. Local authorities are currently working on closing the markets (through which smuggled, counterfeit or unsanitary products are known to be sold) in favor of constructing modern grocery stores. In Moscow, for example, the authorities intended to close 19 open-air markets by the end of 2012.

A new trend is now developing in Russia's big cities -- locally grown farm food sold in online stores or ordinary shops. Overall, the target audience of these stores is affluent consumers with strong awareness about freshness and quality and in certain cases interested in organic food. These new "eco" stores (also called farmers' cooperatives) offer all types of grocery products which are grown locally: meat, poultry, dairy products, vegetables, as well as homemade processed food e.g. flour, pasta, jam, pickles, etc.

For example, Lavka (http://lavkalavka.com/) is a natural food grocery store, a restaurant and an on-line delivery service. As one of its founders, Boris Akimov, explained to the Voice of Russia, Lavka is a "cooperative service which gets farmers together at a regional level around the cities where we deliver food (Moscow, St. Petersburg and Kaliningrad)". This company also promotes values such as family, self-reliance and personal relationships. For example, on Lavka's website customers can find a picture and a short story about the farmer and the farm where the vegetables on sale have been grown. It is even possible to meet with the farmer or to chat with him/her online.

Another example is Vse Svoe ("It's All Yours", http://www.vse-svoe.ru/) a company representing small farmers and private growers. It supplies natural products grown by local farmers to retailers and directly to members of the Vse Svoe Club, who can register on the company's website. Vse Svoe in collaboration with Michurinsky Agrarian University has developed its own organic quality standards. Products are grown without the use of pesticides and animals do not receive growth regulators or synthetic/artificial feed.

Most online farmer's shops provide delivery of fresh products to Moscow three times a week. The price for farmers' products usually is much higher than for their conventional equivalents. For example, the price of "organic" beef sold under brand Vse Svoe ranges from $200 to $500 per kg. Representatives of these stores explain that this is due to the fact that the farmers work under high-quality standards and the products are extremely fresh which requires a complex logistics system.

As for buying truly organic products only two options exist -- specialized all-organic stores and high-end supermarkets e.g. Azbuka Vkusa and Globus Gourmet. Most of them offer imported organic products from the EU countries, particularly Germany, the United Kingdom, France, Italy, and Belgium. Organic products from the United States are present in the market, particularly for baby food.

One of Russia's most notable specialist retailers in this regard is Bio-Market (formerly Grunvald), the only chain in Russia dedicated to selling organic products. Another prominent company selling organic food and beverages is Arivera which specializes in wholesale and internet sales. A wide choice of organic products can also be found in these retail chains: Perekrestok Green, Metro Cash&Carry, Seventh Continent and others. Below you can find more information on the retail channels for distribution of organics in Russia.

The main retail channels for organic products distribution

1. Specialized Stores

Bio-Market is Moscow's only all-organic supermarket chain consisting of two stores. Eighty percent of people who shop at Bio-Market do so specifically because the products are organic. Bio-Market offers about 3,500 organic SKUs, including pasta, processed meat, handmade chocolates, packaged grocery items, beauty products, etc. The chain not only sells organic products, but also seeks to educate consumers on what they view as the health benefits of organics via in-store nutrition and diet consultations, tasting events, games for children and cooking presentations. Bio-Market also has a website that provides consumers with a wide range of informative articles about healthy eating and the potential health benefits of different types of food.

In 2010, Corporation "Organic", which is Bio-Market's owner, introduced to the Russian market the first organic dairy products "Eto Leto" ("This Is Summer") certified in accordance with European organic standards. The product line includes milk, cottage cheese, sour cream and yogurt. The products are manufactured in the suburban farm "Spartacus" which is located 180 km from Moscow. The organic farm was launched by Corporation "Organic" in 2006 and after four years this farm was given the European organic certificate issued by Swiss certification company bio.inspecta. Currently all these dairy products are available at the Bio-Market stores. The cost of each product is 99 Rub per package (approx. $3.30).

As for future development, according to the company's management, instead of relatively expensive brick-and-mortar supermarkets, Bio-Market is going to actively expand its internet and delivery sales.

Arivera carries a wide range of organic products imported from European manufacturers like Alce Nero (Italy), EOS BIO (Germany), Simon Levelt (Holland) and others. The main sales channels for Arivera are premium level retail chains in Moscow, St. Petersburg, the Urals, Siberia, the Far East and South Regions of Russia. Along with wholesale activities Arivera has an internet shop and provides home delivery.

2. Internet Shops

Russian consumers are not accustomed to shopping for groceries online, and they rarely use the internet for this purpose. It is still perceived to be less stressful and less time consuming to visit the local supermarket than to shop for groceries online. One of the obstacles to the faster development of grocery internet retailers is the underdeveloped system of e-payments, related to the scarce use of credit cards. Currently most e-shop operators accept cash on delivery only. Russian consumers do not trust e-payments. Only 10 percent of e-shops offer the option to pay by debit/credit cards. However, significant annual growth in Internet sales in recent years shows that online grocery retailing has great potential.

Online sales of organic products are becoming more and more popular because shoppers can avoid the current high mark-ups at the retail level. At present, the consumer base for such services remains limited to the major cities, where debit and credit cards are more common. Internet sales account about 6 percent of total organic sales.

Several websites selling a wide range of organics entered the Russian market during 2009-2012. Most of them provide home delivery. The e-shops that serve the organic sector in Russia are concentrated in Moscow and St. Petersburg, including: www.arivera.ru, www.biogradproduct.ru, www.biovkus.ru, www.bionadom.ru.

3. Supermarkets

A wide choice of organic products can found in these retail chains: Perekrestok Green, Metro Cash & Carry, Globus Gourmet, Azbuka Vkusa, Seventh Continent and others. Supermarkets carry a wide range of organic products. There you can find sunflower butter, cereal, pasta, buckwheat, marmalade, ketchup, juice, tea, fruit and vegetables and various other goods. Some stores like Globus Gourmet have a special organic department. On average, organic products occupy one to three percent of shelf space. Two to five percent of Globus Gourmet customers shop there specifically for organic products, and that number is increasing. Those consumers purchase a typical amount of products, accounting for two to five percent of total sales.

Beyond Moscow the distribution of imported organic products is quite limited. In St. Petersburg sales are generally focused on the supermarket chain Land. Imported organic meat brands sold through Land supermarkets include names such as St. Sever. St. Sever organic food products are manufactured by a French farm which specializes in the production of organic chicken. Other imported meat products available in St Petersburg include fresh lines marketed as organic but sold unbranded. Some examples include Australian prime rib-eye steaks and New Zealand veal. In both cases, the products are positioned at the super-premium end of the market and target mostly affluent consumers.

Organic food has also started to become available in private label formats. Auchan, a multinational retail chain, and one of the leading retailers in Russia, has started to import private label organic food in an attempt to develop the organic packaged food category in Russia. Organic dried pasta, organic canned/preserved ready meals and vegetables and organic sauces, dressings and condiments are available under the Mieux Vivre (Better Living) private label line at reasonable prices.

4. Pharmacies

Pharmacies carry a more limited range of organic products. They often have organic diabetic products, low-calorie products, baby food, juices, soft drinks, and cosmetics.

Figure 3. Russia: Distribution Channel Flow Diagram

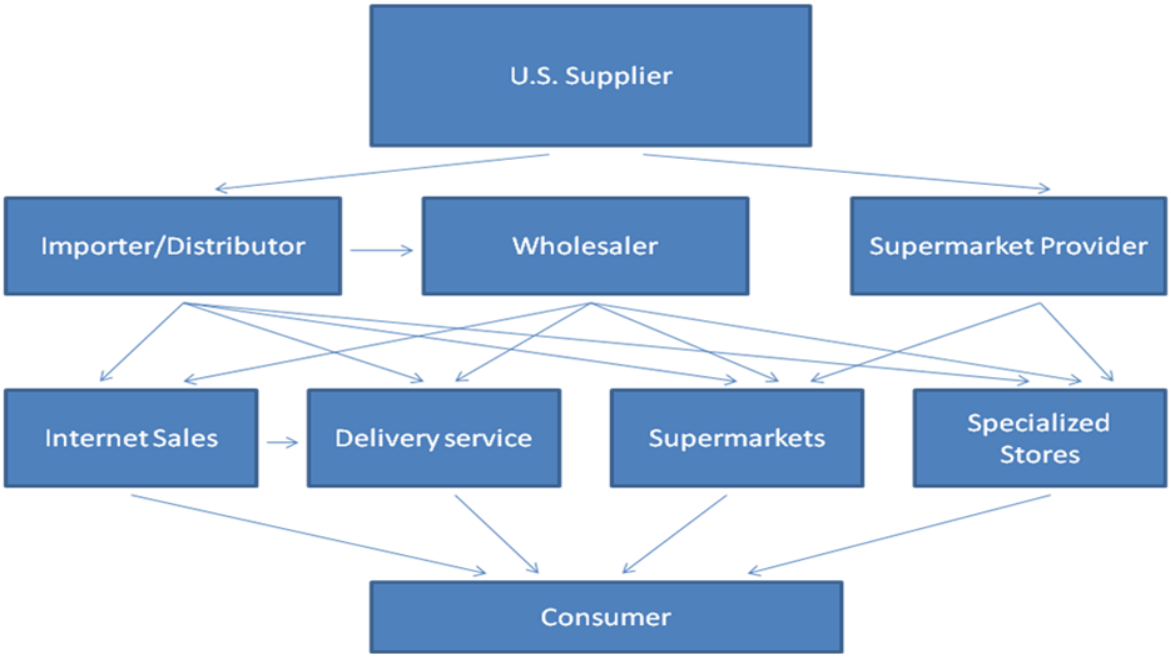


Table 2. Russia: Distribution of Organic Products, % breakdown

Outlets	2008	2009	2010	2011	2012
Store-Based Retailing	95	95	94.7	94	93.7
Grocery Retailers	33.1	30.2	30	30.5	33.6
Hypermarkets	1.2	2.4	3.2	4.7	6.7
Supermarkets	29.9	26.1	25	24.1	24.4
Discounters	-	-	-	-	-
Convenience Stores	-	-	-	-	-
Independent Small Grocers	1.9	1.7	1.7	1.7	2.5
Forecourt Retailers	-	-	-	-	-
Other store-based retailing	61.9	64.8	64.7	63.5	60.1
Other Grocery Retailers	61.9	64.8	64.7	63.5	60.1
Non-Grocery Retailers	-	-	-	-	-
Non-Store Retailing	5	5	5.3	6	6.3
Vending	-	-	-	-	-
Homeshopping	-	-	-	-	-
Internet Retailing	5	5	5.3	6	6.3
Direct Selling	-	-	-	-	-
Total	**100**	**100**	**100**	**100**	**100**

Source: Euromonitor International from trade sources/national statistics

Domestic Production of Organic Products

Russia is the largest country in the world, with enormous areas of agricultural lands, famous natural rich fertile black soils, cheap cost of rural labor and a low level of chemicals usage. It is a perfect place for organic agriculture.

According to IFOAM's (International Federation of Organic Agriculture Movements) report of April 2009, in Russia there are 3.58 thousand hectares certified in accordance with EU Regulations, however 2.27 thousand hectares of this area, or 63.4 percent, are still being converted. State data doesn't include data on organic farming in its reports.

In 2010, AGROSOFIA listed 50 certified organic Russian farms, mainly in Russia's black earth zone (Kursk, Tula, and Belgorod), Siberia (Omsk and Novosibirsk), north-east Russia (Arkhankelsk City), and southern Russia (Stavropol). Russia exports organic buckwheat, millet, alfalfa, flax, and wildly grown products – including wild berries, mushrooms, cedar nuts, and herbs – to a variety of countries. Russia also exports organic wheat to the EU.

There is interest in expanding Russia's organic exports to EU countries which also represent further platform for prepared and processed organic foods. Currently, industry believes that Russia is in a good position to grow and possibly add value to organically grown food due to the already low level of usage of synthetic herbicides, pesticides, and fertilizers. In addition, the lower labor costs, especially in the regions, will keep the prices of the final products down and at the same time provide jobs for local economies in rural regions (according to Rosstat data the average salary in agriculture in is about $300 p/month).

Section III. Costs and Prices

Organic sales account for two to seven percent of supermarket sales. The ATO Moscow conducted a price survey in Moscow in January 2013. The survey compares the prices of organic products at retail and internet shops to the prices of conventional products. Prices for organic products are significantly higher than for conventional goods. The cost of transportation, storage expenses, customs fees, etc., all contribute to a price on the shelf that is four times higher than the farm gate price. As a result, organic goods in Russia are can range drastically from 6 percent to 799 percent more expensive than their conventional equivalents. Store characteristics and whether the products were imported contribute to the drastic price differences. For example, imported organic potatoes at an organic store are 628 percent more expensive than domestic conventional potatoes at a moderately priced supermarket.

Table 3 shows the prices of selected organic products at specialized organic and internet shops. Table 4 shows the prices of comparable conventional products at major retailers. Table 5 outlines the price differences between the surveyed products. Exchange rate is $1 = 30.2 Rub.

Table 3. Russia: Prices of Selected Organic Products, January 2013

Product	Country of Origin	Quantity	Cost (U.S. dollars)
Milk	Russia	1 liter	3.30
Apples Elstar (pre-packaged)	Italy	4 pieces	9.93
Oranges (pre-packaged)	Spain	4 pieces	9.93
Potatoes (pre-packaged)	Netherlands	1.5 kg	11.25
Tomatoes Bunch (pre-packaged)	Spain	500 g	8.11
Red Peppers (pre-packaged)	Netherlands	3 pieces	19.70
Breakfast Tea	Austria	50 g	12.95
Earl Grey Tea	Germany	100 g	15.36
Green Tea	Germany	30 g	14.90

Coffee (beans)	Germany	1 kg	59.60
Cacao Powder	Italy	75 g	5.60
Juice (exotic fruit)	Germany	700 ml	8.70
Olive Oil	Italia	1 L	23.18
Pasta (Penne)	Italy	500 g	3.70
Prunes	France	250 g	14.40
Jam (strawberry)	Italy	270 g	13.74
Crackers	Italy	200 g	5.10
Pet Food	Holland	100 g	2.81
Ketchup	France	560 ml	13.74
Baby Food	USA	80 g	2.30

Table 4. Russia: Prices of Selected Conventional Products, January 2013

Product	Country of Origin	Quantity	Cost (U.S. dollars)
Milk	Russia	1 liter	3.30
Apples Elstar (pre-packaged)	Italy	4 pieces	9.93
Oranges (pre-packaged)	Spain	4 pieces	9.93
Potatoes (pre-packaged)	Netherlands	1.5 kg	11.25
Tomatoes Bunch (pre-packaged)	Spain	500 g	8.11
Red Peppers (pre-packaged)	Netherlands	3 pieces	19.70
Breakfast Tea	Austria	50 g	12.95
Earl Grey Tea	Germany	100 g	15.36
Green Tea	Germany	30 g	14.90
Coffee (beans)	Germany	1 kg	59.60
Cacao Powder	Italy	75 g	5.60
Juice (exotic fruit)	Germany	700 ml	8.70
Olive Oil	Italia	1 L	23.18
Pasta (Penne)	Italy	500 g	3.70
Prunes	France	250 g	14.40
Jam (strawberry)	Italy	270 g	13.74
Crackers	Italy	200 g	5.10
Pet Food	Holland	100 g	2.81
Ketchup	France	560 ml	13.74
Baby Food	USA	80 g	2.30

Table 5. Russia: Price Differences between Selected Organic and Conventional Products

Product	Quantity	Average Organic Price ($)	Average Conventional Price ($)	Average Price Difference, %
Milk	1 liter	3.30	1.68	96
Potatoes	1.5 kg	7.50	1.03	628
Red Peppers (pre-packaged)	500 g	19.70	3.74	427
Breakfast Tea	50 g	12.95	1.44	799
Earl Grey Tea	100 g	15.36	8.24	86
Coffee (beans)	1 kg	59.60	21.49	177
Juice (exotic fruit)	700 ml	8.70	3.31	163
Olive Oil	1 L	23.18	21.80	6
Pasta	500 g	3.70	2.08	78
Prunes	250 g	14.40	2.78	401
Jam	270 g	13.74	3.11	342
Ketchup	450 ml	13.74	3.94	249
Baby Food	160 g	2.30	1.72	34

Section IV. Future Developments

Russian consumers are becoming more and more concerned with healthy eating and increasingly choosing products that are free of additives, preservatives, etc. Given the choice, more and more Russian consumers are expected to opt for products with ecological or quality certification labels on their packaging. Manufacturers in turn are trying to differentiate their offerings from those of rivals by labeling and promoting their products ‘healthy’, ‘safe’, ‘ecologically pure’ etc.

Organic producers are expected to launch educational campaigns targeting middle-class Russian consumers in order to raise awareness about what they believe are the health benefits of organic food. Developing mid-priced organic brands and expanding their distribution to supermarkets in lower-tier cities would also contribute to mid-term growth. These initiatives, however, could prove fruitless if strict organic certification is not rigorously implemented. Consumers paying a premium for organic products need to know that the products they buy adhere to rigorous national and international standards. Until this is accomplished, competition from uncertified fresh products claiming to be high in quality and chemical-free will continue to dilute the organic “brand” and hamper demand for more expensive certified organic food in Russia.

Section V. Category Data

Table 6. Russia: Sales of Organic Products by Category, 2008-2013*, $ U.S. Million

Categories	2008	2009	2010	2011	2012	2013*
Organic Fruit/Vegetable Juice	44.3	33.8	39.5	47.5	53.5	63.3
Organic Baby Food	30.5	32	42.2	54	57.8	64.3
Organic Bakery Products	24.1	18.4	19.3	19.8	19.4	20.9
Organic Confectionery	6.8	4.7	5	5	5.3	5.7
Organic Rice	0.9	0.8	0.9	0.9	1.1	1.1
Organic Sauces, Dressings and Condiments	9.2	8	9.1	9.8	10.6	11.8
Total	**115.8**	**97.7**	**116**	**137**	**147.7**	**167.1**

Source: Euromonitor International from trade sources/national statistics
*- Forecast

Table 7. Russia: Organic Products by Category, % Value Growth 2008-2012

Categories	2010/11	2011/12	2005/10 TOTAL
Organic Soft Drinks	20.3	12.6	20.8
Organic Baby Food	28.0	7.0	89.5
Organic Bakery Products	2.6	-2.0	-19.5
Organic Confectionery	0.0	6.0	-22.1
Organic Rice	0.0	22.2	22.2
Organic Sauces, Dressings and Condiments	7.7	8.2	15.2
Total	**18.1**	**7.8**	**27.5**

Source: Euromonitor International from trade sources/national statistics

Table 8. Russia: Organic Packaged Food Company Shares, 2007-2011, %

Companies	2007	2008	2009	2010	2011
Hipp GmbH & Co Vertrieb KG	20.5	22.8	27.9	31.3	33.5
O'Grae	3.3	3.5	3.4	3	2.5
Thurella AG	2.8	2.7	2	1.7	1.6
Ritter GmbH & Co KG, Alfred	-	1.9	2	1.7	1.5
Hain Celestial Group Inc, The	-	-	-	0.1	0.8
Eos Getranke GmBH	1.3	1.3	1	0.9	0.8
Rabenhorst GmbH	0.8	0.9	0.7	0.6	0.6
Gepa Fair Handelshaus	0.2	0.2	0.3	0.3	0.2
Koninklijke Wessanen NV	0.3	0.3	0.3	0.3	0.2
Alce Nero Group	-	-	-	0.1	0.1
Bioitalia Distribuzione Srl	-	-	-	0	0.1
Others	70.7	66.5	62.6	60	58.1
Total	**100**	**100**	**100**	**100**	**100**

Source: Euromonitor International from trade sources/national statistics

Section VI. Key Contacts and Further Information

Contact Information for FAS Offices in Russia

U.S. Agricultural Trade Office Headquarters, Moscow
Email: atomoscow@fas.usda.gov

Deanna Ayala, Director
E-mail: Deanna.Ayala@fas.usda.gov

Olga Kolchevnikova, Marketing Specialist
E-mail: Olga.Kolchevnikova@fas.usda.gov

Alla Putiy, Marketing Specialist
E-mail: Alla.Putiy@fas.usda.gov

Tatyana Kashtanova, Administrative Assistant
E-mail: Tatyana.Kashtanova@fas.usda.gov

Svetlana Ilyina, Marketing Specialist, St. Petersburg
E-mail: Svetlana.Ilyina@fas.usda.gov

Irina Konstantinova, Marketing Specialist, Vladivostok
Irina.Konstantinova@fas.usda.gov

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

RS1305 Food and Agricultural Import Regulations and Standards
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative_Moscow_Russian%20Federation_01.02.2013.pdf

RS1167 Food and Agricultural Import Regulations and Standards – Certification
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Certification_Moscow_Russian%20Federation_1-17-2012.pdf

RS1215 Market Opportunities for Key U.S. Products in Russia
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Market%20Opportunities%20for%20Key%20U.S.%20Products%20in%20Russia_Moscow_Russian%20Federation_3-20-2012.pdf

RSATO1002 Trade Law Report
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/The%20Russian%20Federal%20Law%20on%20Trade%20_Moscow%20ATO_Russian%20Federation_8-30-2010.pdf

RSATO1208 Customs Union Technical Regulations on Food Products Labeling
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Customs%20Union%20Technical%20Regulations%20on%20Food%20Products%20Labeling_Moscow%20ATO_Russian%20Federation_7-18-2012.pdf

RSATO1204 Exporter Guide / Annual
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Exporter%20Guide_Moscow%20ATO_Russian%20Federation_7-6-2012.pdf

RSATO1210 Russian Retail Food Sector
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Retail%20Foods_Moscow%20ATO_Russian%20Federation_9-24-2012.pdf

RS 8045 New SanPiN for Organic Products
http://www.fas.usda.gov/gainfiles/200806/146294938.pdf