



SECTOR PROFILE

RUSSIA: FOOD & AGRICULTURE

The Trade Council Russia

CONTENTS

1. Keywords	2
2. Abstract	2
3. Russian Agriculture.....	2
4. What can the Trade Council do for You?	4

1. KEYWORDS

Russia, Trade Council Russia, food, agriculture, fisheries

2. ABSTRACT

For a variety of reasons, there have over the years been disruptions - of shorter or longer duration - in trade in agricultural products between EU-countries and Russia. While this is a recurring challenge, it has also been clear that there are significant market opportunities for trade in food and other agro-industrial products. Many Danish exporters have recognized this and show the necessary focus and persistence to benefit from these opportunities.

The food and agricultural sector in the Russian Federation is furthermore facing high national expectations to expand production to be able to cover a larger part of domestic consumption. At federal and local level, efforts are taking shape to provide the frameworks necessary (including public funding) to realize this objective. Substantial investments are needed across the board in order to improve production efficiency. This can represent significant opportunities for Danish companies that specialize in quality and modern production methods. A market with high potential

3. RUSSIAN AGRICULTURE

Russia has the world's fifth largest agricultural area, second only to the United States, Australia, Brazil and China. 13% of Russia's 200 million hectares land is used for agriculture. However, Russia remains heavily dependent on food imports.

Today agricultural production takes place in former farming communities - now called *agro holdings* - and from small family-owned holdings.

As part of its ambition to diversify the Russian economy, the Russian government in 2012 introduced a 7 year plan for modernisation “Agriculture policy 2013-2020” with a list of ambitious targets:

- Increased self-sufficiency by 2020
- Increased agricultural production by 39%
- Increased production of food, beverages and tobacco by 60%
- Average annual growth in investment in agriculture of 8.8%

- Expansion of cultivated area by 10.3 mn acres
- Increased productivity by 70% compared with 2009
- Increased profits in agriculture by 25%
- Increasing agricultural wage levels up to 95% of the average wage in Russia

Recently, the ambition of the government to increase national production has received further priority and new targets and support measures are being considered.

Danish investments

Investment opportunities in the Russian agriculture follow the traditional pattern with regard to animal production with poultry and pork sectors offering quick return. Dairy, beef cattle and manufacturing sectors are forecast to grow in the coming years. Danish operators have made substantial investments in Russia within pig production, dairy, seeds, and processed food products. Because of Russia's stated policy of development of local production, the Danish companies can get a favourable position through investments or by establishing partnerships with Russian companies.

Danish exports

Exports within the agricultural, food and fisheries sector - including machinery and equipment for the sector – generally make up more than 1/3 of total Danish exports to Russia, thus contributing significantly to the Danish trade surplus in Russia. Under market based conditions before the most recent trade disruptions, exports of pork meat, including by-products, have alone accounted for around DKK 1.5 billion annually. Because of strong Danish competences which match the Russian requirements, the Danish agriculture and food industry has great export potential across the value chain in Russian food production. The export potential is supported by rising affluence and increasing demand for products which Danish companies can supply directly to retailers or as raw material for further processing.

The development in the Russian food sector and gradual professionalization of the retail sector provide Danish companies with opportunities to be stable suppliers of high quality foods. Furthermore, there are good opportunities for Danish companies as suppliers within agroindustry.

Organic foods

Sales of organic foods in Russia have increased steadily in recent years. Organic foods are still a niche in Russia where primary customers are young, educated people from the upper middle class, typically families with children, in the metropolises of Moscow and St. Petersburg. The main challenge with expanding sales of organic products in Russia is the absence of rules concerning the definition and labelling.

Food consumption and packaged food market

For a number of years, Russia's largest mass grocery retailers have been among the world's fastest growing. With a population of more than 140 million, Russia is Europe's biggest consumer market.

The retail market has achieved dynamic growth over the past few years as disposable incomes have increased, the expanding middle class follows Western patterns of consumption and the level of consumer credit possibilities have risen.

Export barriers

In general, foreign companies operating in the Russian market should be prepared to face a number of challenges in terms of bureaucracy, opaque investment conditions, mixing of public and private stakeholders' interests, diverging practices in different regions, as well as technical barriers to trade. It is therefore essential for Danish companies to find Russian partners who can manage the internal process, especially in the early stages after entering the Russian market.

4. WHAT CAN THE TRADE COUNCIL DO FOR YOU?

Trade Council Russia can assist you in finding reliable Russian business partners, locating potential partners, searching for enterprises which meet specific requirements and select the most compatible. Trade Council Russia can be of help by providing all necessary contacts, organize meetings and negotiations with representatives of Russian companies. We can provide updated and useful market information, which will help you gain a competitive edge on your target markets. Furthermore, Trade Council Russia can carry out market investigations based on specific requirements.



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The Trade Council is a part of the Ministry of Foreign Affairs and is the official export and investment promotion agency of Denmark. The Trade Council benefits from around ninety Danish Embassies, Consulates General and Trade Commissions abroad. The Trade Council advises and assists Danish companies in their export activities and internationalisation process according to the vision: Creating Value All the Way. The work in the Trade Council follows specific procedures and quality guidelines. In this way our customers are secured the best possible quality under the varying working and market conditions at any given point of time.

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