



## MARKET INFORMATION – RUSSIA

**Prodexpo – Moscow**  
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Russia is a potential priority market for both Alberta beef and pork. Russia recently re-opened its market to Canadian beef and the Alberta industry is trying to regain market sales. Prior to the BSE crisis in 2003, Alberta exported \$3.7 million of beef to Russia (Alberta's 7th largest market). On the pork side, Alberta has made substantial gains in Russia, nearly tripling exports from \$3.5 million in 2003 to \$10 million in 2007 (Canada's 3rd largest market).

### Current Market Situation and Intelligence

- All Russian companies approached within the framework of the Embassy program confirmed the worsening of the financial situation in the market, decreasing of food imports volumes, and a new focus on lower end products. This trend has strengthened particularly over the last two months;
- The strongest positions in the Russian beef market are occupied by Brazil, Australia and the USA which have developed different market niches, though there is some degree of overlap. That US beef, which is similar in quality and price to Canadian beef, has entered the Russian market successfully suggests that there are sales opportunities for the Canadian exporters;
- Local Russian meat associations (the All-Russia Meat Union and the National Meat Union, which are lobbying interests of local processors and traders correspondingly) have much different mandates than Canadian industry associations. Both act on behalf of very limited number of local companies, pursuing connections with the Russian government to minimize and mitigate risks of policy decisions taken by the Russian government. In this regard, cooperation with both associations is useful in that both groups can act as lobbyists with the Russian government to improve market access for the Canadian beef through removing trade and veterinary impediments.
- Local trading houses - act as wholesale importers of a broad range of foodstuffs from across the globe now face serious problems. Weak management skills, inefficient operational cost structures, a surplus of personnel make it difficult for them to adjust quickly to a much more

competitive business environment. In this regard, large food service suppliers with their well developed business connections, distribution networks, transportation and logistics networks have become reluctant to invest in promoting new products. Instead, they prefer to focus on optimizing their arrangements with existing suppliers (East-West, Emborg, Marr, and La Maree). To motivate Russian companies to try

- Canadian products will require significant investments in promotional efforts and direct contacts from Canadian industry. The companies have traditionally developed standard, western-type promotional campaigns that rely on publishing in specialized magazines, chef testing, brand building, and promotional events through recognized retailers. In the past Russian companies assumed the costs of promotion in return for gaining rights for exclusive product distribution and enjoying large margins. Now such promotional activities have been either terminated or replaced by special arrangements that are negotiated with potential new suppliers. All of the above large distributors were open to trying Canadian products. However, they stressed that to establish demand will be very much difficult.
- Small and medium size distributors appeared to be more open to considering new business opportunities related to Canadian beef. Thus, OOO Grand, Meridian and Mourena with their small staff, low operational costs and broad connections would be interested in developing business with the Canadian beef industry. None insisted on any advance promotional campaign. However, they immediately requested quotations per the detailed list of beef products and the information about when and how much the product could be prepared for shipment to Russia. All of them are capable of arranging logistics and are well connected with the local veterinary authorities. These latter connections should help in getting timely import permits.
- Given that the Canadian companies participating in the CBEF mission were looking specifically for a high end market niche, the Embassy arranged meetings with the chefs of Park Hyatt, Marriott Aurora, le Royal Meridien National, and Metropol hotels. The last two hotels in particular represent the highest end HRI in Russia. The Canadian businesses received information from end-users of beef and beef products supplied by Russian distributors. The international and Russian hotel chains have different supply chains for their beef purchases.
- The international hotels still buy high end products to maintain quality standards. However, the average daily demand for marbled beef of the highest quality has fallen considerably over the last few months is now not more than two portions (US44-55/portion/vague strip loin/tenderloin hotel purchasing price). According to Thomas Koessler, Chef, Marriott Aurora Hotel, by the end of this year and during the next year there will be many new 5\* and above hotel openings in Moscow. These venues

are considered the only places for selling high end beef products. Both Koessler and Emmanuel Garde, Executive Chef, Park Hayat, are nevertheless optimistic about the prospects for the Canadian beef in the Russian HRI market.

- Local 5\* and above hotels have started switching to local meat that is promoted as organic (hormone-free, GMO-free). However, local production of organic meat is insufficient to meet the demand from exclusive restaurants.
- If Canadian companies want to supply to HRI and high end Russian restaurants, all executive chefs consider chef-testing and tasting a priority before completing arrangements with distributors
- Mission participants visited main retail chains in Moscow to investigate the product selection. They went to 7th Continent, Eliseev's Gastronome, which are for elite customers, and Metro Cash & Carry, which is positioned to sell to small and medium size wholesalers and distributors to HRI as well as the French-based chain Aushan, which targets more middle class, more modest income customers. The first two chains are very important to develop access for Canadian high end food stuffs. Developments in this direction should be carefully analyzed before any further action as it might require lots of investments with uncertain immediate outcomes.

**Results achieved:**

- Participants gained a better understanding of the current market environment in Moscow and Russia generally.
- They gained a better understanding of their main competitors in this large market terms of doing business.
- They were able to gain a better understanding of Russian food distribution channels.
- A number of high quality trade leads were identified.

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