

# Russia: Market Overview

November 2014

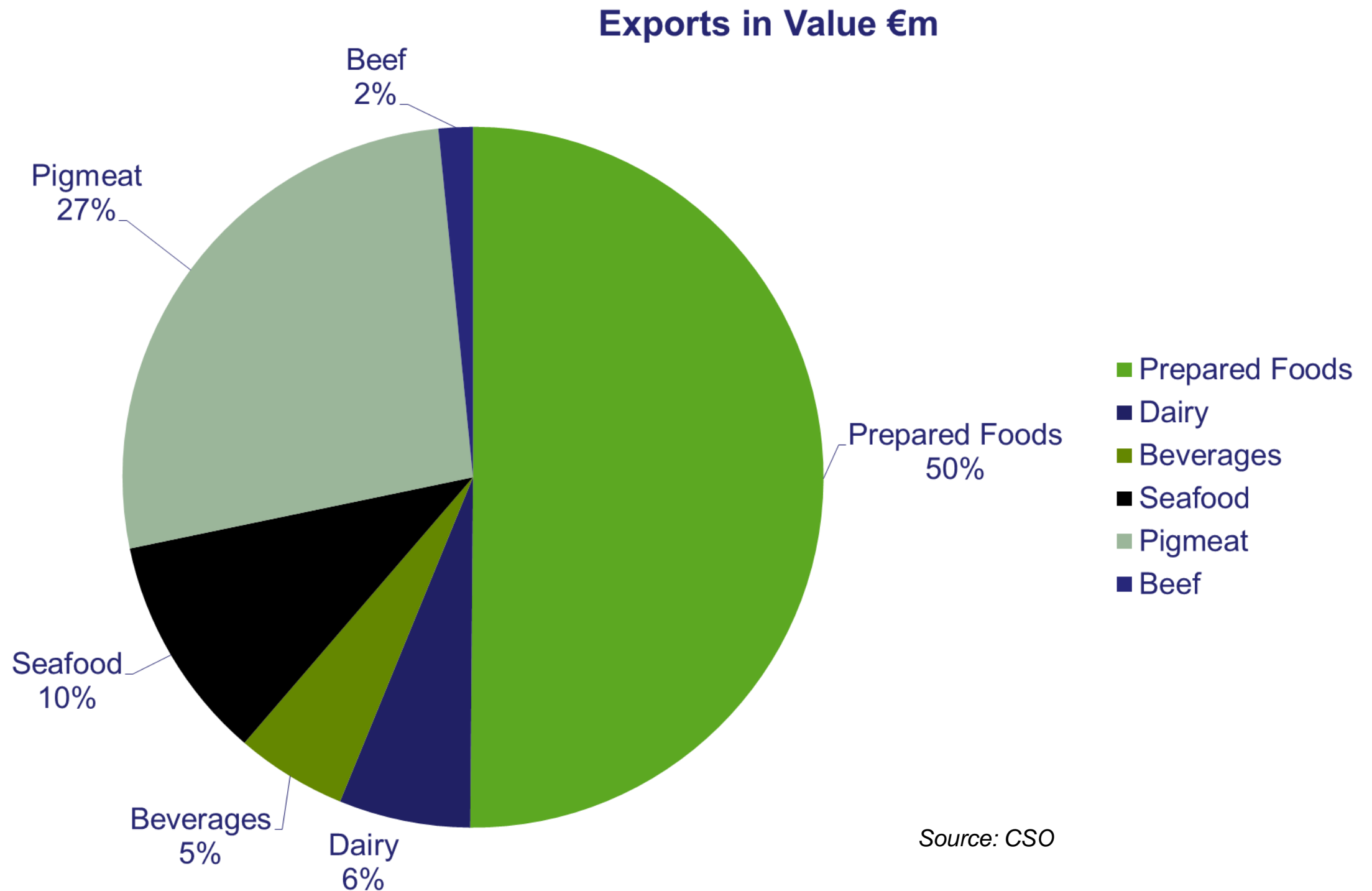
Growing the success of Irish food & horticulture

***Bord Bia***  
Irish Food Board

# Russia: Market Overview

- ✓ Population: 142.5million
- ✓ Moscow:12m, St Petersburg:5m
- ✓ Over 70% live in urban areas
- ✓ The World Bank predict 0.5% growth for 2014, 0.3% in 2015 and 0.4% in 2016

# Russia: 2013 Irish Exports



# Russia: Retail Overview

- ✓ Home of some of the fastest growing retailers in the world: Magnit and X5
- ✓ Market dominated by local players
- ✓ Fragmented market share but being consolidated
- ✓ Magnit: largest market share, expected growth 2014 22%
- ✓ X5: Will focus on organic growth and supply chain decentralisation
- ✓ Auchan: Key in hypermarket sector

*Sources: IGD and Passport*

# Russia: Retail Market

|                                    | 2011  | 2012  | 2013  | 2014f | 2015f | 2016f |
|------------------------------------|-------|-------|-------|-------|-------|-------|
| Total retail market (USD bn)       | 578.7 | 612.0 | 662.8 | 727.8 | 804.2 | 886.2 |
| Grocery retail market (USD bn)     | 309.9 | 320.2 | 350.1 | 383.0 | 420.6 | 462.0 |
| Grocery retail market/capita (USD) | 2,168 | 2,239 | 2,448 | 2,677 | 2,939 | 3,229 |
| Grocery as a % of total retail     | 53.5% | 52.3% | 52.3% | 52.6% | 52.3% | 52.1% |

Source: IGD

# Russian retail:

- ✓ Relatively low purchasing power of many Russian consumers, particularly in the regions, and consequent lower demand for durable goods, premium grocery and non-grocery goods.
- ✓ 142.5 million potential customers
- ✓ Per capita spending in the regions outside Moscow and St. Petersburg remains low.
- ✓ Russia's retail sector is growing
- ✓ Economic vulnerability, dependence on oil and mineral extraction for economic growth.

# Russia: Manufacturing

- ✓ Current drive to increase domestic food and drink manufacturing
- ✓ Lack of raw materials, need imports
- ✓ Dairy ingredients and powders imported in particular, almost all powder for infant milk formula imported



# Russia: Why Target this Market?

- ✓ One of the biggest consumer markets in Europe
- ✓ Increasing taste and demand for western goods
- ✓ High income consumers and growth in middle class
- ✓ Often poor quality and insufficient local production, reliant on imports: certain types of alcohol, meat, dairy, prepared foods, ingredients, seafood etc.
- ✓ High rewards for those who invest in market



# Russia: Market Trends

- ✓ Health and wellness
- ✓ Organic and Bio
- ✓ Private Label goods
- ✓ Convenience and on-the-go
- ✓ Ready meals
- ✓ Asian cuisine
- ✓ Ruble devaluation has increased demand for cheaper goods

# Russia: Intricacies of doing business in Market

- ✓ Food of animal origin (dairy, meat, fish and seafood etc.) needs certification from the Federal Service for Veterinary and Phytosanitary Surveillance
- ✓ Largest country in the world- often focus on main cities Moscow and St Petersburg but opportunities in regions
- ✓ Specific and changing regulations- important to find a good importer

# Russia: Sustainability

- ✓ Attitudes towards sustainability not strongly developed
- ✓ Not likely to be a strong selling point, organic and bio products with perceived health benefits more appealing to consumers
- ✓ Growing movement for locally produced and chemical free products
- ✓ As market develops so will interest in sustainability and product origin

# Russia: Challenges doing business in market

- ✓ Current sanctions: bans currently on EU meat, dairy, fish, fruit and vegetables
- ✓ Subsidiary bans and changes in regulations
- ✓ Bureaucracy
- ✓ Language
- ✓ Ruble devaluation
- ✓ Pervading negative attitude among officials to West

# Russia: Product Suitability

- ✓ Ingredients needed in Russian on label
- ✓ Wide variety of products and new tastes in market
- ✓ Pack sizes similar to Ireland
- ✓ Packaging in Russia often simply designed, open to a variety of types as long as comprehensible what the product is
- ✓ Packaging not as important as whether fit with Russian taste

# Russia: Pricing and Margin Expectations

- ✓ Varies depending on route to market
- ✓ Generally high margins
- ✓ Local currency has devalued at 15% for the last three months that makes margin of both importer and exporters lower

# Russia: Targets for Market Place 2015

- ✓ 12 buyers confirmed
- ✓ 5 dairy
- ✓ 4 alcohol
- ✓ 1 meat
- ✓ 1 fish and seafood
- ✓ 1 retail



# Russia: Bord Bia office services

- ✓ Market research and distribution of Russian customs data
- ✓ Itinerary development
- ✓ Translations
- ✓ 1 EOP, 1 Fellow
- ✓ Communicate changes in regulations and market updates