



Agriculture and  
Agri-Food Canada

Agriculture et  
Agroalimentaire Canada

# Agri-Food COUNTRY PROFILE

## Russia

### February 2005



Canada 

# *Russia*

## AGRI-FOOD COUNTRY PROFILE

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### Executive Summary

Russia's economy has been growing rapidly since the financial crisis of 1998. The country is expected to see its sixth consecutive year of growth in 2005. Economic growth has recently been enhanced by high international energy and mineral prices, in addition to investment and consumer-driven demand.

- GDP currently sits at US\$551.3 billion with GDP growth of 7% and GDP/capita of US\$3,824
- In 2004, Russia's exports were valued at US\$134.4 billion
- In 2004, Russia's imports were valued at US\$74.8 billion
- Russia had a positive trade balance of US\$59.6 billion in 2004
- Canada's exports to Russia reached \$411.8 million in 2004, while imports exceeded \$1.3 billion, resulting in a negative trade balance for Canada of \$972 million in 2004.
- Canadian exports to Russia largely consisted of consumer exports which exceeded \$42.9 million in 2004 and accounted for 91% of total agricultural exports.
- Canada's top four agricultural exports to Russia were pork products, which accounted for 58.2% of Canada's total agricultural exports to Russia.
- Russia's primary export item to Canada was vodka, which accounted for 96.4% of total agricultural exports, reaching \$63.1 million in 2004.

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# Russia

## COUNTRY PROFILE

### Economy

#### Overview

Russia stands as the largest country in the world, and has an abundance of natural resources, a broad industrial base and a well-educated and highly skilled labour force. Russia's economy is recovering well from its financial crisis in 1998, partly due to the acceleration in consumer spending and investments. Although Russia constantly faces vulnerability to world prices due to its reliance on major exports, it is currently experiencing favourable outcomes with excellent trade relations and GDP growth.

#### Current Situation

Russia is a very large industrialized country in a continual process of economic revivification. The Russian economy experienced a significant setback in its post communist development for much of 1998 and 1999. Inflation rose above 80%, unemployment rose above 12%, the rouble was devalued and the banking sector lost much of its credibility. There was significant capital flight and foreign investment all but dried up. While it has been a slow process, the economy is beginning to shed many of the after effects of the 1998 crisis. The past six years have seen the economy rebound successfully, and 2004 marked a return to pre-crisis levels of GDP per capita, improved unemployment numbers and a total GDP closer to pre-crisis levels than ever before.

Russia has experienced consistent economic growth, mostly due to the strength of high global oil prices. GDP growth in 2004 was 7% and is expected to maintain this growth in 2005. Inflation is currently 10.5% which is half of its rate in 2000. Russia's estimated GDP of US\$551.3 billion is currently at its highest in 1998. Fixed investments have risen from an average of 10% of GDP in the

past 4 years to a current level of 18.2%. Increases have assisted Russia's continual growth. As a result, public debt is currently 34.1% of GDP; a third of its rate in 1998. While unemployment has posed a problem in the past, it is currently 8.2%, down considerably relative to the rate of 12.6% experienced in 1999.

Economic growth has been enhanced by high international energy and mineral prices. However, experts fear that too much of Russia's forecasted growth is based on the high price of oil. Despite some negative implications, the price of oil has largely shielded Russia from the current global economic slowdown. Current international political climate, in addition to the growing requirements for oil in China, Korea and other Asian countries, almost assures the continued value of oil.

<b>Gross Domestic Product (2004)</b>	
<b>GDP</b>	US\$551.3 billion
GDP growth	7%
GDP per capita	US\$3,824
<b>GDP by Sector</b>	
Services (59.8%)	US\$329.68 billion
Industry (35.1%)	US\$193.51 billion
Agriculture (5.2%)	US\$28.67 billion

#### Government Role

Among the government's priorities for 2005, are improvements to the financial systems, restructuring of natural monopolies, revision of land laws and reforms of judicial and law-enforcement systems. Healthcare and education and social issues are of major importance. Deep structural reforms in Russia's economy is deemed to be of utmost importance in 2005, as it will help Russia gain economic growth even after it has reached its economic peak.

Russia's political environment is relatively stable yet many experts believe that democracy is still fragile with high-level hardliners and nationalists ever present. Since the separation of the USSR in 1991, Russia has struggled to build a democratic political system and market economy in replacement of the strict economic controls in addition to battling the need for economic stimulus.

The pressure for greater protectionism has pushed the government to take action in helping Russian business. This reflects a widespread perception that foreign business' and taking advantage of Russia's unstable economic. This viewpoint has made foreign investors wary of further involvement. In order to restore consumer confidence in private banks and institutions, the Russian government signed into law the deposit insurance bill in 2003 which ensures that households will be fully compensated for their banking deposits of up to US\$3,400. This was also implemented in hopes of merging Russia's 1300 private banks.

The year 2004 saw the restructuring and abolition of many taxes by the Russian government in efforts to stimulate the economy. In January, Russian government removed the regional sales tax, and reduced the basic value-added tax (VAT) rate of 20% to 18%. In addition, a revision was made to the corporate profit tax law that lowered corporate tax rates from 35% to 24%. Such changes were aimed at easing the tax burden and to assist in bringing businesses and banking institutes out of its economic slump.

#### Forecast

Russia's GDP is growing at a 7% rate in 2005, with projections for additional growth in 2006. Based on exceptional oil prices above US\$35 a barrel, Russia is expected to see GDP growth rates exceeding 5% through to 2010.

Russia's current surplus of US\$35.91 billion is expected to stay in surplus over the next term. This is largely due to the creation of the stabilization fund the government

implemented to balance its dependency on external economic factors due to its major oil industry. This dependence on international markets is a risk that Russia can overcome by diversifying its economic base to stimulate growth in its business sector.

Russia's manufacturing base is wearing down and must be replaced or modernized if the country is planning to put it to use towards economic growth. Other areas that could be improved are the weak banking system, poor business environments which discourages domestic and foreign investors, and the widespread lack of trust in institutions.

Russia is expected to be capable of repaying its foreign debts in 2005, when a majority of repayments are anticipated to be completed.

#### Consumer Market

Russian's broad-based consumer market has doubled in the past 10 years and analysts expect it to double once more in the next 5 years. Growth in the Russian consumer market will depend greatly on the growth of income, access to markets, and the number of new players in the developing economy.

Consumer buying patterns and spending patterns have soared since the fall of communism. Disposable incomes have increased 9% in the past 3 years, due to high oil dollars and low living expenses. The last four years have seen an increase of real income in the Russian consumer of roughly US\$200 to US\$250 per month per worker, and up to US\$400 to US\$500 per month in larger cities. Salaries have also experienced a steady growth. These factors combined with in addition to the multitude of movie theatres, bowling alleys, restaurants and other entertainment facilities since 2002, which have sprung up as quickly as supermarkets has enabled Russian consumers to spend their new found income.

National financial problems have effected spending in the past, but the country's consumer expenditure on food reached US\$267 billion in 2003. This alone accounts

for 47% of total consumer expenditure. Consumer food service sales were estimated to be US\$23 billion in 2004 which is roughly three times its level in 1999. The stabilization in Russia's food economy has led to a strengthening of western food chains' within Europe, including franchises such as McDonald's, Subway, and Pizza Hut. Consumer food services are anticipated to accelerate even more in the future. There will be an expected 84,400 outlets in the food industry in 2008 worth US\$11.8 billion.

Russian consumers rarely use credit to avoid carrying debts. The amount of debt per person including mortgages and consumer credit is a mere US\$20 per person, which is extremely insignificant relative to the whopping US\$20,000 per person in the United States.

<b>Major Cities Population</b>	
Moscow	9 million
St. Petersburg	4 million
Novosibirsk	1.4 million
Nizhniy Novgorod	1.3 million
<b>Demographics (2004)</b>	
<b>Total Population</b>	<b>143,782,338</b>
Population Growth Rate	-0.45%
<b>Breakdown by Age</b>	
0-14 yrs	15%
15-64 yrs	71.3%
65 yrs and over	13.7%
<b>Life Expectancy</b>	
Male	59.91
Female	73.27
Total	66.39

## Geography

The Russian Federation is the largest country in the world, stretching over 6,000 kilometres with an area exceeding 17 million square kilometres. Russia occupies the massive area between Europe and the North Pacific Ocean. The country borders some 14 countries from Norway and Poland in the west to China and North Korea in the east. The capital of Russia is Moscow.

Parallels can be drawn between Canada and Russia in regards to the large land mass of the countries, the variable climate, and the wide range of natural resources available. Russia's terrain varies greatly due to the sheer size of the country. There are broad plains with low hills west of the Urals, forests and tundra in Siberia and a series of uplands and mountains along the southern border.

Natural resources include: oil, natural gas, minerals, and timber. Extraction of many of the country's natural resources remains difficult due to terrain, distance and climate. Russia's climate is best described as northern continental, from sub-arctic to subtropical.

## Infrastructure

Russia's infrastructure system is often mentioned as one of the country's biggest restrictions to trade and new development. Port facilities are limited, and rail shipping is expensive. The country has a vast road and rail system, but almost 50% of roads and over 40% of rail tracks are maintained privately for the use of private companies.

Russia has a large number of port facilities and waterways, but facilities for major product shipments are in short supply and even when available are not conveniently located. A significant share of agri-food products shipped to Western Russia travels through ports in Western Europe or the Baltic's due to a lack of direct transportation service to Russia because of congested ports, and the lack of specialized port handling facilities.

## Distribution and Sales Channels

Canadian firms marketing products and services to large Russian enterprises typically operate from a representative office located in a major Russian city. Moscow is by far the most popular location for representative offices, although the number of firms located in St. Petersburg in the West, and Vladivostok in the Far East, are growing. Furthermore, many analysts even

anticipate outside cities to experience the most growth in future years. Due to Russia's large size and the geographic dispersion of buyers in this sector, frequent air travel by sales representatives to visit prospective buyers is a necessity.

#### *Use of Agents/Distributors*

Although Russia still lags behind most western countries in terms of well-developed distribution networks, suppliers of consumer goods and services are increasingly able to penetrate the Russian market through local distributors.

With packaged foods, foreign suppliers can choose from a small but growing number of existing Russian distributors. They can help foreign suppliers by product placement, handling customs and transportation matters and even conducting advertising campaigns. The drawback is that these recently formed Russian distributors have comparatively short-term contracts in the distribution business, and tend to be small-volume operations. Moreover, their experience is often limited to the cities of Moscow and St. Petersburg.

#### *Distributors*

The young and developing commercial distribution sector is characterized by small but reliable companies operating within each food group. They offer both continuity of supply and loyalty to chosen brands. Alongside these are distribution companies which will purchase from international market and import and distribute these products.

The lengthy delivery time to Moscow via sea or even by road from Europe is a major factor contributing to the supply problems. This is compounded by the fact that most operators cannot afford to finance adequate buffer stocks.

#### *Direct Sales*

The unreliable supply and quality of imported foodstuffs has led to direct

importing by many retailers, food service outlets and food processors. Many food processors do not have the cash resources to prepay or even pay upon arrival of the goods, and are forced to use an intermediary such as volume importers, or state agencies.

Some exporters attempt to split a full delivery between a number of customers. While this is attractive, it is very difficult to administer the customs documentation without a representative on site.

### **General Merchandise Trade**

Russia is a major exporter with a heavy focus on natural resources. The current world climate for resources has helped Russia maintain a healthy positive trade balance. Russia exports are estimated to have been US\$134.4 billion in 2004, while imports totaled US\$74.8 billion in 2003 resulting in a near US\$50 billion.

Although Russia relies heaviest on petroleum and petroleum products as a main contributor to its economy, natural gas, wood products, metals and chemicals are also considered major export items. Russia has a very diverse base of export markets, found around its European neighbours. Germany is Russia's top export destination receiving 7.8% of total exports. The Netherlands is 2<sup>nd</sup> largest and receives 6.5% of Russia's products, with Italy coming in at a close third with 6.3%. China, Belarus, Ukraine, US and Switzerland follow with 6.2%, 5.7%, 5.7%, 4.6% and 4.4%, respectively.

Major import commodities include machinery and equipment, consumer goods, medicines, meat, sugar, and semi-finished metal products. Germany is one of Russia's largest trading partners and supplies 14% of its import needs. Behind Germany is Belarus with 8.6%, Ukraine with 7.7%, China with 5.8%, and the US, Kazakhstan, Italy and France with 4 to 5%, respectively.

### **Trade Agreements**

Russia is involved in over 99 trade agreements worldwide. More recently, the Central Asian Cooperation Organization (CACO) welcomed Russia as its fifth member in October of 2004. CACO's primary goals are to fight terrorism and regional extremists, and beat illegal drug trafficking. With other CACO members, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan, the addition of Russia into the organization is expected to enhance the potential of the group.

Russia has been a long-standing member of various commissions and organizations. Of them stands the United Nations Economic Commission for Europe, the Black Sea Economic Cooperation (BSEC) and the Partnership & Cooperation Agreement (PCA). Russia shares the PCA with the European Union which facilitates trade and economic cooperation. Implemented in 1997 for an initial period of ten years, the PCA allows for the liberalization of trade based on Most Favoured Nation treatment, the elimination of quantitative restrictions, and legislative harmonization.

The government of Russia has expressed a desire to create a free trade zone throughout the Commonwealth of Independent States (CIS). The CIS is comprised of the former Soviet Republics and is devoted to developing and strengthening the relations of friendship, inter-ethnic accord, trust and mutual understanding and cooperation between states. A free trade zone is the first stage in building the CIS Economic Union, but a number of challenges to cooperation must be confronted for this to become a reality. Furthermore, current discussion between Russia and the EU include furthering Russia's integration into the European free trade zone.

With regard to Russia's economic engagement with Asia, the region remains significantly under-weighted in Russia's overall commercial relationships. Russia's trade is dominated by markets in Europe and the CIS, and exports to East Asia constitute less than ten percent of total exports. However, Russia is working to

strengthen its relationship with its Eastern neighbors, in particular China and Japan. Trade with China has expanded significantly recently, despite a few bumps over poultry issues. Relations with Japan continue to be strained over border issues, but efforts continue to be made, a positive sign both countries recognize. While the government has shown increased interest in Asia, it is the private sector which is driving economic involvement in the region.

## Investment

Russia has traditionally relied heavily on foreign investment for economic development, although it remains to be seen if Russia can compete with emerging markets for potential investments. Since 1999, foreign investment in Russia has been increasing, thanks in large part to the dedicated efforts of the Russian government. While foreign investment is still near the lowest in the region, direct investments continues to grow by 40% annually. Analysts anticipate continual growth in foreign direct investment as the business environment continues to improve.

The fuel and raw-material sectors are absorbing the majority of investments, while processing industries and the agricultural sector are still in need of investment. A lack of state support has left many companies desperate for financing and all areas of agri-business are in need. While Russia is a very attractive market for investment potential, investors must be mindful of the problems associated with investing in Russia.

The most commonly cited problems include taxes, corruption, an ever-changing regulatory environment that lacks transparency, government bureaucracies and weak contract law. Difficulty in obtaining financing has frustrated many business efforts along with the banking systems payment and financing problems. In efforts to tackle this problem, Russia's Investments Promotion Institute has been established in order to provide organizational support to investors in Russia and abroad.

Russia inherited 14 bilateral investment treaties from the former Soviet Union. These include agreements with Austria, Belgium and Luxembourg, Great Britain, Germany, Italy, Spain, Canada, the People's Republic of China, Korea, the Netherlands, Finland, France, and Switzerland. They were ratified in 1989-90 and came into force in 1991. Russia has since negotiated another 34 agreements, of which 19 have been ratified: with Greece, Cuba, Romania, Denmark, Slovakia, Czech republic, Vietnam, Kuwait, India, Hungary, Albania, Norway, Yugoslavia, Italy, Lebanon, Macedonia, the Philippines, Egypt, South Africa, and Japan. The US bilateral investment treaty, signed in 1994, is still awaiting Russian ratification.

### **Market Access**

Market access policy in Russia changes constantly and often unexpectedly. It is therefore recommended that exporters contact Canadian authorities for specific market access information.

### **Tariffs**

It is common for charges to occur in the in-quota tariff rates which are normally 15% for meat commodities, and out-of-quota tariff rates range between 60 to 80%. Most import commodities reserved for "other countries" are determined by referring to historical transactions of the country for 90% of the in-quota volume. 60% of this knowledge is based on average import volumes from the previous year's trading activities, and 40% of this decision is based on activities two years ago. The remaining 10% of the in-quota volume are issued to new importers by auction.

Some commodities, such as sugar, have tariffs that are set at extremely high levels, therefore presenting new market access barriers for exporters.

### **Excise Tax**

An excise tax is levied on luxury imported goods, such as automobiles, alcohol and cigarettes. Excise taxes applied on automobiles depend on engine size. Most

excises taxes have increased due to amendments in the Russian Federation's Law. The current range of excise tax is between 20 and 570 percent.

### **Value Added Tax**

Most imports are subject to a value-added tax (VAT) that is applied on top of the total sum of the value of goods, customs duty and excise tax. Although some goods are exempt from VAT, such as medical equipment and products for the disabled, most imports are required to pay the 18% VAT. However, a reduced VAT rate of 10% can be applied to basic foods, children's goods, educational books, and medicine.

### **Certification Requirements**

All foods and beverages which are imported into the Russian Federation must be accompanied by a Certificate of Conformity issued by a laboratory accredited by the Federal Agency for Technical Regulation and Metrology (FATR).

This certificate is issued after samples of these products have been tested in selected laboratories, and test results indicate that they conform to Russian food safety standards. Certificates are valid for 3 years and must be presented to custom authorities upon every shipment.

Some products in various industries require additional certification by different regulatory bodies. Although there may be overlaps in different organization's responsibilities and expectations, there are various other bodies with special certification roles. The Federal Service for Veterinary and Phytosanitary Supervision of the Ministry of Agriculture are responsible for food products.

### **Import Licenses**

Licenses are required for certain products for health, safety and national security reasons. Such goods include radioactive substances, explosives, medicines, and pharmaceuticals,



information protection devices, liquors, and military goods.

Import licenses are issued by the Russian Ministry of Foreign Economic Relations or its regional branches, and controlled by the State Customs Committee. Importers are required to complete a customs freight declaration for every import delivery. The declaration should be completed in Russian for presentation to customs authorities.

### Market Constraints

Foreign companies operating in the Russian market may encounter major difficulties to both trade and investment, including the following:

- Ownership and jurisdictional disputes
- Problems with financial liquidity of a majority of Russian firms
- Lack of a normal commercial market
- Absence of a commercial legal framework
- High cost and general difficulty of doing business
- Severe infrastructure problems
- Payments arrears and frozen accounts
- Frequent changes in the import and export regime.

Despite these problems, successful business continues to be conducted. Canadian firms are exporting and investing in Russia. New goods and services appear on the Russian market almost daily. The number of Canadian firms opening in Russia is growing and those with the right product or service and good local contacts are profiting.

### Agriculture and Agri-Food Overview and Outlook

Despite Russia's size much of the country lacks the proper climate, precipitation and soil for agricultural production. Only 7.3% of Russia's land is listed arable. Agriculture accounts for roughly 5.2% of the country's GDP and an estimated 12.3% of the population is involved in production whether

full or part-time. Russia has over 40,000 square kilometres of irrigated farmland.

Agriculture in northern Russia revolves around livestock production, while the southern areas in Siberia produce grain. The country's main agricultural products include: grain, sugar beets, sunflower seeds, vegetables, fruits, meats and milk.

The structural changes in agriculture caused rapid growth in the private family farm sector. In the early 1990's, about 44 million Russian families owned land (8 million hectares), consisting mainly of personal auxiliary farms. It was the small-scale farming rather than large-scale that helped Russia stabilize the agricultural sector after reforms were initiated. By 1994, these farms produced 40 to 90% of agricultural produce.

Russia's agricultural sector collapsed in the post-communism era. The share of agriculture in GDP declined drastically. Agricultural production fell in virtually every year from 1991 to 1999 with brief respites in 1993 and 1995. Since 1990, Russia's livestock numbers have fallen dramatically as farmers have reduced breeding herds to save on feed grains and cashed in their animals to make ends meet. The number of cattle has fallen by a third, pigs by almost half, and sheep and goats by more than half. The withdrawal of state subsidies, on which most farmers depended, caused sharp declines in farm income. The effects of restructuring and the financial crisis were so harsh that Russia required over \$1.4 billion in food aid in 1999.

Due to the end of communism and the financial crisis Russia has reportedly lost self-sufficiency in food production. As of 2001, Russia imported 40% of its food requirements, a number which rises as high as 50% in urban centres. Self-sufficiency was lost through major productivity downturns in the production of meat, dairy products and grains.

Given the high number of Russian citizens involved in agricultural production, the country's sudden lack of self-sufficiency and

ongoing issues such as rural poverty has become a key political issue. These issues will inevitably continue to grow in importance as Russia continues its transition to a consumer economy. Numerous bankruptcies and the increasing impoverishment of farm workers have increased the perceived urgency for reform. Reforms in the form of programs designed to boost the production of staples have been introduced, but self-sufficiency is believed to be years away. On a positive note, the government has reported a recovery in wheat production, although the recovery is disputed by many foreign producers as Russia continues to import wheat.

### **Agricultural Policy**

Self-sufficiency is a key initiative of the government. The loss of self-sufficiency has been a sore point for the population and government alike. Current plans revolve around supporting the production of staples. However, regional and national efforts have begun to help boost investment targeted at improving the agricultural sector as a whole. The Russian government is reporting that it is currently capable of producing 80% at the very least of the food it requires. Although Russia imports roughly 40% of all meat that is consumed, the Ministry of Agriculture is working to reduce meat imports, meanwhile increasing domestic production.

Despite the country's continued need for imports, food security remains as an important consideration. China has twice been blocked from exporting meat to Russia, and American poultry has also seen a ban. Despite the fact that the country is reliant on meat imports, Food Security for Russia has set a target date of 2010 for self-sufficiency in food production as a way of guaranteeing the safety and quality of Russian foods. Genetically modified foods are not well received in Russia. Russian consumers and government have been reluctant to accept any meat raised on hormones or antibiotics, which has resulted in strict inspections of the products.

Although half of farm holdings have been privatized since 1991, it was only as of 2001

that it was possible to buy or sell land. The lack of statutory authority for the support of agriculture is, from a policy perspective, the biggest problem the sector faces.

### **Agri-Food Import Market Competitors**

Canada was ranked Russia's 34<sup>th</sup> largest import source in 2003. Although Canada's exports to Russia have increased in value in previous years, it is still decreasing slightly in terms of market share. Canada's market share of Russia's imports in 2003 was 0.52%, a slight decrease from the 0.66% in 2001.

Competition in the Russian food market comes primarily from Germany, Ukraine, and China which accounted for nearly 30% of Russia's total imports in 2003. Germany, as Russia's leading import source, dominated with 14.3% of market share, followed by the Ukraine with 8.3%, and China with 6.4%.

Perhaps the most relevant competition for Canadian exporters is their counterparts in the U.S. Strong price competition and history of quality often lead Russian importers to source from the US. The US was Russia's 4<sup>th</sup> largest import source, while satisfying 5.2% of Russia's total import needs in 2003.

### **Canada-Russia Trade and Investment**

Canada-Russia relations have expanded greatly since 1991. The development has been fuelled by a Team Canada mission, a number of state visits and a mutually beneficial economic relationship. Some key areas implemented to continue the development of the relationship include parliamentary exchanges, and a bilateral agreement which promotes cooperation between Canadian provinces and territories and their Russian counterparts.

As major arctic states, Canada and Russia have a special and unique relationship which among other things has led to the mutual development of an arctic agenda which includes initiatives on environment, the

future of natural resources, and aboriginal issues including self-government.

<b>Canada – Russia Bilateral Trade</b>	
<b>Total Trade</b>	
Exports	\$134.4 billion
Imports	\$74.8 billion
Balance	\$59.6 billion
<b>Canada-Russia Trade</b>	
Exports	\$411,789,000
Imports	\$1,384,490,000
Balance	(\$972,701,000)
<b>Canada-Russia Ag Trade</b>	
Exports	\$47,285,363
Imports	\$65,538,244
Balance	(\$18,252,881)

Economic cooperation is facilitated by the Intergovernmental Economic Commission (IEC). This group is co-chaired by the Minister for International Trade and the Russian Deputy Prime Minister for the Economy. The IEC operates year round through working groups, including a group on Agriculture and Agri-Food.

Canada - Russia bilateral trade was valued at almost \$1.8 billion in 2004. Canada maintained a negative trade balance of \$972.7 million in 2004, a drastic increase from the negative trade balance of \$473 million in 2003. Canada's total exports to Russia in 2004 were valued at \$411.8 million, a \$78 million increase over 2003. This was the third consecutive year for export growth, a trend which is expected to continue over the next few years. Canada's imports from Russia in 2004 were valued at \$1.38 billion, an increase of more than \$577 million over 2003.

Canada largest exports to Russia include: machinery, all vehicles except for railway, meat products and fish and seafood products. Machinery alone accounts for over 40% of Canada's exports to Russia in 2004. Vehicle represents 12.7% and meat products represent 8.37%.

Canada's largest imports from Russia include: mineral fuel, iron and steel, beverages, fertilizers, fish and seafood, and precious stones. Mineral fuel alone accounts for 63.8% of total imports while iron and steel follow with 10%.

### Agricultural Trade

Bilateral agricultural trade was valued at \$112.7 million in 2004. This increase of over \$30 million is largely due to the significant change in Canadian imports from Russia which have doubled over 2003 totals.

Canada exported \$47.28 million worth of agricultural goods to Russia in 2004, a slight increase from 2003. Pork products accounted for 58.2% of Canada's agricultural export to Russia. Frozen swine cuts were Canada's largest single agricultural export in 2004 with a value of \$11.4 million, an increase of roughly \$2.8 million over 2003. Hams, shoulders and cuts of swine were the second largest export with approximately \$6.3 million. Frozen, edible swine offal was Canada's third largest export to Russia in 2004 with a value of \$5.12 million. Lean, meat-free pig fat and un-rendered poultry fat was the fourth largest agricultural export with a value of \$4.67 million, a major increase of \$3.8 million over 2003. Frozen chicken and capon cuts were the fifth largest export with a value of \$2.48 million an increase of roughly \$3 million over 2003.

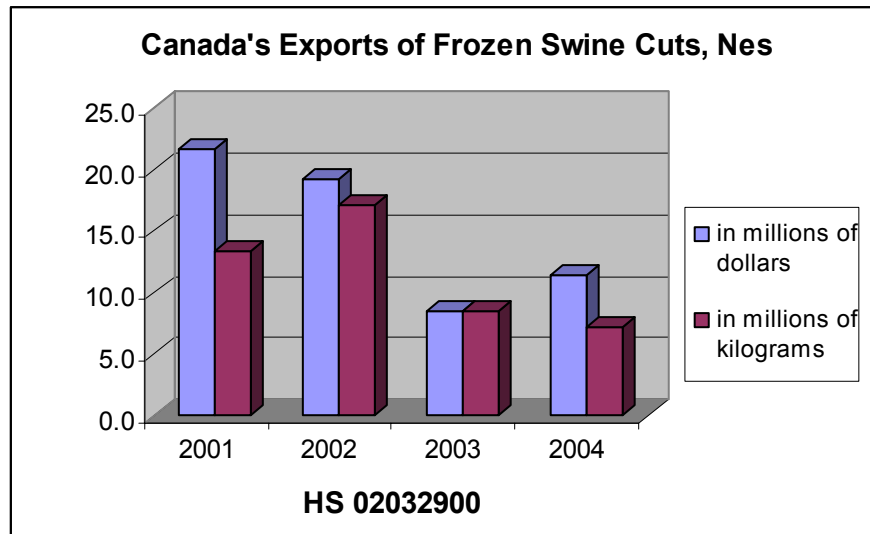
Canada's bulk agri-food exports to Russia reached \$522,097 in 2004, with tobacco products accounting for 58.4% of total products. This is a significant increase of \$387,002 in total bulk agri-food, largely due to mustard seeds which have nearly doubled and the development of soya beans and un-milled cereals as a bulk export in 2004. Canada's intermediate agri-food exports to Russia were valued at \$3.8 million in 2004. Poultry feeds and green, dried, shelled peas accounted for 50% of export products. Canadian consumer exports to Russia accounted for 87.8% of total exports in 2004. Meat and edible meat offal accounted for 80% of consumer exports, while total

consumer exports reached \$42.9 million in 2004.

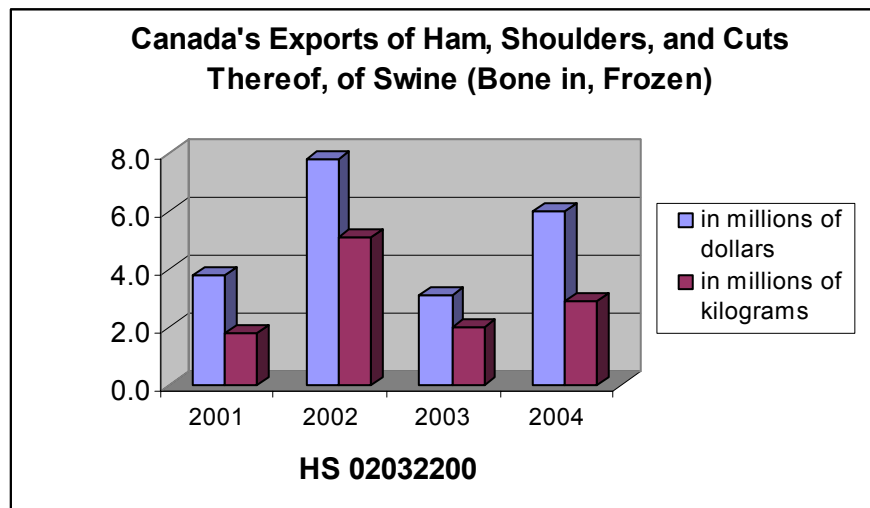
Agricultural imports from Russia reached \$65.4 million in 2004, an increase of almost 200% from 2003. Vodka alone, valued at \$63.1 million, accounted for 96.4% of total consumer imports to Canada in 2003. Homogenised or reconstituted tobacco, chocolate confectionery, beer made from malt, and cultivated blueberries rounded out the top 5 consumer imports, respectively.

## Canada's Exports to Russia

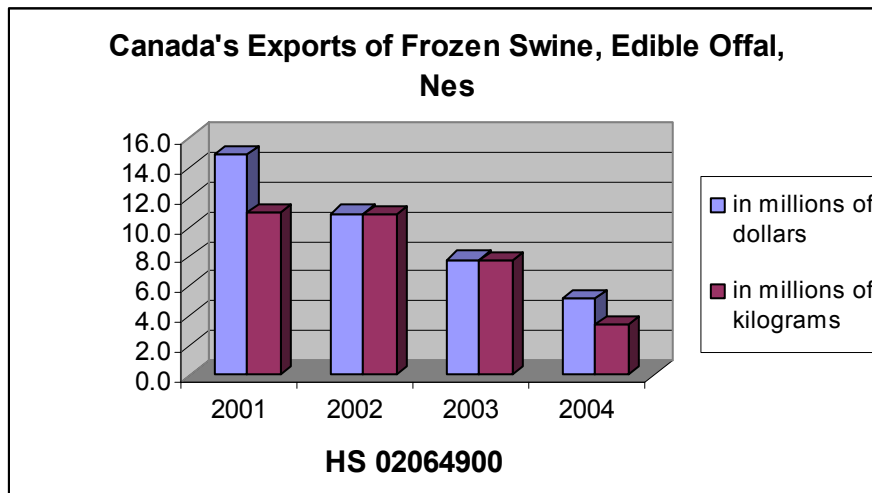
The following 9 products represented 78% of Canada's agricultural exports to Russia in 2004. Data provided by STATS Can.



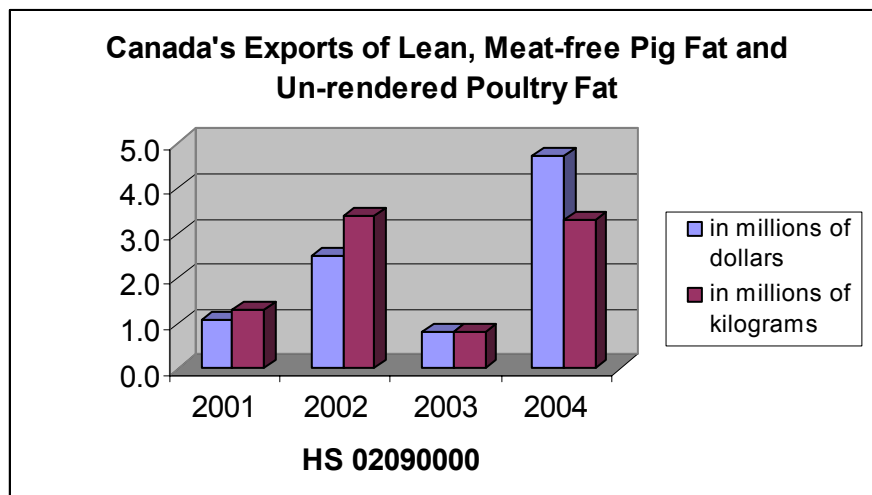
Frozen swine cuts continue to be Canada's largest agricultural export to Russia. Accounting for 24.1% of total agricultural exports, Frozen swine cuts amounted to \$11.4 million in 2004, an increase of almost \$3 million from 2003, presently making Russia Canada's 5<sup>th</sup> largest market for this product.



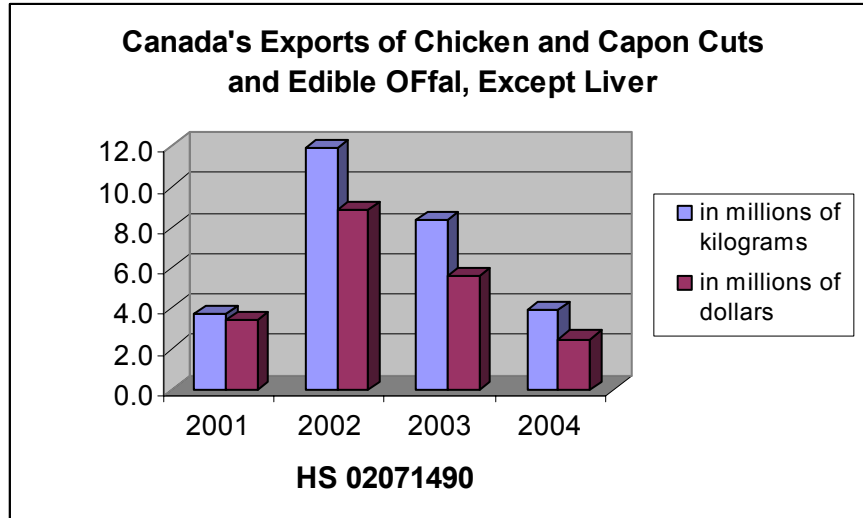
Frozen, bone-in shoulders and cuts of swine and ham are Canada's 2<sup>nd</sup> largest agricultural export to Russia, accounting for 13.3% of total agricultural exports. Total trade of this product reached \$6.2 million in 2004, an increase of 200% from 2003. Russia is currently Canada's 4<sup>th</sup> largest market for this product.



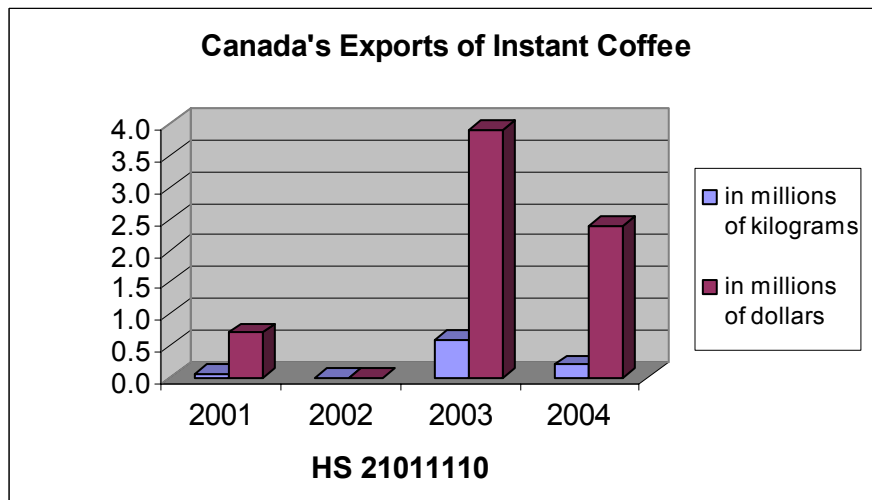
Frozen swine of edible offal are Canada's 3<sup>rd</sup> largest agricultural export to Russia in 2004. This commodity represented 10.9% of total agricultural exports, and reached \$5.1 million in 2004, which was a slight decrease from the previous year. Russia is presently Canada's 4<sup>th</sup> largest market for frozen swine of edible offal.



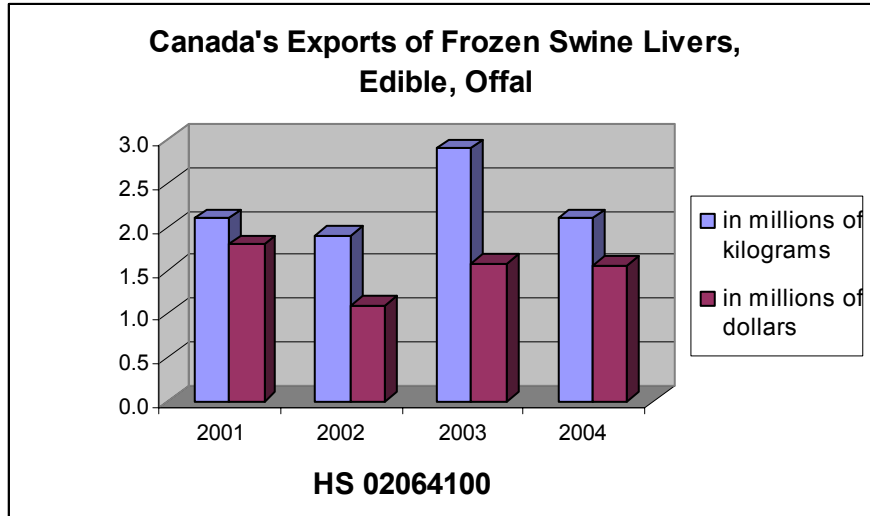
Lean, meat-free pig fat and un-rendered poultry fat reached \$4.6 million in 2004, an 87% increase over 2003, making it Canada's 4<sup>th</sup> largest agricultural export to Europe in 2004. Accounting for approximately 10% of total Canadian agricultural exports, Russia is Canada's 4<sup>th</sup> largest market for this product.



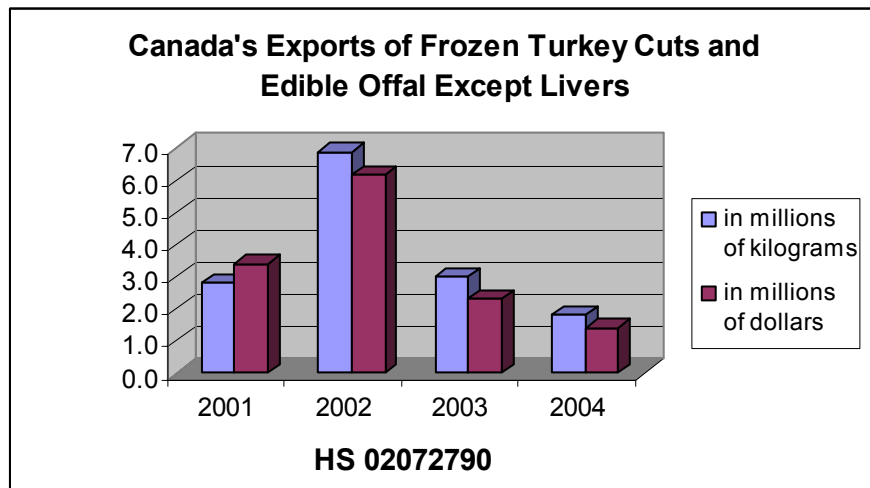
Chicken and capon cuts and edible offal (except liver) accounted for 5.2% of Canada's total agricultural exports to the Russia, and Canada's 5<sup>th</sup> largest agricultural export to the country in 2004. Reaching \$2.4 million in 2004, this product showed a slight decrease from 2003, Russia is nevertheless Canada's 5<sup>th</sup> largest market for this commodity.



Instant coffee was Canada's 6<sup>th</sup> largest agricultural export to Russia in 2004. Accounting for 5.1% of total agricultural exports, it reached \$2.4 million in 2004 after being discontinued in 2002. Russia is Canada's 2<sup>nd</sup> largest market for instant coffee.

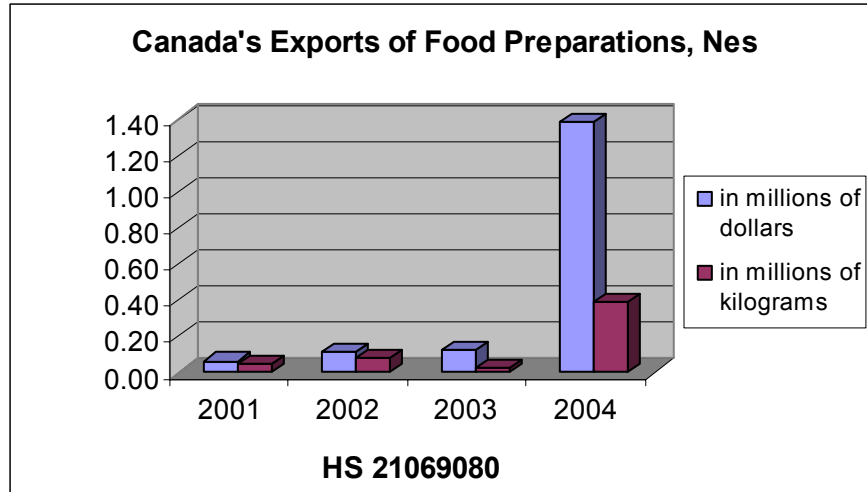


Frozen, edible, swine livers were Canada's 7<sup>th</sup> largest agricultural export to Russia in 2004. Exports reached \$1.5 million, and is responsible for 3% of Canada's total agricultural exports to Russia. Russia dominates as the largest market for frozen edible swine livers in Canada.

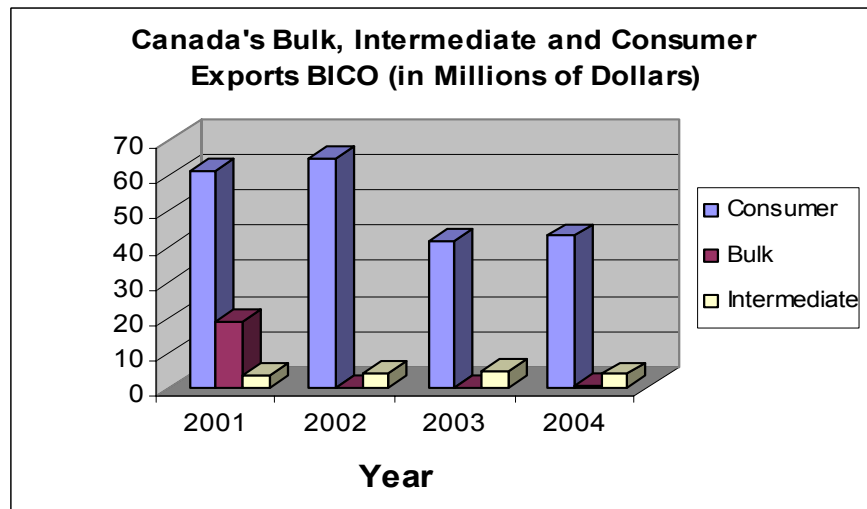


Frozen turkey cuts and edible offal except livers reached \$1.4 million and was Canada's 8<sup>th</sup> largest agricultural export to Russia in 2004. Russia is Canada's 2<sup>nd</sup> largest market for this commodity.





Food preparations were Canada's 9<sup>th</sup> largest agricultural export to Russia in 2004. This commodity reached \$1.4 million in 2004, after its significant increase of \$1.2 million since 2003. Russia is Canada's 29<sup>th</sup> largest market for food preparations.



Consumer exports have dominated total Canadian exports to Russia for the past four consecutive years. In 2002, consumer exports controlled as much as 94% of total exports while it accounted for 91% in 2004. With approximately 80% of consumer exports represented by meat and edible meat offal products, consumer exports reached a total of \$42,943,550 in 2004. Bulk commodities which were 100% controlled by tobacco products in 2001, have decreased their trade of tobacco to 58%, although total bulk exports have dropped drastically from over \$18 million in 2001 to \$0.5 million in 2004. Intermediate exports have been following a positive trend despite a slight drop in 2004. Composed with a large variety of intermediate goods such as grain products, live animals, oilseeds and vegetables, it reached \$3,819,716 in 2004.

## Additional Information

Promotional Venues	
<p><b>PRODEXPO 2005</b> February 14-18, 2005 ZAO Expocentr Moscow Internet: <a href="http://www-eng.expocentr.ru/site/95/">www-eng.expocentr.ru/site/95/</a></p> <p><b>INTERFOOD</b> April 11-14, 2005 Exhibition Centre Lenexpo St. Petersburg Internet: <a href="http://www.primexpo.ru/interfood/">www.primexpo.ru/interfood/</a></p> <p><b>SibFoodExpo</b> April 19-22, 2005 World Trade Center Novosibirsk Novosibirsk Internet: <a href="http://www.festival.sibfair.ru/">www.festival.sibfair.ru/</a></p>	<p><b>World Food Moscow 2005</b> <b>International Food, Beverage, Food Processing and Packaging Exhibition</b> September 20-23, 2005 Krasnaya Presnya Expocenter Moscow Internet: <a href="http://www.world-food.ru">www.world-food.ru</a></p> <p><b>Russian Agricultural Exhibition "Golden Autumn" Annual</b> September 29 - October 1, 2005 Yaroslavl, Russia Internet: <a href="http://www.apkvvc.ru/engaut.htm">www.apkvvc.ru/engaut.htm</a></p> <p>More events <b>TSCentral</b> <b>InfoSite</b> <b>ITE Online</b></p>

Canadian Contacts in Russia	
<p><b>Consulate of Canada in Vladivostok</b> Mrs. T. Demenok (Honorary Consul) 59 Krasnogo Znameny Pr. 7<sup>th</sup> Floor Vladivostok, 690002, Russia Tel: (011-7-8-902) 555-6030 Fax: (011-7-4232) 491-1188 Email: <a href="mailto:cbrfe@mail.ru">cbrfe@mail.ru</a></p> <p><b>Canadian Consulate General in St. Petersburg</b> Mr. Hector Cowan, (Consul General) Mr. J. Kleniewski, (Counsellor) 32B, Malodetskosselsky Prospect, 198013 St. Petersburg, Russia Tel: (011-7-812) 325-8448 Fax: (011-7-812) 325-8393 Email: <a href="mailto:spurg@international.gc.ca">spurg@international.gc.ca</a></p>	<p><b>Canadian Embassy in Moscow</b> Mr. M. Levin, (Minister - Counsellor Trade) Mr. J. Kur ( Minister- Counsellor Commercial) Starokonyushenny Pereulok 23, Moscow 12100, Russia General: Tel: (011-7-095) 105-6000 Fax: (011-7-095) 105-6025 Trade: Tel: (011-7-095) 105-6057 Fax: (011-7-095) 105-6051 Email: <a href="mailto:mosco@international.gc.ca">mosco@international.gc.ca</a></p>

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