

Russian Food Retailers Look to Imports as They Grow

As the Russian food retail sector moves from kiosks and traditional outdoor wholesale markets to well-equipped modern food stores, the largest Moscow food retailers—Perekryostok, Seventh Continent and Ramstor—planned to open as many as 20 new stores in 2001 alone. This retail trend means new export opportunities for U.S. agribusinesses.

Ready To Buy

Large Russian cities—particularly Moscow, St. Petersburg, Nizhniy Novgorod and Yekaterinburg—are experiencing sharp growth in their retail markets. Throughout the country, the general economic situation is improving, and consumer incomes continue to rise.

As a result, Russians are spending more on better quality food products and non-essential items, such as videos and jewelry. The fact that the average Russian is not burdened by long-term credit payments, such as home mortgages or car payments, also contributes to larger disposable incomes.

Moscow's Retail Rebirth

Moscow regional government officials recently unveiled a 20-year plan to invest \$3 billion in renovating existing shopping facilities and, at the same time, approved a plan for constructing new shopping centers. The plan includes the construction of eight retail zones of 100,000 square meters each over the next 20 years.

The regional government hopes to attract further investment in the local retail sector from financial and business groups



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and will also encourage the development of trade associations.

Where the Stores Are

The majority of the new retail trading centers will be located in Moscow's outlying areas. At the moment, 64 retail outlets with 1.5 million square meters of floor space are under construction. New wholesale and retail centers are designed to have readily available warehouse space and service infrastructure—parking garages, gas stations, car services and offices.

More Choices, More Trade

Retail outlets in Moscow now offer about 30,000 types of food products (45 percent are imported). But throughout much of the rest of the country, consumers remain very price sensitive. As a result, 70 percent of consumers continue to buy food products at traditional wholesale markets to take advantage of the lower prices.

Supermarkets' retail trade has been growing about 10 percent annually. However, the capital, Moscow, still lags far behind other large European cities in terms of the number of large retail centers.

Retailers Unite, Build New Stores

There is a growing trend toward consolidation in the food retail sector, especially in Moscow, St. Petersburg and Yekaterinburg. In part, this is being done to maximize retailers' buying power and to create new marketing efficiencies. However, the existing retail chains are also trying to prepare for the entry of several large foreign retail chains, such as Germany's AVA and Metro Cash and Carry, France's Auchan and Dutch retail chain Spar.

Russian Retail Chains Unite

Seventh Continent, Russia's second largest retail food chain, has joined forces with four other non-food retail giants:

- **Arbat Prestige:** Chain of cosmetic stores, with 50 percent of total market share
- **M. Video:** Chain of video/appliance stores, with 12 percent
- **Starik Khottabyck:** Chain of home improvement stores, with 10 percent
- **Sport Master:** Chain of sport clothing, shoe and equipment stores, with 25 percent

RUSSIANS ARE SPENDING MORE ON FOOD AND NONESSENTIAL ITEMS, SUCH AS VIDEOS AND JEWELRY.

To maximize their efforts during this growth period, large retailers in Moscow and St. Petersburg have begun to create retail associations. Perekryostok, the largest Russian retail food chain, has joined with several other food retailers to form the Russian Retail Alliance. The Alliance now accounts for 72 retail outlets in Moscow and St. Petersburg, catering to more than 1 million buyers every month. Its total annual trade turnover is \$500 million.

Seventh Continent, the second largest retail chain in Russia, has joined forces with four other non-food retail giants. Together, these five chains have 63 stores, which sold \$410 million worth of goods in 2000. In 2001, the group planned to increase its retail volume twofold and open 30 new stores.

Five large retailers in St. Petersburg plan to create another retail association called Yunisam. Total sales of the new association are anticipated to reach \$60 million.



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Opportunities To Export

Although domestic food products still dominate the Russian retail food market because of their lower prices, improving

Russia's Retail Trade Is Growing

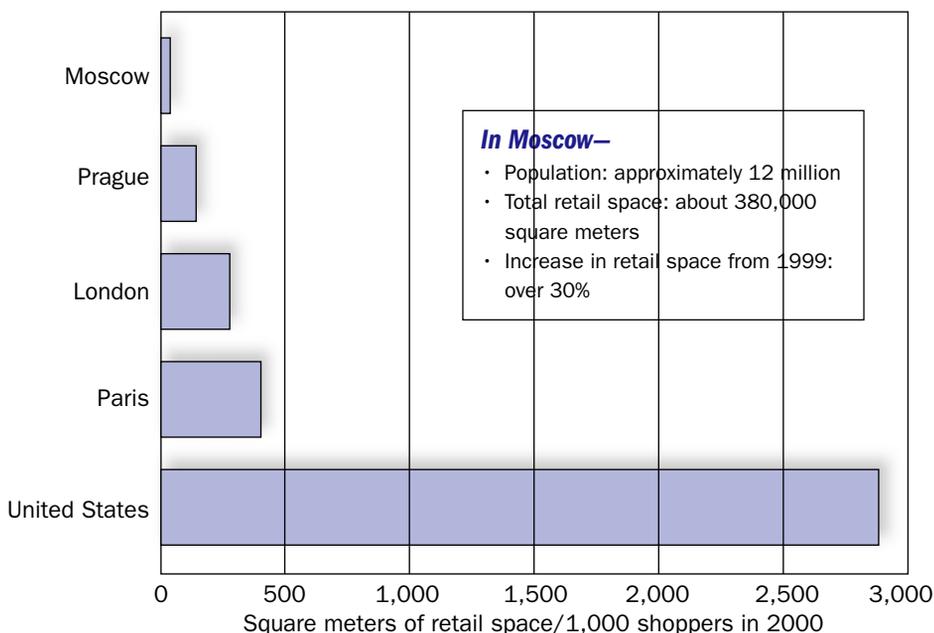
- **Total sales volume of consumer goods in 2000:** 700 billion rubles (approximately \$23.7 billion)
- **Imports' share of 2000 total agricultural and food sales:** more than 30 percent
- **Increase in total sales of consumer goods over 1999:** 133 percent
- **U.S. share of Russia's total retail sales in 2000:** 30 percent (\$22 billion), up slightly from 1999
- **Average Russian worker's disposable income spent on retail purchases:** 75-80 percent
- **Average Russian worker's monthly income:** \$50-\$100, regional cities; \$400, Moscow

consumer incomes should create greater demand for well-priced imports of good-quality food products. At present, imported food products make up 30 percent of Russia's total agricultural and food sales.

During the next few years, this dynamic food retail sector will bring new opportunities for domestic food manufacturers and foreign suppliers willing to make the effort to enter the Russian market. ■

For more information, contact the U.S. Agricultural Trade Office, Moscow, Russia. Tel.: (7095) 728-5560; Fax: (7095) 728-5069; E-mail: agtrade@corbina.ru

Russian Shoppers Need More Stores



For details, see FAS Report RS1303. To find it on the Web, start at www.fas.usda.gov, select **Attaché Reports** and follow the prompts.

