

The Russian Market: Opportunities for the U.S. Consumer Goods Sector

Russia Is One of the World's Fastest Growing Retail Markets

Revenues from the country's energy wealth have injected cash into the economy as a whole, allowing Russia's middle class to increase its consumption of consumer goods – and foreign products in particular.

- Russians' purchasing power is growing steadily - real disposable incomes in Russia rose 10% in 2006, on the heels of a 9% increase in 2005, and an 8% gain in 2004.¹
- Due to flat income taxes and subsidized utilities, a large share of Russian household income is disposable (70%), which permits Russians the flexibility to spend on imported consumer goods.²
- Russia is the world's 12th largest retail market, and experts predict that total retail sales in Russia will soon double, making Russia the 9th largest by 2010.³
- Russia's food retail market, currently worth US\$117 billion, holds tremendous promise – the market's value has increased 30% per year over 2002-2006, and could double by 2008.⁴

Business Is Booming for U.S. Companies in Russia

Russia's middle class is expanding, fueling sales of U.S.-brand consumer goods.

- Procter & Gamble (P&G) sells more than 25 of its brands in Russia, holds a leading market share in 75% of the categories where it operates,⁵ and the company's overall business in Russia is now four-fifths the size of its China operations.⁶
- PepsiCo executives describe Russia as a "growth engine" for their European sales,⁷ and PepsiCo's Frito-Lay is the #1 snack brand in Russia.⁸
- Russia represents the fastest-growing market for Kraft Foods.⁹
- Russia now ranks among Wrigley's top 5 markets worldwide.¹⁰

Russia's Expanding Retail Sector Opens Doors for U.S. Exporters

Modern retail chains are spreading across Russia, selling a variety of foreign goods and opening up additional export possibilities for U.S. firms and farmers.¹¹

- Roughly 45% of the products sold through Russian retail outlets are imported goods.¹²
- Russia has become the world's leading per-capita consumer of instant coffee,¹³ importing more than US\$15 million worth of U.S. instant coffee in 2005.¹⁴
- In 2005, U.S. farmers exported more than US\$65 million worth of tobacco to Russia.¹⁵

Robust Investment Opportunities Abound Across Russia's Consumer Goods Industry

Foreign direct investment in Russia is growing, and an important share of this capital is going to consumer-related industries.

- In 2005, Coca-Cola bought Russia's second-largest juice maker in an investment worth US\$530 million, and now controls about a fifth of the Russian juice market.¹⁶ Coca-Cola recently announced that it will invest \$160 million in a bottling plant in southern Russia.¹⁷
- Philip Morris's investment in Russia exceeds US\$800 million.¹⁸

¹ Keith Bush, "Russian Economic Survey," U.S.-Russia Business Council, (March 2007).

² *Business Week*, (February 20, 2006).

³ *Financial Times*, (January 27, 2007).

⁴ "Russia's economy fuels agricultural import growth," USDA GAIN Report, RS6317, (October 12, 2006).

⁵ Company Fact Sheet on Business in Russia, See: http://www.procterandgamble.ru/english_info/

⁶ William J. Burns, U.S. Ambassador to Russia, Remarks to the American Chamber of Commerce in Russia, (November 28, 2006).

⁷ "Russia drives PepsiCo bottler's growth," CEE-foodindustry.com, (July 13, 2006).

⁸ *Miami Herald*, (August 21, 2006).

⁹ *Moscow Times*, (March 3, 2006).

¹⁰ "U.S. Business in Russia," Brochure published by the American Chamber of Commerce in Russia (2007).

¹¹ "Russia's economy fuels agricultural import growth," USDA GAIN Report, RS6317, (October 12, 2006); *Financial Times*, (January 27, 2007).

¹² *Interfax*, (August 21, 2007).

¹³ *Business Week*, (February 20, 2006).

¹⁴ ITC Dataweb, (HTS-2101112131 + HTS-2101112126), 2005, FAS Value.

¹⁵ ITC Dataweb, (HTS-240120), 2005, FAS Value.

¹⁶ *Reuters*, (August 13, 2007).

¹⁷ *RIA Novosti*, (March 26, 2007).

¹⁸ Presentation to the 13th Annual Members and Directors Meeting, U.S.-Russia Business Council, Moscow, Russia (October 3, 2005).