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HRI Food Service Sector Report

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Report Highlights:
Sharp increases in consumer incomes and expanding tourism are creating a boom in Russia's HRI sector, with total sales in 2002 up by 28 percent. However, further expansion is expected as the average Russian consumer spends only seven percent of total food expenditures on meals away from home. Buoyed by the growth in the HRI sector, imports of consumer-oriented food products also increased sharply in 2002 – up 21 percent to $5.6 billion. Growing consumer demand and favorable changes in Euro/Dollar and Ruble/Dollar exchange rates are creating opportunities for a wide range of U.S. food and beverage products.

Includes PSD Changes: No
Includes Trade Matrix: No
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[RS]

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SECTION I. MARKET SUMMARY

- The Russian economy has expanded sharply over the past five years, growing by more than seven percent in 2003.
- Consumer spending has grown at an even faster rate – up nearly 14 percent in 2003. This, in turn, has encouraged rapid expansion in all areas of the Russian economy, particularly in services and entertainment.
- At the same time, socio-demographic factors such as the growth of the urban population, increasing number of working females, and expanding tourism are all influencing demand for fast-food outlets and restaurants.
- The level of food expenditures in Russia is quite high in comparison with Western countries. In fact, food accounted for about 46 percent of total purchases of goods (or more than $69 billion) in 2002.
- However, the average Russian consumer spends only seven percent of total food expenditures on food away from home. According to analysts, the current share of food expenditures in Russia corresponds to the U.S. level at the beginning of the 1960s.
- Nevertheless, expenditures on food “away-from-home” are increasing rapidly. In fact, a 10 percent rise in consumer income now leads to an increase in “at-home” food expenses of just 2-3 percent while “away-from-home” food expenditures increase by 8-9 percent.
- Total food sales in the Russian HRI sector were $4.82 billion in 2002 and increased by 16 percent to an estimated $5.6 billion in 2003.

HRI Food Sales, 2000-2003*

	2000	2001	2002	2003*	5 year growth
Annual Sales ($billion)	2.69	3.76	4.82	5.60	More than 200%

*** Estimate**

- The Restaurant sub-sector accounts for the largest share of “away-from-home” food expenditures.

HRI Food Sales By Sub-Sector (2002) & Estimated Growth (2003)*

	Food sales (%) 2002	Growth (%) 2003*
Hotels and Resorts	5	26
Restaurants	85	16
Institutional Contractors	10	N/A

*** Estimate**

- The 1998 economic crisis and ruble devaluation led to a sharp reduction of market share for imported food and beverage products as consumers were forced to substitute with cheaper local goods. However, rising consumer incomes in the past several years have helped push the overall market share for imported food products to 34 percent.

HRI SUB-SECTORS

Restaurants

- Moscow and St. Petersburg account for the major share of the restaurant market in Russia. As for the other regions, the level of development in the restaurant sub-sector varies widely. For those regions with economies based on oil, gas or other natural resources, higher consumer incomes attract a higher level of food service.
- At present, the number of cafes, restaurants and other food outlets in Russia lags well behind Western standards. For example, while there are more than 14,000 restaurants in Paris and more than 17,000 restaurants in New York, the number of restaurants in Moscow totals only about 3,500 according to the Moscow Guild of Restaurant Owners.
- The Russian restaurant market consists of several market niches, each of which is different in terms of total food sales and the number of "players":
  - ✓ Fast food, which is divided into two separate segments: street/mobile fast-food (kiosks, stalls, carts, etc.) and walk-in/sit-down fast-food outlets
  - ✓ "Democratic" restaurants – moderately priced outlets
  - ✓ "Boutique" restaurants – higher priced/exclusive outlets
  - ✓ Coffee shops
- While official statistics do not draw a distinction between fast food and "democratic" (moderately priced) restaurants, the following table provides an approximate distribution by segment based on a combination of official statistics and the expert opinions of market participants.

Distribution Of Restaurants By Sub-Category

	Moscow			Russia		
	Share of total outlets (2002) -%-	Sales (2002) -$Million-	Growth (2003)* -%-	Share of total outlets (2002) -%-	Sales (2002) -$Million-	Growth (2003)* -%-
Fast food	50	480	15	40	1,000	10-12
Democratic Restaurants	15	360	40	15	1,500	30
Luxury Restaurants	4	~200	7	2	500	5
Coffee Shops	4	20	63	2	40	40
Others	37	~140	-	41	~1,060	-
Total	**100**	**~1,200**	**40**	**100**	**~4,100**	**16-17**

***Estimate**

Source: **All-Russian Congress of Restaurateurs and Food Service Leaders; Consumers' Market and Services Department (Moscow City Government); and expert opinions.**

Hotels and Resorts

- According to the Russian State Statistics Committee (Goskomstat), the total turnover for the Hotel/Resort sub-sector was $1.2 billion in 2002, an increase of 26 percent in comparison with 2001. Moscow hotels accounted for more than 42 percent of the total turnover and 19 percent of the total number of rooms. St. Petersburg hotels accounted for almost 16 percent of the turnover and eight percent of the number of rooms. Hotels that cater to foreign guests appear to be most successful against the general background.

- The Moscow and St. Petersburg markets draw 80 percent of foreign tourists. These markets are also characterized by a high level of business activity (especially in Moscow), the presence of more high-class hotels, and a developed tourist infrastructure (museums, transport, guides, restaurants and so on). However, the hotel business is beginning to develop in the regions, too. In fact, the Moscow/St. Petersburg market share has decreased by more than 10 percent.
- The total number of hotels in Russia is estimated at 4,300. The total number of rooms is about 188,000. Despite Moscow's developed tourist infrastructure, the number of rooms does not match European standards: there are 3-4 hotel rooms per 1000 people in Moscow versus 10-12 rooms in other European capitals.
- On average, the breakdown of hotel income is as follows: room rentals – 70 percent; services – 10 percent; and food and beverages – 20 percent. On this basis, food and beverage sales in the hotel sub-sector were an estimated $240 million in 2002.

Institutional

Schools, Universities, Public companies, Hospitals

- At present, the level of development for this sub-sector in Russia is significantly lower in comparison with many countries. This segment forms a very small part of the total food service market in Russia and holds relatively little interest for U.S. exporters of food and beverage products.

Transportation Services

- Transportation food service generally cannot be considered a strategic market niche for U.S. food products. However, there may be some potential due to the sheer volume of public transport in Russia. The Russian Federation territory is large, and Russians most often travel by train (1.3 billion passengers in 2002).

Railroad

- ➢ Railroad transport is the primary (and, in some cases, only) mode of transportation for most consumers. In fact, the Russian railway system accounts for about 80% of the total transportation volume in Russia.
- ➢ However, according to the Ministry of Communication, the Russian railway transport system has only 650 dining cars and 200 buffet cars. Further, the cost of a ticket for a "high-convenience" passenger car (there are 450 such cars in Russia) includes an "onboard" meal. The standard set includes coffee, carbonated water, bread, meat, cheese, yogurt, confectionery and in some cases – a hot dish.
- ➢ The annual volume of the meal market ("onboard" and "restaurant") in railway transport is about $60 million.

Airlines

- ➢ Airline passenger turnover was about 28 million persons in 2002, and the volume is increasing rapidly.

- While there is increasing demand for services that match international quality standards, most local catering companies cannot meet the requirements of international airlines. The kitchens of the "Sheremet'evo" (Moscow), "Domodedovo" (Moscow) and "Pulkovo" (St. Petersburg) airports are the exception to this rule because they were created in cooperation with western companies.
- With the increasing demand for quality, air transportation food service can become an attractive market niche for U.S. food and beverage exporters.

ADVANTAGES AND CHALLENGES FOR U.S. PRODUCTS IN RUSSIA

Advantages	*Challenges*
Rising consumer incomes and changes in consumption culture are creating new opportunities as consumers look for better quality and more consistency	Difficult delivery: long shipping times from the U.S.; complex customs regulations; internal transport problems
U.S. fast food and theme restaurants already popular among consumers, particularly younger people, but there is room for further growth in the market	Many consumers view U.S. food products as "unnatural" – they worry that U.S. meat and poultry contain "hormones" and "chemicals", fruits and vegetables lack "good taste"
U.S. food and beverage products becoming more competitive due to changes in exchange rates	Quality of domestic production is improving and becoming more competitive (e.g., pork, poultry, sauces, etc.)
Many food professionals in Russia recognize the quality, consistency, originality, and value of U.S. products for the HRI sector	Some food professionals think that the best quality U.S. products are not available for export to other countries like Russia

SECTION II. ROAD MAP FOR MARKET ENTRY

A. ENTRY STRATEGY

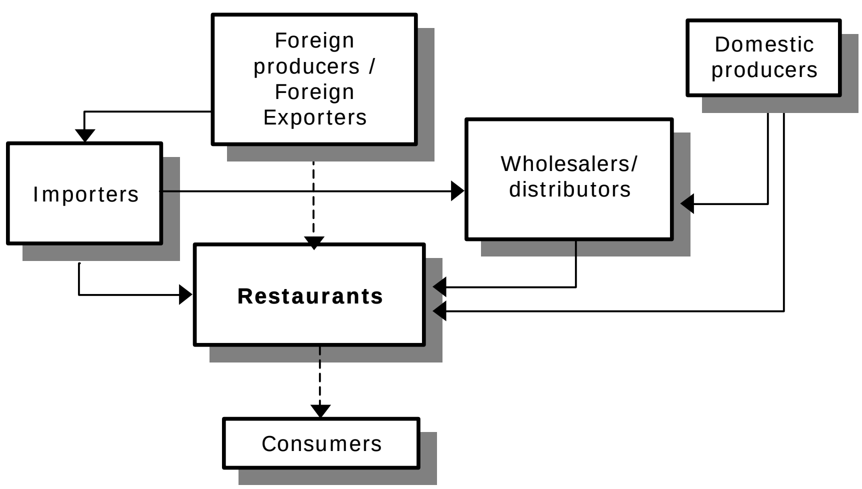
It is difficult to identify a single best way to penetrate the Russian HRI market because different products may require different marketing approaches. However, several general ideas may be helpful in developing a successful entry strategy.

- U.S. exporters can approach the Russian HRI food market through a general importer/distributor or a specialized agent/representative. A few larger restaurant chains import some products directly, but most HRI outlets procure supplies through local distributors.
- Given some of the existing myths about U.S. food products, broader market penetration may be difficult without some level of promotion. This could be accomplished in a variety of ways: through the importer; through an agent/representative; or via direct marketing.
- The initial target, of course, should be importers, distributors and/or restaurateurs, who must understand the uses and advantages of the U.S. products. Technical support in the form of printed material and/or seminars is critical to the effort of educating, dispelling negative stereotypes and, ultimately, building loyalty to the U.S. product.
- These trade partners can also assist in helping to organize/support a targeted mass-market campaign, which will help expand the audience.

- The following activities should be considered examples of what can be done as part of an overall market strategy:
  - ✓ Sponsoring technical seminars for food professionals in major Russian cities
  - ✓ Participating in seminars connected with major food exhibitions/trade shows
  - ✓ Sponsoring technical/training missions to the U.S. for Russian food professionals
  - ✓ Participating in or co-sponsoring other activities conducted by U.S. industry or state/regional associations (i.e., U.S. Meat Export Federation, Almond Board of California, etc.) and/or the U.S. Agricultural Trade Office in Moscow

- It may be necessary to develop a different strategic approach for each segment of the food service sector. For example: high-category restaurants and "democratic" restaurants will likely require different marketing/promotional tactics.
- It is interesting to note that some buyers/chefs of the high-category restaurant segment think that American products of the best quality do not enter the export channel. For example: participants in a master class sponsored by the U.S. Meat Export Federation were pleased with the quality of the U.S. pork used but were surprised to learn that such product is readily available in the Russian market. This example highlights the need for further trade servicing and technical support.
- Close contact with importers is also important to avoid logistical problems and shipping delays. Given the longer shipping time for U.S. products compared to products from Europe, it is essential that orders be filled as quickly and efficiently as possible.

Distribution Channels for Food Service Sector



- Overall, imported food products account for a large percentage of ingredients used in the restaurant business (as much as 60 percent depending on the segment).
- However, many consumers are convinced that local products are fresher, healthier, etc. In response, some restaurant owners now claim to use only domestic ingredients. Ironically, many local products do not maintain the necessary level or consistency of quality, which is typically one of the most important factors cited by consumers in dining decisions.

- Most ingredient purchases are made through distributors/intermediaries, who number in the hundreds at present. However, large restaurants and chains prefer to work with the larger suppliers, who typically are also importers.
- Restaurants can also purchase directly from local producers, primarily vegetables and fruit during the summer season. In addition, meat cuisine restaurants of the low-to-middle price level prefer to buy meat directly from domestic producers.
- For exclusive and/or exotic products (e.g., sushi ingredients) the restaurants most often contact foreign producers directly.
- At the same time, some restaurant chains import products directly through their own trading arm, which considerably reduces the cost of production.

B. MARKET STRUCTURE

Restaurants

- Russian/Ukrainian, Italian and Eastern cuisines are the most popular at present. (Please see the APPENDIX, CUISINES: TRADITIONS AND TRENDS for more information.)
- As noted earlier, the restaurant business in Russia now covers several market segments: fast food outlets; democratic (moderately-priced) restaurants; haute cuisine or exclusive restaurants; and coffee houses.
- Fast food outlets, democratic restaurants and coffee houses are currently the most popular and the fastest growing. According to industry forecasts, the share of democratic restaurants will continue to grow, while the market share for restaurants of high category or haute cuisine will diminish.
- In addition, catering services are now developing quickly, particularly in Moscow and in St. Petersburg.

"Democratic" Restaurants

- This is one of the fastest growing segments of the restaurant market and offers the best prospects for U.S. products. Growth is this sector also provides many opportunities for investors and franchisers.
- The dominant players in this segment currently are the "Rosinter" group restaurants ("TGIFriday", "American Bar & Grill", "Sushi Planet", "Patio-Pizza", etc.) Also included in this category are the inexpensive Japanese restaurants of the "Vesta-Center International" group ("Yakitoria" and "Gin-no-taki"), and the "Romashka Management" theme projects ("Shesh-Besh", "Molly Gwinn", and others).
- Some of the leading haute cuisine restaurateurs have also entered the "democratic" segment: "Arkadiy Novikov" ("Yolki-Palki" chain); "Dellos" ("Moo-Moo" restaurants); "Bardeev" ("Starlight Diner" chain).
- The customer base for this market segment far exceeds that of the haute cuisine restaurants. Before the appearance of the "Sushi Planet" and "Yakitoria" restaurants, sushi was considered a delicacy and was served in only a few expensive restaurants. Likewise, before the opening of "Patio-Pizza" and others like it, Italian food of similar quality was available only at some expensive Italian "boutique" restaurants.
- Traditional brazier-style cuisine, which was a specialty of the former (and expensive) "Tamerlan" restaurant, is now abundantly and inexpensively replicated by the "Yolki-Palki" chain.

Steak Houses and American Cuisine Restaurants

- Although meat dishes are a staple of almost every Russian restaurant, U.S.-style steak houses aren't yet widespread. Market analysts attribute this to the fact that in Russia most of these restaurants were established only at the high end (average bill of about $50).
- "Traditional" meat restaurants in Russia work in various formats: meat courses account for more than 50 percent of the turnover in restaurants with Caucasus, Middle-Asian and Russian cuisines. However, classic steak houses occupy a relatively small part of the market. According to the "Rosinter Restaurants" group, American cuisine restaurants account for only about 3-4 percent of the Moscow market. These restaurants also represent a major part of the steak business.
- While steak house and American cuisine restaurants do not represent a high growth segment at this point, there appears to be good potential for future growth. The "TGIFriday's" and "American Bar and Grill" chains operated by the "Rosinter Restaurants" group, with 60,000 visitors per year, currently account for the lion's share of this segment.

"Meat Cuisine" Restaurants

Name	Average Bill	Cuisine	Comments
American Bar and Grill	$20-50	American, Italian, Chinese, Mexican, Japanese cuisine	Frequently use imported products, particularly meats, as local supplies don't provide consistent quality.
T.G.I. Friday	$20-40	American, European, Mexican cuisine	
Uncle Gilley's	$50-70	American, European, International, seafood cuisine	
El Gaucho	$50-70	Latin American (Argentina) cuisine	
Louisiana	$30-50	American, European cuisine	
Hippopotamus	$30-50	American, Latin-American, Mexican cuisine	
Ruby Tuesday	$20-30	American cuisine	
Shesh-Besh	$10-20	Caucasus cuisine	
Steak House	$10-20	European, Russian cuisine	
Hard Rock Cafe	$20-30	American cuisine	
American Steak House (Renaissance Hotel)	$50-100	American cuisine	

- Although the number of steak houses is growing slowly, overall consumption of steaks is increasing. As an example, the U.S. Meat Export Federation reports that membership in its American Beef Club (ABC) has grown more than one-third to 60 restaurants throughout Russia, including some non-steak house restaurants.

Restaurants of Haute Cuisine

- High category (haute cuisine) restaurants started to appear in Russia as early as the late 1980's to early 1990's. They are associated with the names of Arkadiy Novikov, Andrei Dellos and other stars. They could (and still can) be considered boutique restaurants, typically using literary themes. The most notable restaurants are: "Pushkin" and "Seer" operated by Novikov; “Le Duc” and “Shinok” of Dellos; “Ulei” of Oleg Bardeev; “Oblomov na Presne” of Anton Tabakov; and “Absent” of Igor Buharov.

- According to industry analysts, the haute cuisine niche is already crowded. However, the owners are convinced that restaurants of this kind will continue to open and evolve.
- High category restaurants of this type are loyal consumers for imported high quality product such as marble beef.

Fast Food

Stationary Fast Food

- Stationary fast food is one of the fastest growing segments of the restaurant sector.
- Western franchises account for a major share of this growth, but local chains are developing.
- McDonald’s, Rostiks, and Sbarro are among the better known/more popular chains in the stationary fast-food category.

“Pioneers” of the Stationary Fast Food Market in Russia

Chain Name	First Year of Operation in Russia	Number of Outlets in Russia	Locations
McDonald’s	1990	104	Moscow, St. Petersburg and the regions
Rostiks	1993	39	Moscow, St. Petersburg, Novosibirsk, Omsk
Pizza Sbarro	1997	34	Moscow
Subway	1994	7	Moscow, Ekaterinburg
KFC	-	2	St. Petersburg
Pizza Hut	-	2	Moscow
T?co Bell	2003	1	Moscow

Street/Mobile Fast Food

- Currently, there are about 20 mobile fast-food chains operating in Russia. Typically, each features a particular product: grilled meats; baked potatoes; pancakes or pizza.
- Domestic chains dominate in this segment. At present, many of the chains are already well developed in the Moscow market and are moving to the regions.
- Main trends for the street fast-food market: displacement of independent vendors by chain outlets; appearance of new themes within the framework of existing chains; opening of stationary outlets by existing chains (e.g., “Stop-Top”, “Steff”, and “Kroshka-Kartoshka”.)
- The street/mobile fast-food sub-sector is growing rapidly (30-40 percent per year). However, this category is of limited interest to U.S. exporters because these outlets typically use domestic ingredients.

Largest Mobile Fast-Food Chains in Russia

Chain Name	First Year of Operation in Russia
Stop-Top (Steff)	1993
Kroshka-Kartoshka	1997
Teremok	1998
Obzhora	2000
Teremok – Russkiy blini	-
Pirozhki iz pechi	1999
Partnership E.V. Pirogov and S.A. Karavaeva	1998
Nyam-Nyam	1999

Source: **All-Russian Congress of Restaurateurs and Food Service Leaders**

Coffee Houses

- Coffee houses are a relatively new concept in Russia and are not yet widespread. However, this is arguably the fastest growing area in the HRI sector, and the number of outlets is expected to grow rapidly over the next several years.
- While coffee houses currently generate sales estimated at $50-60 million, the Moscow market alone is expected to expand several of times over during the next few years.
- At present, the chains have a major presence only in Moscow and St. Petersburg but are expected to spread to the secondary cities in the near- to mid-term.
- For additional information, please see the special report on coffee shop chains in our GAIN report #3310, The Russian Marketplace.

Hotels and Resorts

- A new law calls for hotels in Russia to be classified according to generally accepted international standards. However, local experts still divide the Russian hotel market into four segments:
  - ✓ Luxury classy hotels – international chain hotels (4-5 stars)
  - ✓ High category hotels – former “Intourist” chain (Cosmos, Rossia, etc.)
  - ✓ Average category hotels – former hotels of Central and Regional Committees
  - ✓ Economy category – other hotel and resort outlets

Moscow Hotels by Rating Category

Hotel Rating	Share of Total Rooms (%)	Occupancy (%)
Luxury	8	65
High	52	68
Average	26	n/a
Economy	14	n/a

- In terms of occupancy rates, there are significant differences between official data and industry estimates. This may be due to underreporting or different estimation methods.
- According to official data, overall occupancy in 2002 declined slightly (37 percent versus 38 percent in 2001). The highest occupancy rates were recorded in Moscow (55 percent) and St. Petersburg (57 percent); for other cities/regions, the rate was only 12 percent.
- Several well-known international chains are already present in Russia. While the chains' overall market share is still relatively small, this is the fastest growing hotel segment.
- Hotels at the high end primarily target foreign tourists and offer the best prospect for imports of U.S. food and beverage products.

C. COMPANY PROFILES

Large Chain Restaurants

Restaurant / Chain	**Sales (2002) /** ***Growth Rate (2003/2002)***	**Brand Name**	**Type**	**Number of Outlets in Russia**	**Location**
Rostik's Restaurants Limited / Rosinter Restaurants	$83 million *growth: 40%*	Rostik's,	Fast-Food	39	Moscow St. Petersburg Novosibirsk Omsk
		Patio Pizza	Democratic (Family style)	18	
		American Bar & Grill	Democratic (American style)	4	Moscow
		T.G.I. Fridays		4	Moscow
		Café Des Artist	High category	1	Moscow
		Santa Fe & Tsezarka	High category	1	Moscow
		Gooter's Sport Bar	High category	1	Moscow
		Planet Sushi	Democratic (Asian cuisine)	9	Moscow St. Petersburg Novosibirsk
		Benihana of Tokyo		1	Moscow
		Abazu		1	Moscow
		Café Moka-Loka	Fast-Food	6	Moscow
		Sibirskaya Corona	Democratic (beer)	6	Omsk Novosibirsk Krasnoyarsk
McDonald's	~$150 million *growth: 10-20%*	McDonald's, McCafe	Fast-Food	104 (109 *)	Moscow St. Petersburg and regions
Arkadiy Novikov	~$80-100 million *growth: 20%*	Sirena, Tsarskaya Ohota, Kavkazskaya Plennitsa, Beloe Solntse Puctyni, Uzbekistan, Club-T, Cheese, Biscuit, Pyramid, Three Peskarya, Veranda u Dachi, Vanil', Yapona-Mama, Vogue Café, etc	High category	24	Moscow
		Sushi-Vesla	Democratic (Family style)	1	Moscow
		Yolki-Palki	Democratic (Family style)	21	Moscow St. Petersburg

Brazier & Company	$27 million *growth: 50%*	Sbarro	Fast food / Democratic (Family style)	34 (45*)	Moscow
Restaurants Association - Vesta Center Int'l	N/A	Yakitorya	Democratic (Asian cuisine)	9	Moscow St. Petersburg
		Gi-no Taki		2	Moscow
		Crab House		1	Moscow
		Fudzi		2	Moscow
		Hong Kong		1	Moscow
		Sport Bar		1	Moscow
		Navruz	Democratic	1	Moscow
Romashka Management	N/A	William Bass	Democratic (Beer pub)	1	Moscow
		John Bull Pub	Democratic (Beer pub)	2	Moscow
		Molly Gwynn's	Democratic (Beer pub)	2	Moscow
		Piccadilly	Democratic (Family style)	1	Moscow
		Esperanto	Democratic	1	Moscow
		Mir Pizza	Democratic (Family style)	2	Moscow
		China City	Democratic (Family style)	1	Moscow
		Caravan-Saray	Democratic (Family style)	1	Moscow
		Shesh-Besh	Democratic / Fast food	5	Moscow
Restaurant House of Andrei Dellos	~$60 million	Pushkin, Bochka, Shinok, Le Duc, CDL	Haute cuisine	5	Moscow
		Moo-Moo	Fast food	2	Moscow
Tinkoff	$15 million *growth: 50%*	Tinkoff	Democratic (Beer pub)	5 (10*)	Moscow St. Petersburg Samara Novosibirsk N. Novgorod

*** Number of outlets projected by end 2003**

Source: **Industry estimates**

Products Used / Supply Sources For Selected Restaurant Chains

Name	Product	Share of Menu	Import Share	Purchasing Agent / Source
Restaurants Association Vesta-Center-International	Fish/seafood & rice	65%	100%	Most product direct from Japan; but 1-2 tons/month imported from US (flying fish roe)
	Meat	15%	50%	Direct import / distributors
	Desserts	10%		Distributors
	Fruits & vegetables		60%	Distributors
	Others			Direct import / distributors

Romashka Management	Beef	60%	20%	Distributors (USA)
	Veal			Distributors (Holland, Australia)
	Pork		0%	Distributors
	Lamb		100%	Distributors (New Zealand)
	Poultry meat	15%	60%	Distributors (Brazil)
	Fish	15%	90%	Distributors (Norway)
	Seafood		99%	Distributors
	Fruits & vegetables	10%	95%	Distributors (Holland, Spain)
Restaurant House of Andrei Dellos	Meat	50%	60%	Distributors
	Vegetables	30%	0-100%	Depending on seasonality
	Fish & Seafood	20%	40%	Distributors / Direct import
Tinkoff	Red Meat	15%	60%	Direct import / distributors
	Fish & Seafood	23%	95%	Distributors
	Poultry meat	4%	50%	Distributors
	Dairy products	5%	5%	Distributors
	Grocery	15%	30%	Distributors

Source: **Industry estimates**

Coffee Shop Chains In Russia

Chain Name	Share (%) of Total Sales	Number of Outlets	Locations
Coffee-House	50	25	Moscow
"Idealnaya chashka" (Ideal Cup)	10	13	St. Petersburg, Moscow
Shokoladnitsa	25	10	Moscow
Moka-Loka	4	6	Moscow
Coffee-Teppa	2	6	Novosibirsk
New York Coffee	1	5	Novosibirsk
Travels Coffee	1	5	Novosibirsk
Coffee Mania	2	4	Moscow, St. Petersburg
Babaru	1	4	St. Petersburg
Coffee Bean	1	3	Moscow
Zen Coffee	1	2	Moscow
Segafredo	1	2	Moscow
Marko	-	3	St. Petersburg
Republic of Coffee	-	3	St. Petersburg

Source: **Maya Delo (My Business): Restaurant – magazine**

High Category Hotels

Hotel	Rating	# of Hotels	# of Rooms	Location	Occupancy Rate*	Food Outlets	Purchasing Agent
Chain Hotels							
Marriott	5/4	6	1,509	Moscow, St. Petersburg Samara	70-80%	Restaurants: **10** Bars: **9** Coffee shops: **4**	Distributors
Radisson SAS	4	4	1,320	Moscow, St. Petersburg Sochi	60-70%	Restaurants: **8** Bars: **4** Coffee shops: **1**	Distributors
Accor, Novotel, Marco Polo	4	3	811	Moscow	60-65%	Restaurants: **4** Bars: **5** Coffee shops: **1**	Distributors
Sheraton	5	2	478	Moscow St. Petersburg	45-50%	Restaurants: **6** Bars: **3** Coffee shops: **2**	Distributors
Forte & Le Meridian	5	2	797	Moscow St. Petersburg	50-70%	Restaurants: **6** Bars: **5** Coffee shops: **2**	Distributors
Word Trade Center Hotel	5/3	2	707	Moscow	50%	Restaurants **5** Bars: **2** Coffee shops: **2**	Distributors
Kempinski Hotels & Resorts	5	2	533	Moscow St. Petersburg	45-50%	Restaurants: **6** Bars: **3** Coffee shops: **2**	Distributors
UMACO / Katerina	4	2	311	Moscow	-	Restaurants: **4** Bars: **3**	Distributors
Best Western	4	2	166	Moscow, St. Petersburg	-	Restaurants: **3** Bars: **2**	Distributors
Inter-Continental Hotels Group	5	1	371	Moscow	-	Restaurants: **5** Bars: **2** Coffee shops: **1**	Distributors
Hyatt	5	1	259	Moscow	-	Restaurants: **1** Bars: **2** Coffee shops: **2**	Distributors
Holiday Inn	4	1	154	Moscow region	-	Restaurants: **2** Bars: **2**	Distributors
Non-chain Hotels							
Golden Ring Hotel	5	1	247	Moscow	-	Restaurants **5** Bars: **3**	Distributors
President Hotel	5	1	210	Moscow	-	Restaurants: **7** Bars: **1** Coffee shops: **1**	Distributors
Russia	3	1	2,881	Moscow	-	Restaurants: **7** Bars: **2** Coffee shops: **1**	Distributors
Cosmos	4	1	1,777	Moscow	-	Restaurants: **7** Bars: **8**	Distributors
Ukraina	4	1	1,103	Moscow	-	Restaurants: **3** Bars: **4** Coffee shops: **1**	Distributors
Aerostar	4	1	413	Moscow	-	Restaurants: **2** Bars: **2**	Distributors
Savoy	4	1	85	Moscow	-	Restaurants: **1** Bars: **2**	Distributors

***Source*: Department of External Relations, Moscow City Government**

Major Suppliers of Food Products For Restaurants

Company Name	Principal Products	Country of origin	Customers
EMBORG	Marble Beef	USA	Hotels Restaurants Supermarkets
	Beef	Russia	
	Pork	Russia, USA	
	Veal	New Zealand, USA	
	Poultry	Denmark, Hungry, USA, Russia	
	Grocery	Germany, Denmark, Ukraine, Russia	
TIMEX	Marble Beef	USA	Restaurants Cafes
	Pork	Denmark, France	
	Lamb	New Zealand	
	Veal	Netherlands	
	Game meat	Germany	
	Fish and Seafood	Denmark, Belgium, Bangladesh, Malaysia, Thailand	
	Grocery	Germany, Netherlands, USA	
EAST-WEST	Marble Beef	USA	Restaurants
	Veal	USA	
	Beef	Russia, Ukraine,	
	Pork	USA, Russia, France	
	Lamb	New Zealand	
	Fish and Seafood	Denmark, Norway	
	Poultry	France, Russia, Hungary	
	Grocery	Poland, Germany, Russia, Netherlands	
GLOBAL FOODS	Marble Beef	USA	Hotels Restaurants
	Veal	USA, Netherlands	
	Mutton, Lamb	New Zealand	
	Pork	USA	
	Poultry	France, Germany	
	Grocery	USA, Belgium, Germany, Netherlands	
AUSTRALIA TRADE HOUSE	Marble Beef	USA, Australia	Hotels Restaurants Supermarkets
	Beef	Russia	
	Pork	Denmark, France, Russia	
	Veal	Australia	
	Lamb, Australian lamb	New Zealand, Australia	
	Fish and Seafood	Malaysia, Thailand, Vietnam, Russia	
	Grocery	Australia, Russia, Italy	
ICEBIT	Marble Beef	USA	Restaurants Supermarkets
	Beef	Russia	
	Mutton, Lamb	Australia, New Zealand	
	Poultry	France, Denmark, Hungry	
	Vegetables, Berries & Fruit frozen		
MARR RUSSIA	Beef, Marble Beef	USA	Hotels Restaurants Cafés Supermarkets
	Pork	USA	
	Mutton, Lamb	New Zealand	
	Poultry	France, Hungary	

SNOW WORLD	Goose and duck liver products	France	Hotels Restaurants
	Turkey	Hungary	
	Quails, Pigeon	France, Great Britain	
	Ostrich	Southern Africa	
	Mutton, Lamb	New Zealand	
	Marble Beef	USA (PRIME, ANGUS PRIDE, CHOICE)	
	Veal	Netherlands, New Zealand, USA, Australia	
	Beef	"Mikoyan" Russia, "Klinskiy" Russia, Cherkizovo" Russia	
	Pork	Russia	
	Game meat	France, Australia, Great Britain, New Zealand	
	Fish & Seafood	Denmark, Bangladesh, Belgium, Russia, Senegal, Indonesia, Spain, France	
	Grocery	RU, France, Italy, Denmark, Netherlands, Estonia	

SECTION III. COMPETITION

- As noted earlier, imported products account for a large percentage of ingredients used in the restaurant business. However, a variety of domestic Russian products are starting to find an expanding market as their quality and consistency improves.
- The major reasons for continued imports of food products for the HRI sector are:
  - ✓ High and consistent quality
  - ✓ Regular and secure supplies
  - ✓ Preference of foreign tourists in terms of taste and quality
  - ✓ Better appearance/packaging

Russian Imports of Selected Food, 2000-2002

	2000		2001		2002		Growth (2002/2001)	
	Volume (MT)	Value ($1,000)	Volume (MT)	Value ($1,000)	Volume (MT)	Value ($1,000)	Volume (%)	Value (%)
Fresh beef	11,449	123,412	36,408	45,343	35,461	49,312	-2.6	8.8
Frozen beef	270,867	338,339	439,169	500,193	469,193	541,741	6.8	8.3
Pork	212,921	212,623	398,207	372,741	601,984	676,643	51.2	81.5
Meat products	97,317	45,630	175,517	85,251	216,172	113,054	23.2	32.6
Poultry	687,205	366,255	1,390,747	765,597	1,375,173	815,557	-1.1	6.5
Fresh fish	6,351	2,842	8,828	6,224	13,343	13,842	51.1	122.4
Frozen fish	304,163	110,876	400,426	166,250	414,195	228,953	3.4	37.7
Filleted fish	10,604	7,097	18,670	16,251	34,556	31,663	85.1	94.8
Dried/salted fish	8,332	2,982	13,184	5,028	14,018	5,881	6.3	17.0
Seafood, other	8,665	4,893	17,278	16,169	24,191	30,792	40.0	90.4
Dairy products	91,548	75,663	135,446	136,634	94,822	39,451	-30.0	-71.1
Butter	53,857	74,854	136,571	160,018	109,967	132,313	-19.5	-17.3
Cheese	35,528	63,750	137,211	207,121	129,301	234,982	-5.8	13.5
Eggs	917	1,671	0	0	2,498	7,337	N/A	N/A
Fresh vegetables	N/A	312,600	N/A	209,200	N/A	262,620	N/A	25.5

Fruits & nuts	N/A	645,100	N/A	682,300	N/A	816,733	N/A	19.7
Coffee	20,277	30,887	21,692	32,210	25,693	34,463	18.4	7.0
Tea	158,290	225,618	154,626	205,833	165,313	228,677	6.9	11.1
Cereals	N/A	551,500	N/A	227,000	N/A	165,644	N/A	-27.0
Vegetable/animal fats/oils	149,512	88,028	183,329	90,773	175,698	116,996	-4.2	28.9
Canned meat	20,609	28,793	25,114	37,928	19,207	29,584	-23.5	-22.0
Canned fish	119,981	29,740	144,447	82,005	96,276	69,840	-33.3	-14.8
Sugar & sugar products	N/A	894,600	N/A	1,432,900	N/A	1,108,388	N/A	-22.6
Canned veg/fruit	N/A	238,300	N/A	335,000	N/A	431,100	N/A	28.7
Juice	121,121	56,956	186,671	86,173	186,769	130,591	0.1	51.5
Beer ('000 liters)	53,573	24,935	141,241	47,380	106,538	40,573	-24.6	-14.4
Wine ('000 liters)	250,874	223,106	359,120	305,155	429,794	320,749	19.7	5.1

Source: **Government Customs Committee**

Import Competition for Selected Products

Product	Country of origin
Beef	Brazil, Argentina
Veal	Australia, Netherlands
Lamb	New Zealand
Pork	Russia, France, Hungary, Finland, Denmark
Game	UK, France
Poultry	France, Russia, Hungary
Fish & seafood	Norway, Denmark, Asia
Wine	Moldova, France Italy
Dairy products	Germany, Poland, New Zealand, Finland
Frozen vegetables & fruits	Belgium, Netherlands, France
Canned vegetables & fruits	Italy, Spain, France
Ice-cream	Germany
Confectionary	Europe
Bakery	Europe
Delicatessen	Europe
Seasoning	Europe, Russia

SECTION IV. BEST PRODUCT PROSPECTS

In general, restaurant owners note that they have few problems finding adequate supplies of food products locally. The large number of local importers/distributors ensures competitive prices and good selection.

A. Products Present in the Market Which Have Good Sales Potential

While there is a wide range of products with good market potential in the Russian HRI sector, the following product categories are the most promising for U.S. exporters:

- ✓ **Fish and seafood:** Demand for fish and seafood will expand in the near term due to a shift in favor of healthier eating/lifestyle, the continued popularity of Asian cuisine, and growing interest in new and exotic products. However, there is strong competition, particularly from Norway and other European countries.
- ✓ **Pork:** Given limited domestic supplies, particularly for high quality pork, there is good potential for imports from the U.S. While there is strong competition from European and South American exporters, as well as a few local producers, a country-specific Tariff Rate Quota (TRQ) will encourage a good volume of imports from the U.S.
- ✓ **High-quality beef:** U.S. grain-fed, marble beef already enjoys a good reputation in the HRI sector. However, with continued economic growth and further development in the food service industry, demand for U.S. high-quality beef should continue to increase. There is also a country-specific TRQ for U.S. beef.
- ✓ **Semi-prepared products (dried/frozen):** Growing recognition of the economic advantages of using semi-prepared products has created good prospects for a variety of items including frozen vegetables, potato products, etc.
- ✓ **Fresh fruit:** In keeping with growing interest in "healthy" cuisines, there is good potential for U.S. apples, pears, and citrus.
- ✓ **Dried fruit/nuts:** Various popular ethnic cuisines and growing demand for quality desserts offer good opportunities for U.S. raisins, prunes, almonds, and other nuts.
- ✓ **Ice cream and other frozen desserts:** While some U.S. products are already available, continued growth in the HRI sector and increasing demand for high quality and variety could create opportunities for more products.
- ✓ **Wine:** The culture of wine consumption is well established and growing. There is good potential for increased imports of U.S. wine but strong promotion will be needed to compete with established Old World and aggressive New World suppliers.

B. Products Not Present in Significant Quantities but With Good Sales Potential

- ✓ **Wild rice:** U.S. wild rice is already available in limited supply, but there should be room for further growth as the product shows promise due to the growing demand for "natural" products. Wild rice is also attractive as a "new" and "exotic" food.
- ✓ **Certified organic/natural ingredients:** Growing interest in healthier eating/lifestyle could translate into demand for organic and natural products. At present, this market is quite small. However, there are signs that organic/natural foods could develop into a good niche market in the HRI sector.
- ✓ **Functional food ingredients:** Similarly, growing interest in healthier eating could create a ready market for functional foods. This is clearly a limited market at present but one that could develop with proper support.

V. POST CONTACT AND FURTHER INFORMATION

CONTACT INFORMATION FOR FAS OFFICES IN RUSSIA AND THE U.S.

U.S. Agricultural Trade Office
American Embassy
Bolshoy Devyatinskiy Pereulok 8
121099 Moscow, Russia
Tel: 7 (095) 728-5560; Fax: 7 (095) 728-5069
E-mail : atomoscow@usda.gov

Jeffrey Hesse, Director

For mail coming from the U.S.:
Agricultural Trade Office
PSC 77 AGR
APO, AE 09721

***For international mail*:**
Agricultural Trade Office
U.S. Embassy - Box M
Itainen Puistortie 14
00140 Helsinki, Finland

Covering Northwest Russia (St. Petersburg):
ATO Marketing Assistant
American Consulate General
Nevskiy Prospekt, 25
191186 St. Petersburg, Russia
Tel: 7 (812) 326-2580; Fax: 7 (812) 326-2561
E-mail: Maria.Baranova@mail.doc.gov

Covering the Russian Far East (Vladivostok):
ATO Marketing Assistant
American Consulate General
Ulitsa Pushkinskaya, 32
690001 Vladivostok, Russia
Tel: 7 (4232) 300-070 or 300-089; Fax: 7 (4232) 300-089
E-mail: usagrfe@rol.ru

For General Information on FAS/USDA Market Promotion Programs and Activities:
AgExport Services Division
Room 4939
14th and Independence, SW
Washington, DC 20250
Tel: (202) 720-6343; Fax: (202) 690-0193

USDA/FAS AND ATO PROGRAMS AND SERVICES

The Foreign Agricultural Service and the Agricultural Trade Office/Moscow offer a variety of programs, services, and information resources to help U.S. exporters of food, beverage, and agricultural products learn more about the Russian market, establish initial contact with Russian buyers, and promote their products in the local market. Following is a partial listing of programs and services:

Trade Leads are direct inquiries from Russian buyers seeking U.S. sources for specific food, beverage, or agricultural products. U.S. companies can receive these Trade Leads by contacting the AgExport Services Division, FAS/USDA or by visiting the USDA/FAS Homepage (see contact information at the beginning of this section).

Buyer Alert is a biweekly publication providing information on specific food, beverage, and agricultural products offered by U.S. exporters. U.S. companies may place ads in Buyer Alert by contacting the AgExport Services Division, FAS/USDA (see contact information at the beginning of this section).

U.S. Supplier Lists are drawn from an extensive database of companies that can supply a wide range of U.S. food, beverage, and agricultural products. The ATO Moscow supplies these lists to Russian importers on request. U.S. companies that wish to be included in this database should contact the AgExport Services Division, FAS/USDA (see contact information at the beginning of this section).

Foreign Buyer Lists are drawn from an extensive database of Russian importers dealing with a wide range of food, beverage, and agricultural products. U.S. companies can order these lists through the AgExport Services Division, FAS/USDA (see contact information at the beginning of this section).

ATO/Moscow also coordinates U.S. participation in local trade shows (see list of Russian Trade Shows below), sponsors supermarket and menu promotions, provides support for trade missions, and can help arrange appointments for first-time visitors to Russia. For more detail on these and other programs or activities, please contact the ATO/Moscow (see contact information above).

The FAS website (www.fas.usda.gov) is an excellent source of information on other USDA/FAS export promotion/assistance programs, such as the Market Access Program (MAP) and Credit Guarantee Programs, as well as a wide range of information and reports on market opportunities for U.S. food, beverage, and agricultural exports world-wide.

OTHER MARKET REPORTS

Reports on the Russian food and agricultural market are available on the FAS website. U.S. exporters may also contact ATO/Moscow for copies of these reports (see contact information at beginning of this section). The following reports may be of particular interest:

Report Title	Report #	Report Summary
Exporter Guide	RS4301	Provides an overview of the Russian food market, identifying opportunities for U.S. food and beverage products in the retail, HRI, and processing sectors
Food Processing Ingredients	RS4302	Examines the Russian food processing sector, focusing on market opportunities for U.S. food ingredients, including raw, semi-processed and

		specialty products
Retail Food	RS4303	Reviews developments in Russian retail food sector, highlighting market opportunities for U.S. consumer-oriented food products
Fish and Seafood Products Market Brief	RS4305	Examines growing import market for wide range of fish and seafood products
Wine Market Brief	RS2307	Brief look at the local market for wine and opportunities for U.S. exporters.
The Russian Marketplace	RS3310	Quarterly newsletter highlighting developments in the Russian food retail, HRI, and processing sectors
Food and Agricultural Import Regulations and Standards	RS3020	Detailed information on Russia's food import requirements, including certification, labeling and packaging requirements
New Resolution Concerning Use of GMOs in Food Products	RS3031	Overview of new regulations concerning the testing and approval of foods containing of genetically-modified organisms (GMOs)
Livestock and Products Annual	RS3018	Review of the Russian market for beef and pork, including production, consumption and trade.
Poultry and Products Annual	RS3019	Analysis of the Russian market for poultry meat, including production, consumption and trade.
Fishery Products Annual	RS3033	Overview of the Russian market for fish and seafood products meat, including production, consumption and trade.

OTHER USEFUL CONTACTS

American Chamber of Commerce in Russia
Kosmodamianskaya Nab. 52, Building 1, 8th floor
113054 Moscow, Russia
Tel: (095) 961-2141; Fax: (095) 961-2142
Email: amcham@amcham.ru

American Chamber of Commerce in St. Petersburg
25 Nevsky Prospect
191186 St. Petersburg, Russia
Tel: (812) 326-2590; Fax: (812) 326-2591
Email: sbytchkov@amcham.ru

For questions on agricultural machinery, food processing and packaging equipment/materials, refrigeration equipment, etc., please contact the U.S. & Foreign Commercial Service:

Foreign Commercial Service
Bldg. 2, 23/38 Bolshaya Molchanovka
121069 Moscow, Russia
Tel: 7 (095) 737-5030; Fax: 7 (095) 737-5033
E-mail: moscow.office.box@mail.doc.gov

TRADE SHOWS IN RUSSIA

The following are large, well-organized, international shows:

WORLD FOOD MOSCOW

The longest-running food and beverage show in Russia. World Food Moscow draws well from throughout Russia and from many countries of the Former Soviet Union.

Date: September 2004
Location: Krasnopresnenskaya Expocenter, Moscow
Website: http://www.ite-exhibitions.com/
Contact: Olga Taybakhtina, Marketing Assistant
ATO Moscow
Tel: 7 (095) 728-5560; Fax: 7 (095) 728-5069
E-mail: atomoscow@usda.gov

PRODEXPO (U.S. Pavilion)

Prodexpo is the largest food and beverage show in Russia, with a large number of international exhibitors and many country pavilions.

Date: February 2005
Location: Krasnopresnenskaya Expocenter, Moscow
Contact: Olga Taybakhtina, Marketing Assistant
ATO Moscow
Tel: 7 (095) 728-5560; Fax: 7 (095) 728-5069
E-mail: atomoscow@usda.gov

INTERFOOD 2004

This show covers the important Northwest region of Russia (St. Petersburg, Kaliningrad, etc.) However, the show also draws visitors from Moscow and other areas of Russia, as well as neighboring countries.

Date: April 2004
Location: Lenexpo Center, St. Petersburg
Contact: Maria Baranova, Marketing Assistant
American Consulate General, St. Petersburg
Tel: 7 (812) 326-2580; Fax: 7 (812) 326-2561
E-mail: Maria.Baranova@mail.doc.gov

VI. APPENDIX

GENERAL ECONOMIC AND DEMOGRAPHIC DATA

Demographic Trends

	(millions)
Total Population	145.2
0-15 years	32.0
15-60 years (male) & 15-55 years (female)	72.3
60+ (male) 55+(female) years	40.9
Males	67.6
Females	77.6
Number of births per 1,000 population	9.8
Urban Population	106.4
Employed Persons	66.3
Total Number of Households	51.6
Average Household Size	2.8

GDP Trends

	2000	2001	2002	2003*
GDP ($Billions)	244	301	362	390
GDP per capita ($)	1,700	2,100	2,500	2,700

***Estimate**

Source: **Russian State Statistics Committee (Goskomstat)**

- Note: According to official estimates, the "shadow" economy accounts for an estimated 20-25 percent of GDP. However, some industry analysts put this figure at 40-60 percent or more.

HOTELS IN MOSCOW

- The development of the hotel trade in Moscow has gone through several stages. Until the 1980-s, all hotels were of the so-called "Soviet" type. In the early 1990-s, international hotel chains began construction of higher-end facilities as the rapidly expanding market economy started to draw foreign businessmen. In fact, most of the existing four- and five-star hotels in Moscow were built during this period.
- Prior to the 1998 economic crisis, the hotels were able to charge prices that were high even by European standards and still maintain good occupancy rates (65 percent in 1997). After the crisis, business travel declined significantly and occupancy fell to only 45 percent, with the higher-class international hotels suffering most of all.

- In response to the tougher market, hotels were forced to cut prices dramatically (as much as 30 percent). However, with five consecutive years of strong economic growth, prices and occupancy rates have returned to pre-crisis levels.
- According to the Moscow City Government, there are about 150 hotels in Moscow with a total of 61,000 rooms. Of these, eight are classified as five-star hotels, 15 are four-star hotels, 37 are rated as three-star hotels, 26 are two-star hotels, seven are one-star hotels and the rest are not rated.
- The turnover for Moscow hotels in 2002 was about $600 million. The overall occupancy rate increased to nearly 70 percent. Overnight stays reached 12.2 billion, with foreign travellers accounting for about one-third of this total.
- In August 2003, the Moscow City Government issued a planning document, "Concerning the Scheme of Hotel Allocation in Moscow to the year 2005". This plan calls for the construction of 122 new hotels with 22,000 rooms over the next three years.

Upper Segment Hotel Statistics for Moscow

	1999	2000	2001	2002
Occupancy rate (%)	39	44	55	65
Revenue ($million)	-	39	43	50
Average room cost ($ per day)	185	171	167	170

***Source*: "University of the Hotel, Tourist and Restaurant Business Association"**

TOURISM

- According to World Tourist Organization, Russia has the potential to receive up to 40 million foreign tourists per year (dependent on the corresponding development of the tourist infrastructure). Tourism declined following the 1998 economic crisis, but it is now growing quickly once again.
- In 2001, the Russian Federation had 21.6 million foreign visitors: 3.0 million came for business; 2.4 million came as tourists; and 14.1 million came for "personal" visits.
- Overall, tourism increased by nearly eight percent in 2002, with Moscow and St. Petersburg drawing the largest numbers of visitors. In fact, the number of "hotel nights" increased by 11.4 percent for Moscow and 16.0 percent for St. Petersburg.
- The Department of Tourism (DOT) estimates Russia's tourism market at $8 billion annually, with "business-trip" tourism accounting for two-thirds of this total versus one-third for "recreation" tourism.
- The DOT estimates that the average foreign business visitor spends about $1,000 during a visit of 3.5 days in Moscow.

"CATERING" TO TOURISTS

- According to industry sources, tourists often eat breakfast and dinner in their hotel but eat lunch in the city. In an attempt to retain more of the tourist business, hotels are offering special catering services. For example, the Marriott Aurora hotel has developed a special service for tourist groups visiting Red Square: special carts meet the hotel guests with blini (crepes) and several kinds of red and black caviar, accompanied by vodka.

- Pelmeni (Russia's version of ravioli) and blini are typically are included in the menu of almost any eating-place that caters to foreign tourists. Many first-time visitors are eager to sample such treats along with Russian traditional beverages such as vodka, kvas (fermented vegetable drink), Georgian wine and mineral water.
- However, according to restaurant professionals, some foreigner visitors are wary of new dishes and opt for more familiar items such as Caesar salad, steaks, or other grilled dishes.
- Budget travelers, including many domestic visitors, are not a primary target for upscale hotels and upscale restaurants. These visitors typically look to the fast-food segment as a way to economize.
- Two "democratic", traditional Russian cuisine restaurant chains in Moscow, "Yolki-Palki" and "Moo-Moo", have become favorite destinations for tourist. For foreign visitors, these chains offer a national flavor and color; for domestic travelers, the restaurants offer familiar food at a reasonable price and can easily be found throughout the city.
- However, food professionals note that foreign tourists do not yet see the local cuisine as a cultural highlight as they might for visits to Italy or France.

CULTURE AND FOOD: TRENDS AND TRADITIONS

- Traditionally, Russian hospitality was expressed through meals, and respect for visitors was demonstrated by the amount and variety of food on the table.
- There was also the tradition of a "family table" - the entire family gathered at the table for breakfast, dinner and supper. The joint meal was an expression of their close family ties.
- These traditions continue but are practiced to a lesser degree due to changes in life style. This is reflected, in part, by the rapid development of the HRI sector since the beginning of the 1990s.
- Now Russian consumers have many more choices and are beginning to pay greater attention to quality and value. They are ready to pay more but demand more in return.
- The number of expensive, high-end restaurants continues to grow. However, fast-food chains are increasing at an even faster rate.
- At the same time, there is also growing interest in "healthy" eating. As a result, restaurants that offer "healthy" meals (for example, vegetarian restaurants) and restaurants specializing in local cuisines that claim to use only "natural" products are becoming more popular.

CUISINES: TRENDS AND TRADITIONS

- In the early 1990s, all things foreign or imported, including cuisines, were very popular. Now, Russian cuisine is making a strong comeback. According to one local research company, COMCON, two-thirds of restaurant visitors indicated a preference for Russian cuisine. Dishes from the Caucasus region were selected by 30 percent, with Italian cuisine coming in third with 25 percent. French and Japanese cuisines were at the top of the list two years ago, but now were selected by only nine percent of respondents combined. (Note: respondents were allowed to indicate more than one preference.)

- Food professionals note that as recently as two years ago there were only about 15 restaurants in Moscow that served sushi. Now, sushi is available in a large number of restaurants, including many inexpensive food outlets. However, the “expansion boom” seems to be over for many Asian cuisines, and “fusion” cooking has become the new “hot” trend.

“HEALTHY” EATING

- Over the last few years, there has been growing interest in “healthy living”. For many Russians, a “healthy” meal is one of the main components of a “healthy” lifestyle.
- Not surprisingly, “natural” products are seen as a key element of a “healthy” meal. Of course, “natural” means different things to different people. However, one of the factors considered is the country of origin, specifically the perceived “cleanliness” of the source.
- In general, a “healthy” meal for many Russian consumers means a variety of products in the correct proportion. *“It is possible to eat everything, but in reasonable amounts, then there won’t be any harm to my health.”*
- For some consumers, healthy eating is associated with sacrifice. The guidelines will be followed only in “emergency” situations but not as a “preventive measure” in daily life. As a result, even though consumers know the risks of eating certain products, they may not be willing to eliminate or even cut back on consumption.
- It is also generally accepted that Russian women follow “healthy” eating guidelines more closely than men due to their desire to care for their children’s health and for their own appearance.