

## St. Petersburg food processing market

— continued from page 1

Although the food processing market in Russia is mostly dominated by European and Asian companies that have sales offices and/or warehouse facilities in Russia, Canadian-manufactured equipment is popular and has a good reputation. More specifically, purchasers in Northwest Russia are reported to be very interested in Canadian equipment if it is accessible to them. But in order to better compete, more Canadian firms need to establish their presence or have agents in Russia, and set up storage facilities.

### Market overview

Because food processing offers the fastest rate of return with minimum investment, food processing enterprises were believed

to be among the most desirable subjects for privatization. But despite some signs of recovery in the sector, most food processing enterprises are not in good shape financially.

Only few Russian domestic food producers have had the chance to increase production, take new market niches and replace expensive imports. Such food processors are major viable buyers of imported food processing equipment. More food processors, driven by the need for better quality food products, will buy equipment in the future as their situation improves.

Following the financial crisis of 1998, almost all foreign exporters to Russia considered establishing local production in order to bring the cost of their products down and increase their competitiveness in the local market. As a



Processed food ends up in the shopping cart.

result, some American and European companies are taking over Russian companies and are becoming solvent customers.

And their number is growing. Foreign presence is particularly strong in soft drinks, beer and milk products sectors. Some European food processing equipment manufacturers are finding

it possible to sell on credit to Russian food processors.

### An unlimited market

The market for food processing equipment is virtually unlimited. The need for modern equipment is high. Food processors need to replace up to 50% of production equipment and in some food production sectors up to 70%. Only 20% of food processing equipment is considered to comply with

world standards, according to Russian industry specialists. Over 40% of food processing equipment still in service is over 10 years old. In sugar, butter and fat, tobacco, yeast and confectionery sectors the processing equipment is considered to be mostly worn out.

## EUROPE

In general, privatization of state owned food processing enterprises did not lead to a modernizing of the industry. In order to generate immediate and large profits, food plant owners did not invest in food processing. Most Russian food processing enterprises badly need to renovate their facilities and replace old production equipment in order to be competitive in the market. As a result, food processing equipment

suppliers now face a great opportunity to sell to Russian food processing companies if they can provide financing.

In addition, a number of Russian companies want to diversify their business and switch to food processing. These companies include food importers/distributors, companies involved in the oil and gas business, and others that earn hard currency, which they can invest in food projects. These types of companies are not experts in food processing, therefore, they are looking for professional counselling and complete production lines, such as complete mayonnaise production lines or sausage production lines — including packaging machinery.

### Investment and development opportunities

Russia's food processing industry provides good investment and development opportunities for Canadian companies. The current situation allows investors to set up local production to replace expensive imports, grow ingredients locally and provide reliable supplies to Russian and foreign food processing enterprises. Some enterprises are even re-exporting to other European countries.

Even after the crisis, foreign investment funds are still being channelled into Russia's food processing industry. And reportedly, none of the projects have failed — despite the post crisis economic difficulties in Russia — further proof that food processing provides good opportunities for equipment sale and investment.

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## Canada's Young Entrepreneurs Take on the World

### A Message to the Canadian business community from the Minister for International Trade, Pierre Pettigrew

From the shores of Newfoundland to the Pacific coast of British Columbia to Nunavut and everywhere in between, Canada's young entrepreneurs are demonstrating their international business acumen. They are making their mark on the global stage and contributing to Canada's international competitiveness.

The young exporters featured in this supplement started their business and their exporting ventures when they were in their twenties, some in their teens, and one when he was 11. They saw themselves at the optimum age — not quite settled down, more willing to take risks than if they were older. They have capitalized on their energy, their passion, and their sheer belief in themselves. Each young exporter featured in these pages has an amazing story of creativity, persistence and success. They share the experiences and innovative strategies that have made them successful.

Along the way, these young entrepreneurs, and others like them, are accessing a growing number of tools and resources designed to help them export with skill and confidence. Whether it is assistance from Canada's worldwide network of knowledgeable trade commissioners or the programs of the Department of Foreign Affairs and International Trade (DFAIT), successful entrepreneurs recognize that they can accelerate their export growth by tapping into the services of the federal and provincial governments. With a team of more than 500 trade commissioners, DFAIT is helping young entrepreneurs expand into international markets. We help businesses with market prospects, key contact searches, foreign company information, visit information and face-to-face briefings. We can help you succeed in global markets. So you, too, can take on the world.

  
Pierre S. Pettigrew  
Minister for International Trade

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