

# SECTOR OPPORTUNITIES

## Agriculture: A Huge Appetite for Western Goods

In the past, a typical Russian diet consisted mainly of bread, potatoes and cabbage. People waited in line for meat, sugar and milk, and the only fresh vegetables were the ones grown in "dacha" gardens.

With the development of a market economy, a large variety of Western foodstuffs was progressively introduced, mainly from Europe at first, but also from the U.S., Asia and the Middle East. The imports were of better quality and often less expensive than their Russian equivalent. Today, Russia imports more than 50 per cent of its food requirements, significantly more in large urban centres like Moscow and St. Petersburg.

Russians are very sensitive to packaging; their domestic products tend to come in bland packages. The country's working households, as in the West, now demand easy-to-prepare foods. As a result, the market opportunities for value-added food products — in colourful packages — is greater than for food in bulk.

Canada's agri-food exports to Russia grew by about 30 per cent from \$25.6 million in 1994 to \$33.1 million in 1995. Traditionally, Canada exported mainly cereal grains to Russia. Now, such value-added Canadian products as meat, fruits, vegetables, jams, jellies and juices, coffee extracts, ice cream, chocolate, and tobacco are gaining a foothold in the market. Canada is able to compete effectively against European products — in spite of higher transportation cost.

Russia's food-processing industry is in need of restructuring and upgrading, but the country lacks resources and is looking to foreign investors to take the lead. Many already have. Italian, German, French, American and British companies have invested heavily in this sector. Construction and modernization of food-processing and packaging plants, agri-food processing equipment and machinery, and improvements in distribution systems all represent good opportunities for joint ventures and similar partnering arrangements.

The current exchange rate of the Canadian dollar makes many Canadian products competitive in the Russian market and Canadians are already making significant advances in the agri-food sector. There is room to further increase Canada's presence.

### McDonald's in Moscow

In 1988, following 12 years of negotiations, McDonald's Restaurants of Canada Limited and the Food Service Administration of the Moscow city government signed a partnership agreement establishing Moscow-McDonald's (MM).

The agreement covers an initial 20 restaurants and the 10,000-square-metre "McComplex" food-processing and distribution centre.

The first MM restaurant opened on January 31, 1990, and has since served over 116 million customers. The McComplex supplies MM with locally-sourced food products, and includes a meat production line, a full dairy, a bakery, and a potato processing plant. Combined, they have over 2,000 Russian employees.

Moscow-McDonald's activities go beyond commerce. For example, Ronald McDonald Children Charities support community programs in Russia to improve the quality of life of children with special needs. (Related article page II).

## Construction: A Boom in the Making

Housing is the most pressing social and economic issue in Russia. Market reform has been slow in improving the housing situation. Russian banks, still in their infancy, do not provide mortgages. Private land ownership is still not implemented, developers must deal with long-term leases.

Housing has become one of the government's top priorities. A State Mortgage Fund has been established to support home ownership, and a decree allowing private ownership of agricultural land was signed by President Yeltsin in March. Meanwhile, the Duma (parlia-

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