



FOCUS

PRODUCT CERTIFICATION PROCESS IN UKRAINE

I. OVERVIEW OF CERTIFICATION AND CONFORMITY ASSESSMENT SYSTEM

The system of product certification in Ukraine has been established in 1991. The national laws "About Protection of Consumer's Rights" and "About Conformity Verification" are currently the governing laws in this regard. General procedure of product certification is established by national standards of Ukraine – DSTU. These standards are somewhat similar to European rules on conformity assessment, though certain differences still exist. The Central Body of Executive Authority is the State Committee of Ukraine for technical regulation and consumer policy (former State Committee of Ukraine for Standardization). Certification Bodies and test laboratories accredited according to established procedure carry out work on certification in Ukraine. Every standard certificate of conformity, which is issued for the certified product, is registered in the UkrCEPRO national certification system Register. Certificates of conformity for telecommunications equipment shall be agreed with the National Administration on Communications (State Department of Communications and Informatization of Ukraine). The period of certificate's validity depends on certification scheme chosen by the customer.

Product testing and certification generally relate to technical, safety, and environmental standards, as well as efficacy standards with regard to pharmaceutical and veterinary products. Such testing often requires official inspection of the company's production facility at company expense and is often done on a unit-by-unit basis rather than "type" testing. Ukraine applies a range of sanitary and phytosanitary measures that are not consistent with a science-based approach to regula-

tion. The certification and approval process can be lengthy, convoluted, and expensive.

To apply for certification, the following documents issued outside of Ukraine confirming a product's conformity to specific requirements are likely to be required by DerzhSpozhyvStandard:

- an application stating that the company wishes to certify imported products;
- a certificate of conformity;
- standards (technical conditions) of production and the procedures for certification;
- a certificate of accreditation from the testing laboratory;
- a protocol/summary of test results;
- a certificate of quality control;
- a certificate of origin (manufacturing).

REGULATORY AGENCIES AND THEIR FUNCTIONS

The following agencies of the Government of Ukraine (GOU) are involved in certification process issues:

- State Committee of Ukraine on Technical Regulations and Consumer Policy (SCUTRCP) is responsible for compliance of food products with existing quality and safety standards;
- State Department of Veterinary Medicine (SDVM) of the Ministry of Agricultural Policy of Ukraine (MAPU) is responsible for animal health, safety and wholesomeness of meat, seafood and other products of animal origin;
- Main State Phytosanitary Inspection Service (MSPIS) of the MAPU is responsible for plant health issues;



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- State Ecological Inspection Service (SEIS) of the Ministry of Environment and Natural Resources of Ukraine (MENRU) is responsible for radiological and environmental control.
- State Department of Communications and Informatization of Ukraine (<http://www.stc.gov.ua>)
- State Department of quality control, safety and manufacture of medicinal and medical use products (<http://www.drugmed.gov.ua>) of the Ministry of Health (<http://www.moz.gov.ua>).

CURRENT LEGISLATION

Law of Ukraine On Conformity Assessment (http://www.welcometo.kiev.ua/ili/ilic.frame_law_result2.show?p_arg_names=law_id&p_arg_values=153)

DSTU 2296-93 "National sign of conformity. Form, dimension, technical requirements and rules of application";

DSTU 2462-94 "Certification. Basic concept. Terms and definitions";

DSTU 3278-95 "System of product development and introduction into manufacture. Basic terms and definitions";

DSTU 3413-96 " UkrCEPRO certification system. Procedure of product certification";

DSTU-P 4332-2004 "Procedure of certification of telecommunication equipment in UkrCEPRO certification system";

DSTU 3419-96 "UkrCEPRO certification system. Certification of quality systems/ Procedure of conducting";

DSTU 3957-2000 " UkrCEPRO certification system. Procedure of manufacture inspection";

DSTU 1.3 -93 "National system of standardization of Ukraine. Procedure of development, statement, designing, approval, marking and registration of technical specifications";

MANDATORY CERTIFICATION VS. VOLUNTARY DECLARATION OF CONFORMITY

List of goods subject to mandatory certification can be found at <http://licence.com.ua/images/stories/perelik.doc> (in Ukrainian only).

If imported goods are not subject to mandatory certification exporter should provide certificate of Origin issued outside of Ukraine.

EFFECT OF INTERNATIONAL CERTIFICATION AND STANDARDIZATION LAWS AND REGULATIONS ON UKRAINE CERTIFICATION SYSTEM

DerzhSpozhyvStandard has adopted as national standards the ISO-9000 series for production systems certification. Based on these standards, Ukrainian certification bodies can evaluate the quality of a production system rather than the quality of a single product. The procedure for issuing ISO certificates requires a visit from Ukrainian standards specialists to the importer's production facilities to inspect the system's quality. Adoption of the ISO-9000 series should facilitate the process of certifying goods as system quality certificates are issued for a three-year period. According to DerzhSpozhyvStandard, the ISO900 standard certificate doesn't prevent the importer from certifying individual products. However, with this certificate, only selective goods will be certified according to the procedures described above. Where Ukrainian standards are not established, country of origin standards may prevail.

A 1994 governmental decree imposed compulsory certification requirements for goods imported into Ukraine. The decree specifies a list of goods subject to certification and regulates certification procedures. Certificates may be one of two types: (a) Certificate of Acceptance of a foreign certification issued by the State Committee of Ukraine on Technical Regulation and Consumer Policy (DerzhSpozhyvStandart instead of former Derzhstandart), and (b) Conformance Certificate issued by a Ukrainian agency upon certification of goods. This decree states that certificates issued by foreign certification authorities are to be recognized in Ukraine only to the extent provided in international treaties to which Ukraine is party.

II. CERTIFICATION PROCESS BASED ON COMMODITY TYPE

CERTIFICATE OF CONFORMITY

State Committee of Ukraine on Technical Regulation and Consumer Policy (<http://www.dssu.gov.ua>) is an agency that issues Certificate of Conformity. To apply for certification, the following documents issued outside of Ukraine confirming a product's conformity to specific requirements are to be submitted to the DerzhSpozhyvStandard:

- an application stating that the company wishes to certify imported products;
- a certificate of conformity;
- standards (technical conditions) of production and the procedures for certification;

- a certificate of accreditation from the testing laboratory;
- a protocol/summary of test results;
- a certificate of quality control;
- a certificate of origin (manufacturing)

List of goods subject to mandatory certification can be found at <http://licence.com.ua/images/stories/perelik.doc> (in Ukrainian only).

HYGIENIC CERTIFICATE

All medical products imported to Ukraine are subject to mandatory registration within State Department of quality control, safety and manufacture of medicinal and medical use products (<http://www.drugmed.gov.ua>) of the Ministry of Health Care of Ukraine (<http://www.moz.gov.ua>). Cosmetics products imported to Ukraine should be accompanied with the Hygienic certificate issued by Institute of Ecohygiene and Toxicology of the Ministry of Health Care of Ukraine (http://www.medved.kiev.ua/home/index_en.htm, English version). To apply for Hygienic certificate, interested party should submit application to the State Sanitary Doctor of Ukraine within the Ministry of Health Care of Ukraine (moz@moz.gov.ua).

PHYTOSANITARY CERTIFICATE

Agricultural and food products imported into the customs territory of Ukraine shall be subject to sanitary testing, compulsory certification, radiological, veterinary and/or phytosanitary inspections. Due to complexity of the Ukrainian food safety regulations, Post has prepared a single table to illustrate the types of controls exercised on imported products by Harmonized System (HS) Codes (Appendix X). Sanitary and veterinary inspections have been combined into one category for convenience, although, a separate veterinary inspection is conducted for the products that fall under the following headings of the HS: 01-05; 07; 10; 12; 14-16; 19; 21 and 23.

TELECOMMUNICATIONS CERTIFICATE

To obtain certificate of conformity for the telecommunication equipment, interested party should submit

application to the State Department of Communications and Informatization of Ukraine (<http://www.stc.gov.ua>). After that, the Department will determine testing laboratory, which will carry out testing of the equipment and provide testing results.

The scope of products includes:

- corded telephones; digital and analogue cordless telephones,
- fax machines and modems,
- radio and television broadcasting transmitters,
- radio equipment of the land mobile service,
- trunk and cellular communication systems,
- satellite earth stations equipment,
- radio-relay equipment,
- radio and navigation equipment for vessels,
- equipment of Global Maritime Distress and Safety System (GMDSS),
- billing systems equipment,
- antenna and feeder devices,
- power supply systems for telecommunication equipment; batteries,
- personal computers,
- television sets, video recorders and other video and audio devices,
- refrigerators, washing machines, microwave ovens, air-conditioners.

III. WHAT TO EXPECT DURING CERTIFICATION PROCESS

AVAILABLE CERTIFICATION SCHEMAS

Certification in full accordance with UkrCEPRO certification system can be done in the following ways:



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- Certification of product consignments
- Certification of serial product with manufacture inspection
- Certification of serial product without manufacture inspection (not applied for certification of telecommunication equipment!)
- Certification of serial product with certification or assessment of quality management system
- Certification of quality management system according to requirements of DSTU ISO 9001-2001

LEAD TIME

Product samples testing and document processing of the test results (depending on equipment complexity) - from two to ten weeks from the moment the samples and all the necessary documents were received. E.g. for mobile phones – four weeks from the moment the samples and all the necessary documents were received to certificate issue by the State Department on Communications and Information Technology of Ukraine. When schemes including manufacture inspection and certification (assessment) of quality management system applied certification procedure lasts longer - from three to eight weeks: planning and conducting of audit (inspection) at factory, drawing the report.

ASSOCIATED COSTS

Cost of work on testing depends on type and complexity of equipment. The cost of work on certification of product of serial manufacture shall be increased for the following expenses:

- cost of manufacture inspection (one factory) - from one and a half to two thousand USD, depending on manufacture complexity and the number of employees,
- cost of work on assessment of quality management system – from four to five thousand USD depending on manufacture complexity and the number of employees. In case when more than two manufactures (factories) are applied – around two thousand USD per factory.

The schemes for certification of product with manufacture inspection or with certification (assessment) of quality system are the most suitable for producer factories under condition that producer factory has developed and applied the quality management system. During the period of validity of the certificate issued for the quality management system certificates of conformity can be issued (after certification tests of product) for the new product models, introduced

in manufacture during three years or during two years according to the scheme with manufacture inspection.

The scheme for certification of product consignment is the simplest, though it is disadvantageous for suppliers having the long-term contracts.

IV. ADDITIONAL INFORMATION

PACKAGING, MARKING, LABELING REQUIREMENTS

Ukrainian commercial legislation does not impose general labeling requirements on imported goods, except food items. Effective January 1, 1997 all imported food products should carry labels in the Ukrainian language. The labels should include information about the manufacturer, product ingredients, and expiration dates for quality control purposes. In addition, some labels/markings have to be adhered to specific products, including labels for hazardous materials, labels indicating the contents and expiration date of food-stuffs, and markings indicating the voltage and frequency of electrical appliances. Detailed information on labeling requirements for particular products can be obtained from the relevant Ukrainian ministries and agencies.

FUMIGATION CERTIFICATE REQUIREMENTS

In cases when phytosanitary inspection of food and/or agricultural products is required, the exporters or freight forwarders are advised to obtain a copy of the Import Permit issued by the MSPQIS prior to applying for the Federal Phytosanitary Certificate. The Import Permit contains product-specific requirements, including disinfection and/or disinfestations treatment. If such treatment is required, the PPQ Form 577 should contain the necessary information on the chemical, concentration used, duration, temperature and date of treatment. The Ukrainian Phytosanitary inspectors will conduct an initial inspection of the cargo at the port of entry and will take product samples for a laboratory test to verify that live quarantine pests are not present in the cargo. The product will have to be either fumigated again or refused entry if quarantined pests are found alive at the port of entry.

CERTIFICATION/TESTING SERVICE PROVIDERS

DerzhSpozhyvStandard (State Committee of Ukraine for technical Regulation and Consumer Affairs, <http://www.dssu.gov.ua>) has created a network of 28 state centers for Standardization, Metrology and Certification and 118 certifying bodies and testing laboratories (centers) throughout Ukraine. Each center is responsible for testing and certification of specific type commodities. Companies seeking testing/certification should first contact DerzhSpozhyvStandard, as they make the ultimate determination on certification.

For additional information, please contact: Certification Center "Rosstandard" at mail@rosstandard.com



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for companies, firms and institutions as well as for state administration. The Faculty gives a special attention to profiling oriented on marketing and management in the company as well as outside the company sphere.



RUSSIAN MARKET OF TEA

The research covers 23% of the population and 39% of the earnings of the population of the country.

SALES DYNAMICS

From February to September 2004 the retail sales of tea grew 28% in value terms in the cities being researched compared to the corresponding period of 2003. Thus, the dynamics of tea sales in the ruble equivalent is comparable with the sales dynamics of the coffee market where the growth amounted to 28.5% over the same period.

As for the physical volumes of consumption, the indicators of the tea category development fall behind: over the researched period the retail sales of coffee products on the basis of quantities increased 24% while the tea sales grew only 10%. As a result, while in February–September last year the physical volumes of tea sales exceeded the coffee sales volumes 1.5 times, this year the difference is only 30%.

This product category is characterized by seasonality of sales related to the fact that this drink is generally consumed hot. Consequently, the demand is more active in the winter months while in the summer period one can observe its decline.



TEA VARIETIES

Within the frames of the tea category certain market segments develop dynamically while other, on the contrary, lose their positions. For example, one can observe considerable growth of retail sales in the green tea segment: 48 and 61% on the basis of quantities and in value terms, respectively. Green tea consumption is becoming part of the healthy way of life gaining more and more popularity and coincides with the fashion for the East, in particular, for Japanese cuisine.

However, the share of green tea in the structure of retail sales in Russia is not yet as high as on the Chinese market, for example. According to the information of “ACNielsen” of 2003, in the largest cities, Shanghai and Beijing, it amounted to 78.3% of tea sold in retail – both tea in bags and leaf tea – in value terms. For comparison, in 24 largest cities of Russia this indicator amounted to only 10.7% over eight months of 2004. It is noteworthy that as distinguished from the Russian market where green tea has been gaining popularity among consumers over the recent years, the share of this segment in China is, on the contrary, reducing gradually.

Black unflavored tea traditional for the Russians is still the sales leader: in February–September 2004 its share amounted to 82.1% of the overall sales volume on the basis of quantities. However, it is gradually yielding its market share to new-fashioned kinds of tea – this indicator is already 4.5 points below the previous year indicator. However, the dynamics of growth of the black tea retail turnover in the overall market structure of the cities under consideration is positive: the physical sales volume increased 4.5% over the year while the growth in value terms amounted to 20.4%.

Among “untraditional” tea kinds the greatest flavor of the Russian consumer has been won by black flavored tea: according to the data of February–September 2004 its share of retail sales amounts to 8.6% of the physical turnover and 14.3% of the value turnover. The popularity of flavored tea is largely conditioned by its similarity with customary black tea.

It should also be noted that this segment is just a little behind the green tea segment by the rate of growth of the sales volume in value terms: in February–September 2004 its growth was 54% relative to February–September of 2003. At the same time these two segments are comparable by the rate of growth of the physical sales volume – +50% for black flavored tea.

Currently occupying quite a small share of retail sales – 1.3 and 1.9% of the turnover on the basis of quantities and in value terms, respectively – herbal and fruit tea kinds are also gaining momentum. For example, over the period from February to September 2004 the sales in this segment in the cities being researched increased 28% in physical values and 45% in the ruble equivalent, relative to the analogous period.

The share of red and white tea in retail sales is quite insignificant yet – it amounts to some hundredths and thousandths of a percent. However, in 2004 both segments have demonstrated positive dynamics. It should be noted that white tea appeared on the Russian retail market only in 2003. For example, “Ahmad Tea Ltd.” company (Great Britain) produced white tea “Serebryanye igolki” (“Silver needles”) in its new collec-

tion “Limited edition”.

PRODUCERS AND BRANDS

The four leaders present on the tea retail market includes two Russian operators – “Orimi Trade” Limited liability company (Saint-Petersburg) and “Mai” (“May”) Company” opened joint-stock company (Moscow) as well as two international companies: “Ahmad” and “Unilever”. Their share in 24 largest cities of Russia amounts to 64.5% and 63.4% of the physical and value turnover, respectively.

As a rule, foreign suppliers work in more expensive segments while local companies are involved in marketing of more economical brands.

PACKAGING

In 24 largest cities of Russia in February–September 2004 the share of tea in bags amounted to 28% of retail sales on the basis of quantities, or +5.2 percent points relative to the previous year and to 49.3% of sales in the ruble equivalent, or +5 points. The growing sales of tea in bags are accounted for by the consumers’ wish to make their everyday life as convenient as possible. Thus, we are gradually approaching European consumption standards: it is tea in bags that is the most popular one in the West. However, the Russian trends are contrary to the European ones. According to the latter, the leaf tea sales are growing as the consumer is getting more conversant requires a diversity of flavors and higher quality than the one offered by major brands of tea in bags.

As for packed loose tea, the leader is the inexpensive cardboard package accounting for 93% of leaf tea sales on the basis of quantities and 87% in value terms. However, as the solvency of the population grows and there appear new brands on the market, the share of the cardboard package decreases. Besides, some part of consumers switches to the economical plastic pack and to tea in bags comparable with cheap leaf tea by its taste characteristics. Another part of consumers gives preference to more expensive products packaged in tin or other nonstandard materials.

Due to the development of the market of gift products, one can observe the growing share of tea in a gift/original package – wooden boxes, linen bags, ceramic packages, plastic jars. However, this share is not yet large: 0.3% and 0.8% of the physical and value turnover, respectively.

DISTRIBUTION

The structure of the tea market by the trade channels is extremely dynamic. While previously the most popular retail channel of tea sales among Russian

citizens used to be open-air markets, this year one can state a radical turn in the distribution structure. Thus, according to the data of the retail trade audit in February–September 2004 in 24 largest cities of Russia the physical volumes of tea sales through open-air markets matched the volumes sold by food shops and mixed shops: 49% of the retail turnover accounted for both channels. Besides, the share of shops' sales increased by 7.3 percent points while the markets' share dropped by 6.7 percent points compared to the analogous period of the previous year.

As for the share of sales in value terms, the shops' trade including modern formats – hypermarkets, supermarkets and minimarkets – considerably outstrips open-air markets by this indicator due to their work with a more expensive assortment. For example, in 2004 shops accounted for 58% of the tea turnover (+6.1 percent points) while open-air markets accounted for 39.9% (-5.6 percent points).

A small part of the volume of tea retail sales goes through kiosks and pavilions both on the basis of quantities and in value terms – 2.2% and 2%, respectively, the share of these trade formats in the sales of the category going down: -0.5 and -0.6 percent points, respectively.

PRICE SEGMENTS AND INFLATION

One has recently observed a steady decline of the share of economical trademarks in the tea retail sales, on the one hand, and the growth of the share of the medium and premium segments, on the other hand, these segments including “nontraditional” kinds of tea: green, fruit, black flavored tea. At the same time the rate of growth of annual sales of premium tea on the basis of quantities exceeds the growth rate in the segment in the medium price category (+15%). Thus, in February–September 2004 the premium segment sold 40% more products on the basis of quantities than over the analogous period of the previous year. Expensive elite tea kinds attract an increasingly larger number of consumers with a high purchasing power, in particular, as an element of prestige and social rating.

In February–September 2004 the share of the premium segment in the value tea turnover amounted to about 47% of retail sales and this share has been growing over the several recent years: +4.8 percent points relative to the analogous period of 2003. On the contrary, the share of the economical segment amounting to 21.5% dropped 5.3 percent points over the same period.

The same dynamics can be observed in consideration of the physical volumes of sales with somewhat a different proportion between the segments, however: the economical segment still generates the largest

share of the turnover on the basis of quantities – 36.9% (-7.6 percent points compared to the previous year) while the share of premium trademarks is only 28.4% (+6.1 percent points).

As for the medium price segment, its positions are gradually getting stronger due to the shift of consumer preferences towards higher quality products. In February–September 2004 its share in the researched cities of Russia amounted to 34.7% of the physical turnover (+1.5 percent points compared to the previous year) and 31.4% of the value retail turnover (+0.5 percent points).

The major trend of the tea market development is the growing prices of this trade category against the background of comparatively low rates of its growth: the average price in all these segments keeps growing and amounted to 280.8 rubles per 1 kilo in February–September 2004, which is 16% more than in the analogous period of the previous year. This trend is still more obvious in the largest cities. For example, in Moscow the average retail price of 1 kilo of tea was 358.4 rubles while in Saint-Petersburg it was 298.6 rubles. This is conditioned by the growing sales of tea in bags, on the one hand, and active development of the premium segment and more expensive tea kinds, such as black flavored or green tea, on the other hand. In February–September 2004 the average price of tea in bags increased 5.2% compared to the analogous period of 2003 calculated in rubles per 1 kilo while the price of loose tea increased 13.8%. ■

RUSSIAN ICE CREAM MARKET: 2000–2004

One is so eager to believe that sometime Russian marketing specialists would be taught by manuals written by national professionals rather than foreign translations. When such manuals are written, they should, in addition to a thorough analysis of the national market dynamics, the emergence of home brands and the like, apparently highlight the story of the ice cream market evolution.



The economic stabilization, the market explosion in the recent years have had a positive impact on Russia's living standards and have resulted in more intense consumer activities. In terms of consumption of many commodities, this country has come closer to developed Western countries. Incidentally, an ice cream market prediction is made on an assumption that the consumption of this product is much more sizable in developed

countries than in Russia. To wit, an average American consumes 22 kilograms of ice cream annually, while an average European 14–15 kilograms. In Russia, this value works out at only 2.5 kilograms a year. The year 2000 was thought to be a year of a dramatic rush of, and a subsequent growth in, the ice cream demand. In fact, the years 2000 and 2001 saw a certain increase in the number of Russians who ate ice cream, but the year 2002 already witnessed a decline in consumption.

In spite of this, many ice-cream makers continued to step up production, and the supply began exceeding the demand; as a consequence, Russia's ice-cream market today is a hypercompetitive market filled to overflowing in all price segments. There exist several aspects why this situation came about.

The widest-spread is a story about Russia's climate as an annual average temperature in New York amounts to about +11°C, while it ranges from +3 to +6°C in Moscow (by different sources). However, hardly is Alaska's climate, for instance, significantly warmer than that of the Cola peninsula, and the Azov steppes much cooler in summer months than the Arkansas plains. Moreover, hardly could Russian climate "toughness" offer a plausible explanation why ice cream enjoys more popularity in Western Europe than it does in our country.

Besides, if one is to consider the consumption history of ice cream throughout a year, he will find out that the winter and summer months testify to the varied consumer attitude towards this product rather than number of ice-cream consumers. In other words, there are more consumers in summer preferring to eat their ice cream out of doors, while those who wish to eat it at home grow in number in winter.

The positioning error has primarily to do with realities in one culture being arbitrarily superimposed on the other. Consumer habits, the very image of a product in Russia and in Western countries differ dramatically, one might even say, conceptually.

For many years, ice cream has been a delicacy, a token of a feast for the people of this country. At the same time, it has always been affordable to representatives of all strata of the society. After all, it could be made at home: for instance, home-made ice-cream recipes could be found even in the 1957 edition of "Cookbook of Tasty and Healthy Food".

Ice cream is a delicacy to which the population of this country have become used from childhood. Each town had its own, special ice cream of an inimitable taste that could well be regarded as a unique town image. Thus, many Muscovites remember ice cream sold at GUM (State Department Store), Leningrad citizens (as well as today's Saint Petersburg citizens) liked dropping in a famous cafe "Lyagushatnik" ("Paddling-pool").

Consequently, ice cream is not a staple commodity for this country's residents. Hardly would it occur to a Russian who feels hungry in the evening or at night, to reach into his refrigerator and fetch a Plombir brick to treat himself to a light meal, though this would be quite matter-of-course for an ordinary American or Canadian. Russians take more to the European consumption pattern: in West Europe, ice cream is regarded as a desert, but, in contrast to our country, it is an everyday desert there.

Besides, home producers' have committed an error placing high hopes on ice cream in a take-home packaging as rolls, pies, bars, trays, buckets, which is most popular in the West. In Russia, however, even though most of the ice-cream consumers are of an eat-at-home variety, a waffle cup has been, and will continue to be, best-selling.

Take-home packaged ice cream does not enjoy high demand among the consumers due to a variety of self-evident reasons: such packaging virtually keeps it from being eaten outdoors, this is why this type of ice cream as contrasted to, say, waffle cups or cones could hardly be related to an impulse demand produce.

As is known, either traditional creamy ice cream, or caramel and chocolate ice creams outsell all other types. Diverse fruit varieties are considered "chemical", synthetic, and are much less popular, while it is these that, not infrequently, are ingredients of family-packed ice cream.

At the present time, ice cream is produced by about 300 makers in Russia. The top player in this market is "Rosmyasomoltorg" ("Russian Trade and Industrial Company") Opened Joint-Stock Company (OJSC) from Moscow that has 73 cold-store complexes producing ice cream. They account for nearly 70% of Russian-made ice cream. Generally, the company's production capacity amounts to about 600 thousand tons of ice cream per annum.

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Also found among major producers are “Ais-Fili” OJSC, “Mars” LLC, “Metelitsa” LLC, “Servis-Kholod” OJSC (Moscow), “Nestle Zhukovskoye Morozhenoye” LLC, “Torgovyi Dom “AlterWest” CJSC (Moscow region), “Petrokholod” OJSC, “Talosto” OJSC (Saint Petersburg), “Belgorodskiy khladokombinat” OJSC (Belgorod), “Khladokombinat No 3” OJSC (Yekaterinburg), “Kholod” JSC (Pyatigorsk), “Lipetskiy Khladokombinat” OJSC (Lipetsk), “Novokuznetskiy Khladokombinat” OJSC (Novokuznetsk, Kemerovo region), “Penzakholod” OJSC (Penza).

In addition, upwards of 140 dairies and newly-established private ventures are making ice cream.

Despite so many companies producing ice cream in Russia, this market cannot be referred to as developed. The produce of the local manufacturer enjoys the greatest demand in each region.

“Lakomka” and “Morozko” that could be placed among the national brands, could in no way be regarded as brands because ice cream under these names is produced by a number of Russian manufacturers. In fact, the only successful brand in the domestic ice cream market is “48 kopecks” by Nestle. The “Mars” company owes a distinct group of its brands, “Bounty”, “Mars”, “Snickers” and “Twix”. Their popularity is extremely high; however, the consumer share does not exceed 5% of the consumer total. These brands owe their high familiarity score to active promotion measures in general. “Baskin Robbins” as a brand advertised in a big way could be identified with the above brands but it tastes unusual to most Russians: consumers look at it as “synthetic”, and it costs more than domestic ice cream too.

However ironically it may sound, but the ice cream market development has affected negatively the product consumption. Indeed, an expansion and product innovation in ice cream manufacture is a positive action but the standardization and the application of uniform technologies will inevitably bring about a loss of the product identity. As was noted above, ice cream has been a token of not only a feast but also a symbol of a certain city: ice creams from Leningrad, Moscow, Kiev, Omsk could not be confused – they differed not only in appearance and packaging, but also in taste. Modern ice cream, as consumers argue, “tastes the same everywhere”. On the one hand, ice cream has ceased to be exotic, on the other, buying it became telling for the family finances of the majority of Russia’s inhabitants. Today’s abundance has resulted in ice cream ceasing to be a symbol of “escape from humdrum”, but the national stereotypes of consumption have prevented it becoming a “daily food”.

Moreover, ice cream is facing a stiff competition from foodstuffs and drinks that could serve as its sub-

stitutes. These are sweet snacks or their dairy equivalents (chocolate-coated cheese cakes), as well as soft drinks. Furthermore, ice cream as a token of a feast has to compete with confectionery products.

Ice cream makers have committed a grave mistake: they have underestimated the significance of marketing support for product promotion. Today’s situation as it stands, calls for a brand promotion to be launched virtually from scratch. What is needed, first and foremost, is a perfect positioning: create a product image as such for the consumer awareness.

Next action to take should be a carefully thought-up variety that would be met with no end of enthusiasm by prospective consumers. The opportunities for this are virtually unlimited: ice cream for solemn occasions (a feast product), ice cream for routine consumption (those same deserts that are so popular in the West), ice cream for adults and for kids, etc. All these varieties are intended for a strictly defined target population; hardly would a beautiful ice cream pie with embellishments be suitable for a spot of lunch, and a stick ice cream bar for a festive table. It would also be worth considering the fact that preferences of children and adults differ: e.g., kids like chocolate ice cream best, while adults are in for creamy and caramel varieties.

The bottom line: The ice cream market can become promising. However, what is needed is to develop Russians’ demands again. ■



- Slovakia was the 12th most attractive investment destination in Europe in 2004, according to an Ernst & Young survey of 672 managers worldwide. The new EU member was also the sixth most frequently mentioned European country for prospective future investments, and third for the attractiveness of the tax system. As for the present, the British-based Centre for Economic and Business Research (CEBR) identified Lithuania and Slovakia as the two most attractive EU member states for foreign investors. CEBR has looked at 223 EU regions and evaluated the advantages each of them provides to business entities. Fast economic growth and the ability to deliver funds from the EU’s development funds were factored in, as well as education and skill levels. The top two are followed by Latvia, Hungary, the Czech Republic, Ireland, Poland, and Slovenia.
- Slovakia’s government has initiated the privatization of the railway cargo business Cargo Slovakia,

which operates goods transport. Advertisements call on investors to show preliminary interest in the company as a whole. Expressions of interest will be submitted to CA IB Financial Advisors, which is guiding the government through the privatization. The bidding period ends on July 29. Cargo Slovakia's basic capital is SKK11.5 billion (€282 million). In 2004 it transported nearly 50 million tones of goods. Its rolling stock consists of more than 800 electric and diesel engines and 16,000 cargo wagons.

- Energy security, including stability of energy supplies, will be the key issue at the next G8 summit, Russian Deputy Energy and Industry Minister Ivan Materov told. The next G8 summit will be held in St. Petersburg in 2006 and will be presided over by Russia.
- The North European Gas Pipeline will run across the floor of the Baltic Sea from Vyborg, a Russian seaport in the Vyborg Bay, to Graifswald on the German coast. The pipeline will link the gas transportation networks of Russia and the Baltic states directly to the pan-European gas network.
- The European Commission was taking measures against Austria, France and Poland for placing unnecessary restrictions on car imports. All three countries are impeding the free movement of goods in one form or another, the commission said in a statement. It said Austria requires unnecessary double checks on conformity for imports, Poland obstructs the registration of imported second-hand cars and that France also makes the registration of imported vehicles difficult. "These impediments come at the expense of consumers who cannot reap the full benefits of the EU's single market," said European Commission vice-president Guenter Verheugen. Austria has been given two months to end the violations, Poland has been sent a formal notice requesting an explanation, and France had been sent a second letter of formal notice about its irregularities.
- Russia's Economic Development and Trade Ministry submitted a privatization plan for 2006, which includes proposals to sell state-owned shares of 470 joint-stock companies and 1,030 state unitary enterprises. The plan calls for the privatization of several major companies, including the Russian truck-manufacturing giant Kamaz (comprised of 110 subsidiaries) and SG-trans, a major Russian transporter of liquefied natural gas, with over 20,000 customers in Russia, the CIS, and the Baltic states.
- An annual survey by the government-controlled Japan Bank for International Cooperation involving 497 Japanese industrial corporations assessed the moods of local businessmen. Mid-term business opportunities were analyzed for the next three years, with Russia placing sixth, making Russia even more popular than Western Europe. As far as long-term business operations (10 years) are concerned, Russia shares fifth and sixth place with the United States.
- State Duma vice speaker Vladimir Pekhtin said the heads of the State Duma and Finance Ministry agreed that establishing effective mechanisms to attract private capital would help the country implement large-scale infrastructure projects in a variety of sectors, including the transport, agriculture, and energy sectors.
- Belarus intends to gradually liberalize prices, Belarusian Deputy Economics Minister Vladimir Adashkevich said. Prices are currently regulated by the state in Belarus mostly for socially important goods. International financial organizations have repeatedly noted the necessity of liberalizing price formation in the country.
- On July 8 the State Duma, the lower house of the Russian parliament, approved the law, which aims to establish zones in Russia to develop high-tech sectors of the economy, produce new types of goods and develop transport infrastructure. Mineral resources production and metallurgic production are prohibited in the zones, as is processing minerals and scrap from ferrous and non-ferrous metals. The production and processing of goods subject to excise duties, excluding cars and motorcycles, is also banned.
- The beer industry in Russia has averaged 5% growth a year, and is expected to increase by at least another 5% to 7% in 2005, reaching production of 90 million hectoliters. Investors continue to be interested in the Russian beer market because of its steady and long-term growth, which is not hindered even by the government's regular excise increases. Duty was first introduced at 12% in 2002, increased to 25% in 2003, and by another 10% in 2004. In 2005, duty has grown by another 8%, although this is still below official inflation. There are three leaders on the Russian beer market, whose rivalry is pushing it forward. Baltika is the leading player, accounting for more than 20% of Russia's market and owning 18 breweries in Russia and other CIS countries. Baltika's main rival in Russia is SUN Interbrew, which has considerably increased its presence in Russia over the last two years. Ranking third is Heineken, which emerged in Russia a little later.
- President Vladimir Putin signed a law on special economic zones on June 23. A special economic zone is a territory within Russia with special rules for business activity, aimed at developing manufactur-

ing, hi-tech production, new products and the transportation infrastructure. Each special economic zone must be within one municipal unit and its territory must not encompass an entire subject of the Russian Federation. The Economic Development and Trade Ministry has received more than 20 applications from regions to create Special Economic Zones. One of the first special economic zones in Russia will be formed in the Leningrad region (the Northwest Federal District).

- Russia's 1.3 million limited liability companies (LLCs) will have to reregister in keeping with bylaws approved by Cabinet. New companies registering as LLCs will have to meet more stringent requirements as they draw up their charters. According to Deputy Minister of Economic Development and Trade Andrei Sharonov, the Cabinet seek to eliminate the large number of bogus companies as illegal tax shelters and create an environment for well-established and trustworthy firms to operate more stably.
- Moscow City business center is being constructed on the Krasnopresnenskaya embankment in the city's downtown area. The center unites 15 office, trade and hotel buildings. The 340 meters tall multifunctional Federation building will be the most important in the center.
- Russia's Internet access and data transfer market continues to grow apace. In the estimation of J'son & Partners consultants, Russians spent \$350 million in the first quarter of this year on Internet services, 55 percent more than in the same period last year. Internet spending in Russia is expected to rise to \$1.5 billion by the end of this year.
- Russia's new oil products export duties are to come into effect starting from August 27, according to the government ruling in official daily newspaper Rossiiskaya Gazeta. The government regulation contains a clause stipulating that it comes into effect one month after the official publication. The export duty on light oil products is raised to U.S. \$106.60 per tonne from the current \$104.10 per tonne and the export duty on heating oil, to \$57.40 per tonne from \$56 per tonne, the Russian government said. The export duty on light oil products will apply to benzene, toluene, xylene, lubricants and other oils, waste oil products, propane, butane, ethylene, butylene, butadiene, and other liquefied gases, gas oil, light and medium distillates, paraffin, various kinds of wax, petroleum coke and bitumen. The ruling concerns oil products exported to countries that are not members of the Eurasian Economic Community, formerly known as the Customs Union, which includes Russia, Belarus, Kazakhstan, Kyrgyzstan and Tajikistan.



- Aug 16-21: International Aviation and Space Expo MAKS—2005 in Zhukovsky, Moscow Region. For more information, please visit http://www.tourintel.ru/news/news_29.html.



AUGUST 9, 2005, KOŠICE, SLOVAKIA

**TRAINING SEMINAR:
EXPORTING BEER, NON-ALCOHOLIC AND LOW-
ALCOHOLIC BEVERAGES TO RUSSIA**

The Russian Chamber of Commerce in Europe invites you to attend a Training Seminar "Exporting beer, non alcohol and low alcohol beverages to Russia and CIS countries", which will be held on August 9, 2005 in Kosice, Slovakia.

The seminar is specifically designed for producers of beverages from Europe and will cover all topics that each exporter to Russia has to know. The topics of the seminar will be covered by the best experts in their fields and top managers from Russian beverage distributing company "Pivo-Vody", Export-Import Company "Rosintorg", Certification Center "Russian Standard", Russian-European Transport and Customs Services Company "SFT" and others. Participants will have a chance personally meet beverage producers or distributors, establish direct contacts, and best of all – get "know-how" and gain expertise from successful exporters. At the end of the seminar each participant will receive a Certificate of Training.

If you are interested in participating, please contact us at +421 55 7289267 or visit http://ruscham.com/en/news/rus_cham_news/1/170.html to get more information and download registration form.

OCTOBER 11, 2005, BRATISLAVA, SLOVAKIA

**TRAINING SEMINAR:
RUSSIA—EUROPE 2005: EXPORTING TO RUSSIA:
CERTIFICATION, CUSTOMS, TRADE REGULATIONS**

The Russian Chamber of Commerce in EU invites you to attend a Training Seminar RUSSIA-EUROPE 2005 "Exporting to Russia : Certification,

Customs, Trade Regulations" that will be held on October 11 2005 at Carlton Hotel, Bratislava, Slovakia.

The conference will cover all new Russian certification regulations, registration of products with the Russian Ministry of Health, GGTN permits, Customs formalities and logistics, as well as current and new trade regulation. The topics of the seminar will be covered by the best experts in their fields and top managers from Russian Federal Customs Committee, Russian Federal Agency for State Technical Regulations, RosPotrebNadzor (formerly known as GosSanEpidemNadzor) - Russian Federal Agency for Control of Public Safety, Russian Ministry of Public Health, and other organization.

For more information, please visit <http://www.rosstandard.com/seminar.htm>

BECOME A MEMBER OF RUSSIAN CHAMBER OF COMMERCE IN EUROPE

In support of the RusCham's core activities, which actively work to improve the business environment for businesses in Russia and Europe, the Russian Chamber of Commerce in EU also provides valuable business networking opportunities for members.

Russian Chamber of Commerce in EU serves as a center for assistance and information, keeps members apprised of rapidly evolving government laws and regulations, and organizes meetings for representatives of member businesses.

RusCham is an information center that gives much-needed information and contacts to visiting delegations, fosters co-operation between potential investors and established businesses, and encourages businesses to take advantage of business opportunities in the Russian Federation or Europe.

Also RusCham is enabling business representatives to air their grievances and create a common agenda of needs and concerns, to act as one voice in presenting that agenda to the governments and local business communities enable member businesses to collec-

tively lobby for legislative and regulatory changes.

The Chamber's most important assets are its members. They are our clients, our workforce and our strength. Our mission is to promote the development of commercial relations between the Russian Federation, EU and the international community.

RusCham membership is made up of enterprises and entrepreneurs from the member states of the European Union (EU) and the Russian Federation, which have business activities with and in the Russian Federation, NIS and Europe. These members determine the overall strategy and policies of the organization.

To become a member of RusCham please send an e-mail to membership@ruscham.com or contact us at +421 55 728-967

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CONTACT US

With any questions concerning membership feel free to contact us on membership@ruscham.com

Please send any comments on RusCham Newsletter to ad@ruscham.com or lipatov@ruscham.com

Head Office in EU:

Štefánikova 42
040 01 Košice
Slovakia
Tel.: +421 55 728-9267
Fax: +421 55 728-9269
President Dr. Sergey Shuklin

Hungary:

Fulemule U. 12-18 2/B
EP. 1121
Budapest, Hungary,
Tel.: +36 30 255-6130
Fax: +36 1 395-6613
Mr. George M. Palasthy, MSc.

Ukraine:

01032 Kiev
ul. Zhilyanskaya 110.
Tel.: +380 44 234-2725
Fax: +380 44 240-9200
Head Representative
Mr. Igor Ort

Russia:

117335 Moscow
ul. Vavilova 81
Tel.: +7 095 132-7522
Fax: +7 095 132-7526
Head Representative
Dr. Sergey Abramov

USA:

115 Mendham Ave
Suite 1A
Hastings-on-Hudson
NY 10706, USA
Tel.: +1 914 478-7557
Fax: +1 309 276-0783
Head Representative
Mr. Gregory Temkin