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**Responding to Impact Technologies**  
**INNOVATIONS IN FOOD**  
**Panel Discussion**

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In cooperation with PepsiCo

**Moderator:**

**Yulia Bordovskih**, Press Secretary, Bosco Sport

**Panelists:**

**Zein Abdalla**, Chief Executive Officer, PepsiCo Europe

**Ferran Adrià**, Head Chef, elBulli Restaurant

**Olaf Koch**, Chairman of the Management Board, METRO AG

**Vadim Lapin**, Co-owner, Ginza Project

**Marina Shevireva**, Director of Department of Health Protection, Sanitary-Epidemiological Human Well-Being, Ministry of Health and Social Development of Russian Federation

## **Y. Bordovskih:**

OK, we are all here. I find myself in wonderful company here. Once again, good afternoon to all of you.

I am honoured to welcome you to the opening day of the St. Petersburg International Economic Forum. We are here to discuss innovations in food. Today, we will be talking about ensuring the availability of fresh, nutritious, tasty products; about the future of new products; and about which international brands are poised to enter the Russian market and, possibly, win our devotion.

Our session is taking place in a wonderful setting: we are gathered in the PepsiCo Café, part of a sweeping European project that allows people to try dishes from around the world daily. Today, I think we find ourselves in Spain, and will be enjoying Iberian cuisine. I believe everyone has already tried the gazpacho soup: a timeless, distinctive summer hit. I had some and loved it. I believe this is a soup for the ages. And you can probably try the Russian *okroshka* soup any day.

I would like to introduce our panelists for today: Deputy Minister of Agriculture Ilya Shestakov; Chief Executive Officer for PepsiCo Europe Zein Abdalla; chef Ferran Adrià, who specializes in innovative culinary creations; Chairman of the Management Board of METRO AG Olaf Koch; and co-owner of the Ginza Project Vadim Lapin. Good afternoon.

I was very happy to be asked to moderate this meeting, since I have spent the last 15 years or so researching healthy lifestyles and healthy diets. The food boom we experienced in the post-Soviet years obviously gave way to strict requirements: 90-60-90, no matter what it takes. And today, thank goodness, I think we are moving to the next stage: our new goals are to be healthy, young, and as a result, beautiful. To achieve this, we need fresh food; but we want it to taste good as well. Am I right?

I recently met an old friend from university, Dmitry Bykov, who asked me which session I was moderating. I told him it was about innovations in food. He asked, "Will you have something for me in there? If you do, please help me out: I really want to get healthier somehow." So, if we discover something new today, I will definitely pass it on to Dmitry Bykov.

We all want fresh, tasty, high-quality products. This is probably why farm holdings are growing so fast at the moment, and why farm websites – where people can buy fresh food – are flourishing. However, we are all used to having wide access to food through shops and city markets. In this regard, my first question is for Mr. Shestakov. What innovative systems does the agriculture sector currently use to meet the pressing demands of Russian society, and what can we expect in the future in terms of reaching these goals?

**I. Shestakov:**

Thank you. As a government official, rather than talk about tasty food, I will focus on what we need in order to produce safe, high-quality food. Since the Forum also deals with investment, I would like to say that agriculture is currently undergoing significant improvements in the agro-industrial sector as a result of the implementation of the state programme. The most important document in terms of feeding the country – the draft 2013–2020 state programme – is currently being debated.

I am not going to linger on each parameter of this state programme; rather, I will focus on the key points that directly relate to our topic.

First of all, the programme will increase the amount of subsidies for importing mineral fertilizers, which is crucial for the health of our soil. In addition, mineral fertilizers improve the quality of food and increase crop yields.

The second important factor is that we are laying the foundations for providing support to the food and processing industries. We have defined six sectors that will be modernized: flour milling, cereal, meat, milk, vegetable canning, and fat and oil production. These are the new approaches that will be defined by the new state programme. I think innovations will go deeper than food production: they will deal with approaches to agricultural production management. Naturally, these issues are important.

However, it is not enough to just produce food commodities. Look at what is currently happening in Russia: we produce a great deal of food, but the majority of it

either never leaves the fields, or is harvested but becomes unusable and never reaches the end consumer. A large section of the programme is dedicated specifically to creating the infrastructure and logistics support for the food market. In this regard, we have already designed a programme to create wholesale distribution centres. We have studied the practices used in Spain and France. These countries have large markets: in Spain, they are owned by the government, and every major city has them. Spain has Mercasa; France has Rungis in Paris. Farmers bring their products to these locations and use them for initial processing and storage. Major industrial producers can also use these outlets to sell their products. Major logistics clusters have grown around these wholesale distribution sites that also attract the largest retail market players, such as Auchan or METRO. They build their distribution centres right inside these zones, so they can be closer to the products and be able to prepare them based on their requirements.

This is one of our key objectives. Earlier this year, a pilot programme was approved in the Republic of Bashkortostan. This programme is currently in its market research and planning stages. Next year, we will begin full implementation. We believe that this solution is crucial for providing equal access to the market and for making it more civilized.

The Ministry of Agriculture also supports large-scale plans to build vegetable storage facilities in Astrakhan. We realize that we will have to import some of the products, because Russia's greenhouse industry is still underdeveloped. But a vegetable storage system will allow vegetables and produce that can be stored for some time, such as potatoes, onions, and cabbage, to be maintained in an optimum condition for consumers.

Finally, I shall move on to the third important issue we must discuss today. As we develop our agriculture and food production industry, we must have a clear idea of the strategy for further positioning of Russian products on the global market. China positions itself in terms of mass production, even sometimes at the expense of quality. European countries position themselves in a way that the main feature of their food products is an assurance of safety. Meanwhile, I believe it is crucial to

position Russia as a producer of environmentally friendly food that meets contemporary standards. This is still possible. We have virtually no genetically modified agricultural products, so we have a chance to move along this trajectory and position Russian products as genetically pure. I believe this is the industry's and the Ministry's main objective. The Ministry has developed a draft bill on supporting environmentally friendly agriculture. I think that by working with the expert community, with you, with the business world, we can design one of the best laws in the world. With this law as our foundation, we will turn innovations into a profitable proposition for the industry and for the nation as a whole. Thank you.

**Y. Bordovskih:**

Thank you, Ilya. Now, I would like to hear from the people who sell the food that ends up on the tables of Russian consumers. For PepsiCo, Russia is the largest Eastern European market. A great many of the company's new products end up on our tables. In this regard, I would like to hear about the new agricultural technologies you plan to use in the process of releasing new products, and in developing the Russian market in general.

**Z. Abdalla:**

Thank you very much, Yulia. I must say that it is an absolute pleasure to join you in this discussion on innovation in food and beverages. PepsiCo is one of the largest food and beverage companies worldwide. Of course, we are probably best known for our main trademark Pepsi Cola, but, in actual fact, this is not the largest part of our business. We are as much a food and agricultural company as we are a beverage company, with our dairy businesses, our juice businesses, and our Quaker grain businesses. As one of the largest food and beverage companies in the world, we have a tremendous responsibility in the area of food innovation and this is a key driver for our growth looking forward. Although we are already very large, we actually see an enormous growth opportunity ahead of us by broadening our product and brand portfolio to address consumers' needs from the minute they

wake up in the morning to the moment they go to bed at night. As you think about that much more holistic goal around food and beverages, including the ability to innovate and the ability to develop the right agricultural supply chain to service it, it becomes crucial. Russia is not just PepsiCo's most important East European market. In actual fact, Russia is the largest market for PepsiCo other than North America, which is incredible. The reason for this is because we have an incredibly diverse business here. We operate across beverages and foods: in dairy, snacks, breakfast cereal, and juices, and not just in carbonated soft drinks, but in a wide array of beverages, from things like tea to water and energy drinks as well, of course, as CSDs and colas. Now, when you are trying to innovate in food across such a wide category, what is really important is that you address defined consumer needs. In our view, one of the biggest consumer needs facing the world today is this: How do I make my lifestyle and my requirement for tasty nutritious food and beverages fit? What my lifestyle does is take away the time I traditionally have to prepare foods and beverages. I get up and I need to get out of the house very quickly in the morning. I do not always have time for breakfast or lunch. Somebody calls a late meeting or I have family commitments and I do not have time for lunch or to prepare a lunch from scratch. So, given all of these pressures, what company is going to provide me with solutions? How are they going to do it in a way that is balanced, that not only provides great convenience, taste, fun, excitement, and refreshment, but also provides balanced nutrition? That is the goal of PepsiCo. When you embark on a goal like that, you need tremendous ingenuity, innovation, and partnerships all the way along the supply chain, starting with agriculture. It is absolutely crucial that you can participate in developing the most nutritious and the most productive agricultural systems. You also need tremendous capability in product development because developing those products that have both nutrition and taste is not easy. In addition, if you are going to develop products that have nutrition and taste, and yet really meet the culture, norms, and traditions of the communities in which you operate, you need tremendous innovation. Here we have tremendous partnerships, like the one with Ferran Adria and the Russian chefs that

he has trained, to build innovative products and solutions that meet all of these needs. Of course, the final piece in the jigsaw is tremendous innovation in the whole global market system. For how do you make those products available as fresh as you possibly can and as well merchandised as you can, so you can display them coherently to your consumer base? Clearly, as a large food and beverage company, if we are going to meet those needs going forward, it is crucial that we have tremendous innovation. I will give you a few examples from our business here in Russia. Ready-to-drink tea has clearly been available in the market for some time, but how do you develop a ready-to-drink tea that is much closer to delivering all the benefits of a natural tea? That is why we developed this product, Lipton Natural Green, which is a completely non-preserved natural green tea that offers you the closest possible experience to real tea consumption. In addition, Hrusteam is a bread snack that we have here in Russia. There is a great tradition of having bread snacks in the home, but how do you make them available in your drawer in the office or in your handbag or briefcase, so that you can have a snack throughout the day? Again, we build technology to get the right texture and the right tastes to deliver that product. The final thing I would say about what is really important in innovation is that you have large-scale partnerships and in Russia, I think we have one of our best partnerships anywhere in the world. On the agricultural side, we have put innovative solutions in place that have actually doubled the yield of our potato production in Russia to supply Lay's Potato Chips. We are now the biggest user of potatoes in Russia, whereas, when we started this journey, we had to import all of our potatoes. Today, we are entirely self-sufficient in potato production in this country. Again, this is the result of innovation in the agricultural system, in partnership with the government and the farming communities of Russia. The final point that is important in innovation is the quality of your talent base. Here in Russia, you have access to tremendous R&D capability. This is a country rich in science and education, therefore, for us, it is not just an important platform for Russia as a market but a very important platform for the greater region and a bigger export

market as well. So innovation is important for us and, in relation to Russia, it is crucial to our innovation programme on food.

**Y. Bordovskih:**

Ferran Adrià requires no introduction. I can see by your applause that you all know him as one of the world's greatest chefs, the creator of Europe's most popular project, the elBulli restaurant, and a gastronomic and culinary innovator. I hope he will add this delectable element to his remarks today. Here is what I want to know: have people's gastronomic tastes changed in recent years, and if so, then how? And does innovative research in the field of gastronomy help shape people's gastronomic tastes in any way?

**F. Adrià:**

Thank you very much for your invitation.

PepsiCo and I have a motto: if you think well, you innovate well. Therefore, before we get on with our innovations, I would like to stop and think a little – or maybe a lot. The world has gone through incredible change in recent years, as have our diets. In the last century, Europe's life expectancy grew from 40 to 80 years. In 100 years, life expectancy has increased by 45 years: more than in the entire history of humankind! It is important that we consider this change in connection with diet and health: this is a very important variable in any discussion of food.

In the last 30–40 years, women have entered the workforce, thereby revolutionizing food preparation. You see, for hundreds of years, the kitchen was built for a person who stayed home and cooked. Now, this umbilical cord has been cut, and nobody knows what to do. The world has no other alternatives for the kitchen.

The majority of people cannot cook at all, let alone cook something that requires 4–5 hours of preparatory work. We eat three meals a day, but cannot make a single one. This is akin to being unable to use the telephone. Can you imagine a person who does not know how to use the telephone? The same thing happens in the kitchen.

In the last 50 years, globalization has turned tourism into a paramount factor in global development. We no longer stay forever in our countries and in our towns: a great number of people come to visit our countries, and we go and visit a great number of other countries. The restaurant industry is also undergoing a revolution, restaurants as we know them have only existed for 200 years. Until then, there was no such thing as restaurants. Instead, there were inns and taverns: this was a completely different definition of food. The restaurant world has undergone a true revolution akin to the French Revolution, and as a result, we have frequently ended up with fast food.

In addition, we now have the concepts of sustainable growth and environmentally conscious development. These are completely new concepts: they have emerged in the last 10 years, and in the last five years, they have come to the forefront.

Food is considered a sort of entertainment. You can spend hours watching cooking shows on television: it is a fun way to spend the day. Many people watch these shows not because they want to learn to cook, but because they want to be entertained. This is also somewhat of a revolution.

The concept of cuisine and food as a source of play is also new. People say, "You know, a cool new restaurant just opened nearby", and so forth.

The world of Internet technology is also changing our understanding of food and gastronomy. We can get any information we need.

Another important issue is that the chef is somewhat of a dying breed. Of course restaurants have always had chefs who made food; but we are now beginning to realize that nobody knows more about the food pyramid than the chef. I was invited to come here, even though I am a simple chef rather than an economist or some important figure. I started out as a small entrepreneur and got to this point through innovation, which is only natural. I never used to be invited to any forums, not even those dedicated to food. Logic dictates that we should have disappeared altogether. However, everything is changing, and changing very rapidly. Of course there is no need for exaggeration: we are not going to change the world, we simply want to share our experience. However, I just returned from Peru, where we presented the

United Nations Peru Can Cook programme. This is a social weapon of sorts, because in Peru, cooking and food preparation help the country's socioeconomic development. In Peru, 80,000 people study cuisine: a great boost to the nation's self-respect. This is like watching the European Championship and arguing over who is going to win: Greece or Spain. Meanwhile, for Peru, cuisine is like the European Championship; and that is the foundation of a true revolution in the country.

Of course, this is a very complex issue. But nothing is easy when we talk about diet and health. Why? Because diet is rooted in tradition. I will take five minutes to try to explain how I see the situation with diet, health, and so forth.

We will start by imagining a chef. The first thing we have to specify is whether we are dealing with public or private dining: in other words, what do people cook at home, and what do they cook in a restaurant? Public dining includes everything from hospital food to a restaurant with a three-star Michelin rating. These are the basic concepts of the restaurant business and public dining in general. Home situations can also be different: you could be cooking for one, two, or eight people. I suspect that in 50% of homes, people are cooking for one or two. It is one thing to cook for two, and another to cook for eight. Now, let us determine the role of management in a small company or large corporation; at home, or in a restaurant.

The first fundamental aspect is education. Until children are taught about healthy food in schools, we will not be able to change a thing: we will simply be throwing money down the drain. All our endeavours will be fruitless until three-year-olds are taught that food affects their entire lives. All of us gathered here will not be able to change a thing. Or at the very least we will have tremendous difficulties without the backing of appropriate upbringing and education.

One of the most important problems facing Europe today is that we cannot afford healthcare, because we live much longer but have an unhealthy diet. The worst health problems in the world right now are obesity and diabetes. The world has 400 million people with diabetes: that is disastrous! We have to explain this to children.

For example, my mother has diabetes, but she has no understanding of what carbohydrates, sugar, saccharin, and sucrose are.

Agriculture, fishery, fishing, and animal husbandry are closely related to public and private dining. Education and upbringing are also crucial for restaurants and for the hotel industry, which also has a dining component. Hotel and restaurant schools must also cover nutrition. These are completely novel things, and people in every country must understand them at the DNA level.

Let us talk about importing food products. It is very important for countries like Italy and France to have good restaurants. In supermarkets, you will see French, Italian, and Spanish products. In other words, if you have a tradition of gastronomy, you will have an easy time exporting your products.

What role does the food industry play in private and public dining? Until recently, the food industry produced food and sold it through distributors. What kind of dialogue did we have between the food industry, restaurant proprietors, and the public? None at all. One party produced the food; and the other party consumed it. Now, the sector is experiencing a true revolution. Companies like PepsiCo try to help train, educate, and provide healthcare. Companies that embrace social responsibility have to work with the government. The state and the administration must tackle such issues as the teaching of health and nutrition in schools.

Design, fashion, creativity – all of these are related to cuisine. Look at table and chair designs, for example. Architecture is related to cuisine. Fashion, youth culture, culinary history, anthropology – all these fields are related to cuisine.

Let us look at innovation. Restaurants and hotels are small and medium-sized companies. It is crucial for the country to have innovative restaurants and hotels, because they are part of the country's genetic makeup. For example, imagine visiting a small bar in, say, St. Petersburg's Pulkovo Airport or in Barcelona. If you see innovations inside the bar, you think, "Nice country!" You get to the hotel, you see innovations. You go to the supermarket, you see innovations.

The only thing we do three times a day is eat; and all our other activities are also related to food. If you can make sure the entire country has this culture in its DNA, that will be wonderful.

I guess that is all I wanted to say. Of course this is a very complicated issue. If we consider the Spanish, Russian, or US government, all ministries, with the possible exception of law enforcement agencies or defence ministries, seem to be related to food in some way or another. The country that manages to coordinate this, to create a strategy that encompasses everything from education and upbringing to hotels and restaurants, will be a success. Since we are gathered at SPIEF, many participants probably think that this is something secondary: that the most important things are banks and high-tech companies. They are wrong. I am not sure about Russia, but 28% of Spain's GDP comes from tourism, restaurants, and the food industry. Nearly one-third of the economy – 28% of the country's GDP – is linked to the topic of our discussion. Society has yet to realize this crucial fact: today, they still see the issue of dining and nutrition from the wrong perspective. If we can understand that, we will be able to ensure that in the future, the food and healthcare industries work to our advantage. I will talk about cuisine later; this is just a general picture. Thank you.

**Y. Bordovskih:**

Thank you very much, Ferran. Now I can see why your restaurant company is so successful.

Is PepsiCo Café chef Ivan Berezutsky in the audience? Ivan, listen and learn. Then you can be just as successful.

Cuisine and the culinary arts are a wonderful topic, but we have to make sure that fresh, high-quality products reach the general consumer. This is the responsibility of large retail chains. I shall now hand over to Chairman of the Management Board of METRO AG, Olaf Koch. Olaf, please go ahead.

**O. Koch:**

Thank you, Yulia. I think this was a very good speech because you described a lot of what we are doing or, at least, are trying to do. Being in distribution and running a company, it is all about making the product available. By definition, you could say, that is an easy task. It is just a discipline, where you need to engineer products into the store and make sure the customer can buy them. But that is not the answer. The answer for us has been always to define what is really the customer need and the customer demand. Especially in a country like Russia, which is growing and changing so fast and whose wealth is changing by the day, you actually have to innovate on a permanent basis, not just for one year, one month or one week. You need to ask yourself everyday how you can better serve the customer base. This goes along the whole value chain. I like this chart a lot because it starts with the supply base. For more than a decade, we have been teaming up with suppliers and local farmers because it is of extreme importance to us that the customer gets superior quality. This is not only being achieved by going to the farmer and buying volume, but also by helping the farmer and the other producers ensure that their product is not only harvested well, but is packaged well, to ensure that it comes fresh to the store so that the consumer experiences superior quality. Now, we have been investing in that for more than 10 years. We have 500 people in quality assurance alone. On a day by day basis, they work with our supply base to enhance this sort of quality. Last year, we started a programme with UNIDO, which is the United Nation Industrial Development Organization. We began a sophisticated programme to go even further. We are reaching out to the supplier, not just saying that we want to buy a product, but that we want to develop value on a continuous basis. Then of course, in the store itself, innovation is also constantly required and, as we are running a B2B, business-to-business, firm, we know our customers pretty well. We have the whole file and we know the history of what they like and do not like. That is why we are reviewing the categories we serve to them on a very active basis. We are trying to make sure that products that are not appreciated are removed from the shelves and that we bring new stuff in. One of the recent trends we have seen is that people want to buy regional. People want to buy goods from

their own community. That is why, as I said earlier, teaming up with the supply base has become more and more relevant in our stores. The result, which, I would say, is very much part of the work of the team in Russia, is very impressive. We have now achieved year after year of double digit like for like growth, so this is not only down to expansion. Since 2009, we have doubled the turnover of this company. We are now at EUR 5 billion in revenue and we do not want to stop. We want to continue and the way we want to continue, of course, is not only by understanding what sort of product sells well and what product does not sell, but by reaching out to the customer base. It is a matter of reaching out to the cooks and the independent trade. Initially here in Russia, the independent trade was of greater relevance than hotels, restaurants, and catering. Why? This was because, in this country, the independent trade is huge. It is all over your neighbourhood. You know all these small stores and you know that they are under big pressure from modern retail. The answer to that has been for us to team up with them. We go to their stores, we look into the assortments, we review the assortments and the layout of the store and back offices and then we give them advice on how to change. As a result, all of them have enjoyed double digit revenue growth and also added growth. We have now extended that to a store franchise programme. As of today, we have developed 5,000 independent traders and that shows that we are not only selling, but have tried to understand the customer much better. Now, on hotels, restaurants and catering, which were mentioned before, in Russia, we see big trends in some areas. This is not the case at a country level, but it is growing, especially in Moscow, St. Petersburg, and other areas. We have good experience in this. For many years, we have been teaming up with HORECA [hotels/restaurants/cafés] in France and we now have the largest number of Michelin chefs in France buying with us. We are doing that now in Spain. If you look at Spain right now, what Makro Spain would say, especially in serving restaurants, is that they want to run a “food paradise” and, if you are going to the stores, you can see that. Why do we do that? We think it is a value-add for the community and for the customer, who is here the chef. By doing this, we can offer a superior range of products and services and that becomes a

privilege for everybody else that can access our stores. The more we create that sort of value, the greater the appetite for customers to come in and have the privilege of accessing our stores. Therefore, for us, it is very clear that this is a continuous process and, as you said, it is not a function. It is a joint operation with the supply base, the independent trade, the chefs and the people that run hotels, restaurants, and catering services companies. For us, this is not only true in Russia. We do this on a global basis in Russia, of course, as it is now one of our most important countries outside Germany. We have spent EUR 3 billion over recent years on our Russian entities. We will continue to do so and Russia is going to be one of our focus countries. We therefore think that, along this map which was described, we are trying to do our best. Are we perfect? No, definitely not. Of course we are not perfect, but that gives us room to improve and that is what we are going to do. Thank you.

**Y. Bordovskih:**

Demand for fresh and tasty food has driven our country's restaurant industry to take a step to the next level. Now, I would like to hand over to the man working to develop the restaurant industry not only in Russia, but also abroad. In this regard, it would be interesting to hear a comparative analysis: what do patrons expect to see on the restaurant menu in America, Russia, and Britain? I shall now give the floor to Vadim Lapin.

Vadim, here is my first question: when we talk about innovations in the restaurant industry, are we talking about the commercial side of the business? Is innovation commercial in nature, or is there another side to it? We try to ensure that the food is as healthy and nutritious as possible. Is this a commercial endeavour?

**V. Lapin:**

Good afternoon. Thank you for your question, Yulia. Our experience and the approaches to using food products which we have been studying for over a decade are based on the fact that in recent years, people have been paying more and more

attention to the so-called healthy diet. Many restaurants have to add dishes made with natural products to their menus. However, natural does not always equal environmentally friendly or organic: environmentally friendly and organic products are conditioned by their origin and quality, because some vegetables or fruits cannot be grown without a certain technological approach to production. For example, organic food producers cannot use mineral fertilizers, pesticides, pest control measures; they can only use natural, homeopathic means, and only organic fertilizers.

As far as controlling quality based on the origin of a product is concerned, Russian farmers have practically no standards in this regard, and even when they do, this cannot be proven or certified. This is why we are forced to import the majority of products from abroad.

I do not know whether we can call this an innovation. But I think the appearance of these types of products in the food industry is innovative because it is a sign that people have begun to take more care of their health and read packaging: are these products genetically modified; are they made with natural ingredients or artificial colouring agents? Our patrons pay especially close attention to this, because everyone wants to look good and feel good. Of course, this primarily arises with the consumption of the food we eat and the beverages we drink.

As far as the preferences of American, British, and Russian consumers are concerned, in recent years these have virtually balanced out. When we first opened our company 10 years ago, many products, such as rocket, whole wheat pasta, olive oil, and so on, were exotic. Today, they are an essential part of our lives; we are so used to them, we cannot imagine life without them.

**Y. Bordovskih:**

What new products are your restaurants developing? What is your top priority?

**V. Lapin:**

We noticed that the majority of patrons who, for example, order fish, ask whether it is wild or farmed. Or take meat, for example: does it come from free-range, grazing animals, or is it factory-farmed? We get a great deal of questions like that, because people already realize that fish and meat production technology might involve all sorts of additives, such as the extremely harmful antibiotics contained in meat.

People have become more discriminating when it comes to choosing their food. We can see and feel this, so we try to keep in step with the times. Today, we work in cooperation with many Western companies that can help us bring natural organic products to the Russian market. We are also working with farms in Russia to get them up to solid production levels, help them get certified, because this is a difficult issue for us.

**Y. Bordovskih:**

I would like to ask Ilya about the problem with certifying food products. Why do restaurants have to import good, high-quality products? Why do our farms have a hard time certifying their products?

**I. Shestakov:**

If we consider food products and their quality, we have to mention their consumer properties. We went to a fair in Holland and spoke with Russia's Ambassador in Holland. Next year we will have a cross-over of products going between Holland and Russia. The Ambassador said that we should supply them with Krasnodar tomatoes, Astrakhan watermelons, and Russian vegetables. He says the Dutch have no idea what they are eating: they are eating mass-produced food. Why are chains and big industry moving in that direction? Because mass-produced food has two major components: it is cheap and low-quality. But in this economy, it is in high demand.

Other higher-quality products with better consumer features come with a higher price tag; the chains are not interested in selling them, because from the point of view of the chains' sales volumes, these products will amount to 1–1.5%. This leads

me to believe that the share of restaurants in the food industry is growing because restaurants can afford to produce truly high-quality food using high-quality products. Vadim said that food is being imported. Yes, Russia still does not have a certification for environmentally friendly products. As I mentioned in my remarks, we have already prepared a draft of this law. I believe we are not far from solving this issue. We undoubtedly took a considerable step towards bringing our requirements in compliance with those of the European Union, when we moved away from State Standards and adopted technical regulations that, while they ensure safety, do nothing for quality. Now, we have to go back and do the entire thing again. There is nothing else we can do about it – it is necessary!

**Y. Bordovskih:**

As I understand it, this is a question of timing.

Esteemed guests and panelists, thank you very much for your remarks. If anyone has any comments, we would like to hear them now. Otherwise I suggest that we begin taking questions from the audience.

OK, does anyone have any questions? Please introduce yourself so we know who you are.

**D. Grozny:**

Good afternoon. My name is Dmitry Grozny. I am the editor of *Delovoy Peterburg* newspaper. I have a question for Mr. Adrià.

For years, the world's most famous chefs turned eggs into foam and foam into meat. In other words, molecular gastronomy was very popular. You became, possibly without meaning to, the flag bearer of culinary innovation, the flag bearer of molecular gastronomy. But now, when you talk to the same chefs, they say, "What is molecular gastronomy? It never existed. It was all just biotechnology."

This begs a question: maybe we do not need innovations? Maybe all we need is simply a good piece of meat?

## **F. Adrià:**

Molecular gastronomy does not exist. There is no such thing. I could talk about this for hours, but you have to understand: there has always been innovation. Four million years ago, people did not know how to use fire. For a whole million years, people had no fire at all! But what is fire? It is an intrinsic physical and chemical process. It is pure physics and chemistry. So, evolution has always existed. Our contemporary chefs did not invent it. But what we see now, I do not know why, is that cooking has become the field with the most innovations. People say in general, “We need innovations, innovations, innovations”; but when it comes to cooking, they say, “No, we do not need any innovations.” This is on the one hand.

On the other hand, consider elBulli Restaurant. Making a foam is very simple; we have made thousands of different dishes using this method. You can take, say, strawberries, puree them, and make strawberry sorbet. It has existed for many years. So how is this different? It is not. This is simply a different model; different equipment; different methods. But the bottom line is that I took strawberries, pureed them, and turned them into foam. And how was it done in the past? Strawberries; puree; then mousse. You tell me, what is the difference?

Mousse has cream and eggs, but foam has no cream or eggs, only strawberries. That is the only difference. It is a question of technology and equipment. Whether this can be considered cooking is another story. If I were a scientist – a PepsiCo researcher, for example – I would talk about complex concepts. We must understand that it is not easy to talk about cooking. But I am talking about logical things, which is very important.

The world’s population currently stands at around 7 billion people. Two million out of these 7 billion are starving, and most people make USD 1,000 a month. There are very few millionaires and people with money. This is why, when we take part in this kind of discourse, we must be pragmatic. We all realize that we want to live in a better world. We can all agree on that. But how do we achieve this? Here, we must be very careful and not fall victim to populism. We can say, “Let us all eat organic chicken.” But do you know how much organic chicken costs? Do you know how

much it costs in Spain, France, or Germany? USD 40. People cannot afford it; and that is a pragmatic fact. When we talk about cooking or diet, we have to consider different social strata: some people eat food considered a luxury; some can afford great food; but not everyone drinks Dom Pérignon, right? As far as I know, not everyone drinks it because ordinary people live modestly, and Dom Pérignon is very expensive. So, what should we fight for? We should fight to make sure regular wine is good quality. By the way, this has already happened in the food industry: at no point in history have we ever had such high-quality food as we do now. This is an indisputable fact. Let us not forget that as recently as 40 years ago, people were starving in Europe. We must be pragmatic.

Next, let us look at the concept of natural products. What do we mean by 'natural'? We can debate this point. Is sugar natural? No, it is not: it does not exist in nature. It is a result of physical and chemical processes. Is wine natural? No. Grapes are natural; but wine is the result of a process, and we can debate this point as well. People sometimes confuse healthy foods with the foods they like. They say, "I really like this, this is a healthy product." But they are not one and the same. I cannot like alcohol: it is not good for my health. What is healthy is to have one glass of alcohol. We must be careful not to confuse what we like with what is good for us.

A month ago, I shared a table with very high-ranking people, VIP guests who spoke out against fish farms. As they did that, we ate oysters, and they had no idea that oysters are also farmed artificially: they do not come from the wild. So, let us not confuse and manipulate the public. People say that I am against fish farms with bad practices, but I am for fish farms with good practices. Chickens come from bad farms or from good farms. Even organic chicken comes from a farm: there is no such thing as wild chickens. We must explain this to children in school, because if we do not, others will be able to manipulate them. For example, would you eat salmon packed with sodium chloride? But do you realize that sodium chloride is simply salt? We can stop people on the street and ask them, "What is sodium chloride?" And not one of them will be able to identify it as table salt! Or take calcium chloride: milk is full of it!

This is a complex issue. This is no longer a question of cooking. This is a world of science, of knowledge; it is a world that needs experts who can spearhead a dialogue. Otherwise we will be facing terrible manipulation. This happens in the world of dining as well. You say, “Molecular gastronomy was just a fad; it no longer exists.” But we have a list of restaurants from around the world. The first, second, third, fourth, and sixth places on this list are occupied by restaurants that branched off from elBulli. In other words, the world’s greatest chefs came from elBulli. You can call this molecular gastronomy or anything else you want; but this is where they came from. So, this is a very complicated question, as I already explained. Gastronomy is a complicated issue. If the entire audience consisted of chefs, I could ask you to name the five best Chinese chefs. But you do not know them. We cannot name the five best Chinese chefs in the West either. It sounds crazy, but that is a fact. Why can we not name them? We are professionals; we should know who they are. I am not even talking about random people off the street: I am talking about professionals. People cannot name the five best Chinese architects either. You see, our society is so well-informed that it is misinformed. That is where the problem lies.

**Y. Bordovskih:**

Thank you very much. Next question, please go ahead.

**D. Snesar**

Hello, my name is Dmitry Snesar. I work at VTB, but I am here on my own account. My question is for Ferran Adrià. Do you buy, or would you ever buy, food for your restaurants from corporate monsters like METRO? I believe they are destroying small farms. Thank you.

**F. Adrià:**

I might be talking in populist terms, but I cannot even answer specifically. I will personally tell you that we have always supported small producers in establishing a dialogue and new communication channels with large companies, because we have

a distribution chain, channels through which we have sold 'fashionable' products from the kind of producers you are talking about, and who also used this chain to distribute their products in Spain and make money. Therefore I do not know how to answer your question. Without populism, we will not be able to fix the world and solve all our problems. We want to see a mythical, beautiful world. But in Spain, this is currently impossible: we have 5 million people out of work. Do you think I will be turning to organic produce at the moment? Five million Spanish people are unemployed. So, I would like to ask METRO and PepsiCo to provide people with the kind of food they can cook for themselves. People should work and cook their own food; they should learn how to do that. We are facing an impossible situation: people have no idea how to cook the products they can access. If we want to cook, we must know how. We must solve this issue. This is why I want to address you, the asker of this question.

People come home and make gazpacho soup, for example. I will give anything for gazpacho. Gazpacho Alvalle is our best product. This is a mass-produced, industrial product. Of course you can come home and make your own gazpacho: anyone can do it. But we have an amazing product. You can add a little bit of olive oil to it; virgin, as we say. How can you combine these things? I think both can co-exist. In other words, this is a combination that we must use to reach millions upon millions of people. Having said that, I am a cook, and this is a global issue. I prefer to leave global issues to global speakers.

**O. Koch:**

I think the business model that we are operating is actually not killing the supply base, but is in fact growing it. The level of local sourcing we have in this country is way north of 80% and imports are fairly small. I mentioned that we have invested 3 billion into this country now in the last decade. This of course went into stores, equipment and the like, but a lot of it also went into developing our relationship with the supply base to make them more competitive. I think we are the only one right now – I am not sure, but you can tell me if other people are doing what we do – that

is making the independent trade, that is to say the smallest store or supplier more competitive in making them ready for the future. This means being competitive against modern traders like a hypermarket or supermarket. As I mentioned, we have a Trader Support and Partnership Programme, where we now have 5,000 traders teaming up. I think it is not a contradiction to generate value as a company and to team up along the value chain with the suppliers and independent traders, and that is what we are trying to achieve.

**Y. Bordovskih:**

Thank you very much. Do we have any questions?

**From the audience:**

I have a question for Zein related to his answer. There is a high risk of consolidation for demand, but there is also a risk of consolidation for suppliers. Unfortunately, the suppliers are consolidating faster. I am thinking of big agricultural players like Glencore, Syngenta, and others. We are talking about the innovation of food, but how are you innovating the supply chain to combat or, at least, to match the speed at which the suppliers are consolidating to ensure that you are, in fact, remaining local in line with your vision?

**Z. Abdalla:**

I think there is a place for both because, clearly, there is a place for large-scale agriculture supply, but also there is enormous space and a growing place for small-scale suppliers. I gave you the example of potato farming here in Russia. When we wanted to localize our supply of potatoes, we did not have to create a single large-scale potato supplier. We were able to work with a cooperative of literally hundreds and thousands of small-scale farmers because we could be the aggregator. We could be the common point of intellectual property that shows them which seeds to use, how to harvest, how to store and how to get those products through the supply chain to our factories. Traditionally, that would happen as a result of one aggregate

taking over and physically owning the whole. We provide that kind of catalyst. Thinking about this more broadly than just Russia, if you consider what is going to supply some of the food requirements of the world, we are going to have to integrate many more local small-scale farmers into the supply chain. If I can return to your statistic that two billion people on the planet are hungry. Out of this two billion that are hungry, one billion are farmers. So, if you really want to solve both some of the world's food requirements and some of the hunger problems, you have to integrate small-scale farmers. I think there is a third very compelling reason and we have touched on it a lot today. We all want to improve the nutritional value of the supply chain and again, you can have a much bigger impact on the nutritional value of the supply chain if you integrate small-scale farmers. Fruits, vegetables, and a lot of these things – certainly some of the newer fruits and vegetables – can come through small scale farmers. I know those small-scale farmers are finding their way into outlets like Metro, based on the programmes that Olaf was talking about. Olaf, is there anything you wanted to add?

**O. Koch:**

Thank you. I think that is consistent with what I said earlier. As you mentioned, there is a place for scale. I think that scale is necessary to meet the demand for price and value, which I think Ferran has explained very well in saying that there is a demand in the population that has to be resolved in a very efficient way. But on the other hand – and we see the trend growing – people are more and more conscious about how the crops have been planted and harvested and the best way to do that is in your neighbourhood. So the big trend we see across all of Europe is that local farmers are growing in relevance. We bring them into our stores, so we stock our stores with local farmers, but they also need to qualify based on the quality education programmes we run with them. I think there is a place for both of these things. There is a place for scale and therefore cost opportunity, but there is also an awareness of healthy nutrition and healthy sourcing, so local farmers currently have a huge opportunity. We are teaming up with them because we see our customer

base is increasingly demanding this and wants to see how their food has been grown. We therefore think there is a good opportunity.

**Y. Bordovskih:**

Ferran, do you have anything to add?

**F. Adrià:**

Just one more thing. Yes, the world is changing quickly, and cooperation between large companies and small producers is a new idea. We have examples that prove that this cooperation functions very well; but there are situations in which it does not. Peru, for instance, is full of examples. PepsiCo is implementing a number of very interesting projects. They select the best crop of potatoes and sell them at pretty low prices in cooperation with small producers. All farmers are planting only Andean potatoes of every colour. This is just one example. In Peru, the entire population, from government officials to producers, understands that food is a very important part of life. If the food industry does not work, the pyramid is disrupted, and problems arise.

**Y. Bordovskih:**

Thank you very much.

We shall have another question, please go ahead.

**V. Chernigov:**

Thank you very much. My name is Vladimir Chernigov, Director of the Social and Industrial Foodservice Institute. One of our areas of interest is the school lunch system. I have questions for Mr. Abdalla and Mr. Koch. Russia has 14 million school children. That is 10% of the total population. Does the manufacturing company have special products for this group? This question is for Mr. Abdalla.

I have a slightly different question for Mr. Koch. Does METRO have special offers in terms of school lunch products? Russia has around 50,000 schools, and they all

have to buy food from somewhere. Those in charge of managing schools do not know anything about the food industry: they simply go to the market, and they do not have the training to determine quality and variety. We have spent five years trying to solve this problem, but we still have not worked out certain aspects.

**Y. Bordovskih:**

Thank you.

**Z. Abdalla:**

Thank you. I think it is a great question about how all of us, as responsible stakeholders in the food and beverage chain, provide more support to educational institutions, both in terms of brands and products, and education, knowledge, and know-how. At PepsiCo, we are very excited about broadening our portfolio here in Russia. We now have a very large juice business with both Lebedyansky and Wimm-Bill-Dann, and a very large dairy business with Wimm-Bill-Dann and new brands like Agusha, Zdraivery, Domik v Derevne, and Chudo. These are outstanding brands and products to complement the fun-filled products we have and the tasty products, such as a Pepsi or a bag of Lay's potato chips, which also have a role to play in making life fun and happy and delivering great taste. But it has to be both – it has to be the right product at the right time. So, in the morning when you need nutrition, you need that yogurt or kefir drink: you can drink a yogurt or a Zdraivery curd. In the afternoon, you may want a little energy pick-me-up or a treat. I think there are many ways now that, as we put all of these products together, we can partner much more with educational institutions in a far more comprehensive way to provide total solutions. I think you will be hearing an awful lot more from us in the future because we now have the portfolio. What we need to do is also to build the kind of supply and support service that you need, which is more than just the products. It is also a matter of the materials and education, and I think working together, we can really enhance the lives of school children, both in terms of enjoyment and their nutrition.

**O. Koch:**

Looking at the offering we have, I think it is clear that, since we have the broadest assortment when you compare us to other competitors, we can serve those needs very well by giving advice on healthy nutrition. It is directed at families, kids, and children, and can easily also be adapted to schools. However, I think the sizeable point here is that it is about more than just the assortment and education – it is also about the service. You have to bring in a solution that you can serve and deliver to the schools, as we are just reaching out to the HORECA sector and building up here in Russia. This is a very good idea that we can pick up and discuss further. We can even chat with them right after this meeting to pick up where we left off.

**Y. Bordovskih:**

Thank you, Mr. Koch.

**Y. Bordovskih:**

We shall have one final question, please go ahead.

**From the audience:**

I have a very short question for Mr. Lapin. Vadim, have you managed to convince Mr. Adrià to open a restaurant in St. Petersburg? I believe St. Petersburg could really use one. We even have an Alain Ducasse restaurant. St. Petersburg is not a bad city. Come on!

**V. Lapin:**

I believe we will be very happy to use this opportunity. If we get the opportunity, we will be honoured to open restaurants with chefs of this kind in Moscow and in St. Petersburg. But I think this too must be based on what products we will be using and where we will be buying them, because I doubt a chef can do anything without good products.

**Y. Bordovskih:**

Ferran, what do you think?

**F. Adrià:**

I am ready to work with Russia and with the Foundation. This is a new eIBulli project, and I will be happy to work with you. As far as the Foundation that works with us is concerned, we have very active cooperation. But I am not ready to answer this question personally.

**Y. Bordovskih:**

Thank you very much. I would like to thank all of our participants. Thank you very much for sharing your opinions. We hope you have a wonderful stay in St. Petersburg and engaging events at the Forum. Until next time at the same event, goodbye. Thank you all very much for attending this discussion.