

Vodka Drinkers Face Price Hike in 2011

By [The Moscow Times](#)

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The state alcohol regulator said late last week that minimum vodka prices are likely to be hiked by 10 percent in January next year, hurting low-end producers at a time when Russians traditionally drink heavily during the New Year and Orthodox Christmas holidays.

The price of the cheapest half-liter vodka bottle will be set at a new minimum of 98 rubles (\$3.13), up from the initial 89 rubles introduced from Jan. 1 this year, the Federal Alcohol Market Regulatory Service said on its web site.

Analysts at Citi said the increase was in line with expectations, although some higher-end producers had wanted a more radical rise to help the battle against black market producers.

Discount producers could pay dearly for the measure — part of President Dmitry Medvedev's campaign to combat alcoholism.

The price rise reflects higher excise duties and increased production costs in Russia, Kommersant reported.

Based on Nielsen Company data, 6 percent of volumes produced by Russian vodka maker Synergy from June to September 2010 were sold below the 89 ruble level of the new minimum.

At the same time, Polish vodka producer Central European Distribution could gain from the reform, Citi analysts said, as it has no sales in the low-end segment but an estimated 9 percent volume market share in the next highest price category.

Russia's lengthy January public holiday, which runs from Jan. 1 to 10 in 2011, is a bumper time for alcohol consumption.

(Reuters, Bloomberg)

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