

Carlsberg Confident of Growth Next Year

By [The Moscow Times](#)

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LONDON — Carlsberg, the maker of Baltika beer, is confident of growing market share in Russia as it bets on a recovery in 2011 while preparing to increase beer prices in the face of rising costs and a tax increase.

"I'm still confident we can continue on this track to grow share," chief executive Joergen Buhl Rasmussen said Friday in an interview. "A place like Russia is out of the crisis faster than most of the Western European markets. We're extremely optimistic about what we are likely to see in Eastern Europe, which is a big area for us. If anything, it's going to get slightly better again in 2011."

Carlsberg, the biggest brewer in Russia, raised prices in the country this month and will do so again in 2011 to compensate for soaring malt and barley expenses and a tax increase of about 10 percent on beer in 2011, Rasmussen said. He declined to comment on a specific target for price increases.

"It'll vary a lot by segment and brand," the CEO said. The brewer expects the Russian beer

market to "move to the plus side for next year," Rasmussen said, adding that he'd comment further on Carlsberg's outlook in February, when the Copenhagen-based company is due to release full-year results.

Carlsberg, which gets 52 percent of operating profit from Eastern Europe, is looking to Russia for growth to offset sluggish demand in Western Europe. Russia's beer market will grow 2.1 percent by volume in 2011, according to Mintel estimates. The country is the fourth-biggest beer consumer in the world, behind China, the United States and Brazil, Mintel data shows.

"Looking at the next five years, we think Russia probably has the best growth in its profit pool of all the beer markets," said Ian Shackleton, an analyst at Nomura in London.

Russia is proving attractive to consumer-goods makers as government austerity measures and unemployment hinder growth in developed markets including Western Europe. PepsiCo agreed this month to buy a controlling stake in Wimm-Bill-Dann for \$3.8 billion, and the Russian economy is set to grow 4.2 percent in 2010, according to Bloomberg data.

Carlsberg, which said in November that its share of the Russian beer market slid 0.8 percentage point to about 39 percent in the first nine months of 2010, is the biggest brewer in the country, ahead of Anheuser-Busch InBev, Heineken, Anadolu Efes Biracilik & Malt Sanayi and SABMiller.

Beer sales slumped in Russia this year after the government raised taxes 200 percent on the beverage in January. Carlsberg, which had previously estimated the market would show a "low double-digit" percentage decline, now sees a "mid single-digit" fall this year. Taxes on beer will rise again in January, from 9 rubles (29 cents) to 10 rubles. This, plus soaring costs of wheat and barley, will lead to price increases.

Raising prices "should be easier this time" as the increase in taxes is less than in 2010, Shackleton said.

Prices increases by SABMiller and Anadolu Efes in November were probably "catching up" with Carlsberg, Rasmussen said. The Danish brewer said in November that its market share slid because of higher price increases than competitors.

Any price increases next year "will not change the consumer dynamic," the CEO said. "I have no doubt" that Russian consumers will continue to buy beer, he said.

Beer consumption has fallen from a high of about 79 or 80 liters per capita to 65, Rasmussen said.

"I can't see it staying at 65," he said. "There's a lot of growth to come from volume, and on top of that, value growth. You can hopefully improve the mix and add more premium products. Long term, this market has so much potential."

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