

# Vodka Crackdown Hits Business

By [The Moscow Times](#)

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The government is hoping to reduce alcohol consumption by 72 percent. **Vladimir Filonov**

LONDON — President Dmitry Medvedev's push to curb alcoholism and regulate liquor sales is hurting the outlook for the world's biggest vodka producer.

ING Groep is forecasting a 16 percent decline in second-quarter sales for Central European Distribution Corp., which produces the Zubrowka, Parliament and Green Mark vodka brands, according to a note Tuesday. Alex Howson, a London-based analyst at Jefferies Group, cut his estimate for the stock to \$12 from \$20 while maintaining a "buy" recommendation, he wrote in an e-mailed report Tuesday.

Last month, Medvedev approved a law that restricts advertising for liquor, bans alcohol sales in stores after 11 p.m. and establishes licensing for alcohol transportation. Earlier regulations requiring wholesale customers to renew their alcohol licenses will cause "double-digit volume decline" for CEDC in the second quarter, Howson wrote in the report. Wholesalers form 75 percent of CEDC's customers in Russia, he said.

CEDC had a "tough" second quarter with reduced alcohol sales and pressure on margins as the company's wholesale customers used up inventory while renewing licenses under the government's new rules, Howson wrote.

"Management is likely to cut its full-year earnings guidance," the ING analysts said.

Russia is the second-largest market after Poland for CEDC, owner of vodka producer Russian Alcohol Group. Vodka makes up 88 percent of spirits sales in Russia, the world's biggest alcohol market, according to a report released last year by investment bank Troika Dialog.

Russia announced plans in December 2009 to reduce alcohol consumption by 72 percent to 5 liters per person a year by 2020. That's three liters below the World Health Organization's accepted consumption level.

"More than 75,000 people are dying from excessive drinking," the country's Alcohol Market Regulation Federal Service said on its web site at the time. Proposals included price controls, limiting alcohol retail sales by time and location and increasing the excise tax.

The government's measures will lead to market consolidation and halve illegal vodka consumption in the next five years, benefiting CEDC, even as it contributes to a "continuing overall decline," Howson wrote.

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