The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Wine Importers Battle Advertising Ban, Import Tariffs

By Roland Oliphant

November 05, 2012



Russia's tiny wine market is rapidly expanding on the back of increased demand from middle-class consumers.

Censorship is often imposed for malicious reasons — a crackdown on political enemies, thought control or social engineering.

But the latest group crying foul over restrictions on speech comprises neither political dissidents nor provocative modern artists. They are wine enthusiasts.

The reason for their ire is a clause that could make it illegal to mention any brand of alcohol by name.

The measure is part of a wider ban on alcohol advertising that comes into force on Jan. 1 next year, which itself is just one element in the biggest crackdown on the twin evils of drinking and smoking since the end of the Cold War.

That has already caused an outcry from media outlets that take as much as 20 percent of their revenue from advertisements for booze.

"The truth is, we have no idea how this is going to be implemented until the first case law comes up," said wine blogger Denis Roudenko, whose Daily Wine Telegraph is one of the most-read wine blogs in the country.

Roudenko and other writers say that the wording of the new law means they will be able to write vague articles about wine-growing regions and culture, but not review actual drinks.

Tatyana Zlodoreva, editor and publisher of Vinnaya Karta, the only independent wine industry periodical, fears her specialist magazine may have to fold altogether.

According to an explanatory document released by the Federal Anti-Monopoly Service, which will have responsibility for enforcing the new law, "advertising" includes not only advertisements, but the use of brand names in editorial material.

"At first they said that publications distributed at wine-selling outlets would be exempt, so it was actually a green light for us," she said in a recent interview. "But in the latest explanatory note they removed that exemption. So we are going to be in trouble."

An official at the Federal Anti-Monopoly Service, which will have to enforce the ban, said they would change their position if a court threw out the first test cases, according to Zlodoreva. Until then, though, if a member of the Courvoisier family mentions Courvoisier cognac during an interview, it counts as advertising alcohol.

Vinnaya Karta is a six-page monthly publication with a circulation of just 30,000 — partly because wine remains a prohibitively expensive indulgence for most Russians.

Excise tariffs are at 20 percent plus 18 percent value-added tax per bottle. With other charges, importers pay about 45 percent on the invoice price of each bottle. As a result, wholesale prices are almost exactly the same as retail prices in Europe, one industry figure said.

The excise rate is meant to drop 6 percentage points to 14 percent by 2018 under the terms of the country's accession to the World Trade Organization.

Russia produced about 27 million decaliters of wine products in 2011 and imported another 24 million, according to the Regional and Federal Alcohol Markets Study Center.

That remains minuscule compared to consumption of beer and vodka, however. Official statistics show that the average Russian drank 77 liters of beer and 9 liters of hard liquor but just 7 liters of wine in 2011.

But the market is constantly expanding as a managerial middle-class spreads beyond Moscow and St. Petersburg.

"Moscow is 30 percent of our sales, St. Petersburg another 10, but the remaining 60 percent goes to the 50 biggest cities of Russia," said Dmitry Pinski, a founding partner of DP Trade, which imports 700,000 bottles a year.

Just seven years ago, Moscow accounted for 60 percent, St. Petersburg was still 10, and the rest of the country accounted for just 30 percent, he said, adding that alcohol vendors targeted growth in regions outside Moscow.

Vintners are even angrier about the advertising law than the bloggers.

"[Lawmakers] are going about it like a bull in a china shop," Pinski said. "They're extremely clumsy."

Wine may get off relatively lightly, since dedicated wine drinkers are less responsive to advertising anyway. While whisky and cognac aficionados tend to become loyal to a particular brand, the more one knows about wine, the less loyal one tends to be to any particular label, Roudenko said at the VinItaly wine forum.

The drinks industry has been almost unanimous in its condemnation of the advertising law. Carsberg-Baltika, the country's largest beer maker, told The Moscow Times earlier this year that the restrictions would result in job losses and have an "extremely negative" impact on the country's advertising industry.

That doesn't mean the industry is exactly making common cause. The advertising ban has been pushed by a shadowy "vodka lobby," said one disgruntled expert who asked not to be named because she had no evidence for her suspicions. She said that producers of cheap spirits have no need for advertising to sell their product.

Other vintners see a definite advantage in distancing themselves from brewers and distillers.

"You have to enhance the culture of drinking wine instead of vodka or beer, especially the high alcohol beer," Pinski argued. "You have to understand that wine is a gastronomic product. It is not about alcohol. ... People who eat well and drink wine with their meals don't get drunk."

Lawmakers have been deaf to such arguments, however, he said.

DP Trade caters mostly to higher-end restaurants and supermarkets. But Pinski says his business breaks down in almost a mirror-image of the broader market — with Italian wines proving by far the most popular because demand is backed up by Italian restaurants.

While he does not cover the really big brands that rely largely on advertising for their presence, he says he is "absolutely" anticipating an impact on sales and revenues from the ban.

Wine connoisseurs will be taking careful stock anyway this year, as adverse weather conditions mean prices are set to spike.

A combination of severe frosts at the beginning of the year and a hot summer imply that domestic production in 2012 could fall by 30 to 50 percent, according to industry figures released last month.

Related articles:

- Kremlin Mulls Resuming Georgian Wine Imports
- Business Fights Back Against Kremlin War on Vice
- Duma Further Limits Alcohol Ads

Original url:
https://www.themoscowtimes.com/2012/11/05/wine-importers-battle-advertising-ban-import-tariffs-a19122