The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Sun InBev Threatens Shutdown in Chuvashia if Subsidies Not Provided

By The Moscow Times

April 10, 2013

Sun InBev, the local subsidiary of the global brewer AB InBev, is threatening to shut down its plant in Novocheboksarsk, Chuvashia if local officials refuse to provide subsidies, a news report said Thursday.

The beer producer said rising excise taxes and restrictions on the sale of alcohol prompted the move, Kommersant reported.

Accepting the Sun InBev's request for state subsidy would create a precedent and encourage other manufacturers to make similar demands, Chuvashia head Mikhail Ignatyev wrote in a letter last month to Prime Minister Dmitry Medvedev.

The official pointed out that Sun InBev made similar demands to local authorities in other parts of the country, where it has production facilities. In some cases, "regions were forced to provide preferences under the threat of a shutdown," Ignatyev wrote.

The excise taxes paid by the plant make up about 3 percent of the republic's budget or 604 million rubles ($19 million), which the budget would not receive if the plant gets closed, Ignatyev wrote.

Sun InBev confirmed that the company is holding talks with local authorities in all regions where it has production facilities, including Chuvashia, "to improve the business climate," but said no subsidies have been secured as yet.

The company's press service said the beer market in Russia is heavily regulated, which resulted in a serious production decline in recent years due to more stringent controls and constantly rising excise taxes.

"According to our internal data, sales of beer in Russia from 2009 to 2012 fell by more than 20 percent, while profits in the industry fell by 40 percent in the last two years," Sun InBev's press service said.

This year, the industry suffered another blow when the sale of beer in street kiosks was banned.

As a result, Sun InBev has been struggling to adapt. Last year its sales in Russia fell 12 percent, while its market share shrank 1.2 percent to 15.6 percent.

In August, the company shut down one of its production facilities in Kursk.

Original url:
https://www.themoscowtimes.com/2013/04/10/sun-inbev-threatens-shutdown-in-chuvashia-if-subsidies-not-provided-a23194