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Beer Market on Course to Shrink by 25-30% by 2014

By The Moscow Times

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The factory floor of the Moscow Brewing Company. Local demand, once rocketing, is facing a huge contraction. **Denis Abramov**

Struggling with a flat economy and escalating government regulation, Russia's beer market is on course to shrink by 25 to 30 percent from its 2008 size by the end of 2014, said Isaac Sheps, chairman the Union of Russian Brewers.

By this estimate, beer production will decrease to between 7.7 billion and 8.2 billion liters by the end of the year, down from 9 billion liters in 2012 and 8.1 billion liters in the first half of 2013, Vedomosti reported Thursday.

The market's troubles can partly be ascribed to a series of government actions aimed at combatting Russia's endemic trouble with alcoholism.

In an attempt to protect citizens from excessive alcohol consumption, advertisements for

alcoholic beverages have been banned from the streets, mass media and the Internet. Street stands, formerly prime locations for beer sales, are now off-limits, and stores are only allowed to sell alcohol until 11 p.m. A hardline zero tolerance policy on drinking and driving dating from 2010 was scrapped in July.

Excises on beer sales have also soared, from 2.74 rubles in 2009 to 15 rubles in 2013, and are expected to rise even further.

Efes, SABMiller, and AB InBev all saw sales drop throughout Eastern Europe in the first half of 2013, with AB InBev losing 13.1 percent of its previous sales volume.

Beverage giants Carlsberg and Heineken both reported revenue decreases in the region, of 1 percent and 3.8 percent respectively, despite Carlsberg having managed to increase sales volume by 3 percent.

"It is very difficult to deal with the excises and the restrictions that have already been adopted," Efes's director of external communications said.

Spokesmen from two major brands, Heineken and Ochakovo, said their companies had decided to focus on the release and promotion of premium products, which are less susceptible to market contraction.

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