

Illegal Vodka Floods Alcohol Market as Prices Rise

By [The Moscow Times](#)

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Illegal vodka accounted for 55 percent of the entire vodka market in 2013, Igor Kosarev, vice president of distiller Russky Standart, told Kommersant.

Legal vodka production plummeted nearly 17 percent in the first quarter this year under the weight of a state-enforced price increase and a flourishing illegal market, Kommersant reported Tuesday, citing Rosstat data.

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"Given the trend that we see now, by the end of the year this share will increase to 64 percent," Kosarev said.

Just as illegally produced vodka is increasing, there is an "avalanche of stores now selling alcohol without a license," said Alexander Mechetin, CEO of alcohol producer Synergy.

Sixteen percent of stores selling alcohol in large Russian cities do not have the necessary license, according to recent research by Infoline market analysts.

The legal market has lost even more business since the state increased the minimum retail price of vodka from 170 rubles (\$4.72) to 199 rubles for a half-liter bottle on March 11.

Sales of legal vodka in the lower price segment "have noticeably decreased" since that time, said Vadim Drobiz, director of the Research Center for Federal and Regional Alcohol Markets.

The situation could be further exacerbated on Aug. 1, when the minimum price will go up to 220 rubles for a half-liter bottle.

Producers of other alcoholic drinks also cut back production in the first quarter: production of Russian brandy fell nearly 21 percent to 1.3 million decaliters, while table wine fell 14.5 percent to 6.3 million decaliters and sparkling wines fell 15 percent to less than 2 million decaliters.

Isaac Sheps, chairman of the Union of Russian Brewers, predicted late last year that the beer market could shrink 25 to 30 percent in 2014, Vedomosti reported.

The market has been struck in recent years by bans on advertising alcohol in the streets, Internet and mass media, and another last year which prohibited selling alcohol after 11 p.m. and banned beer sales from street kiosks.

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