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Beer Sales Growth Still Seen Elusive in Russia as World Cup Looms

By Reuters

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Yegor Aleyev / TASS

The prospect of thousands of thirsty football fans flocking to Russia for this summer's World Cup should offer a big boost for the country's beer market, yet brewers see little reason to be optimistic.

Beer sales in Russia have fallen by around a third over the past decade on the back of rising duties and tougher rules on sales and advertising, and brewers don't expect a major reversal of the trend this year.

Even recent government concessions for the World Cup, including a relaxation of regulations to allow the sale of beer at stadiums and fan zones, as well as an unrelated decision to keep duties flat, have done little to lift the outlook.

If any company stands to benefit from an upsurge in beer demand for the World Cup, which

kicks off in Moscow on June 14 when the hosts take on Saudi Arabia, it is Anheuser-Busch InBev, the world's biggest brewer.

AB InBev's sponsorship of the event gives the group, whose brands range from Budweiser, Stella Artois and Hoegaarden to local brews such as Sibirskaya Korona and Klinskoye, exclusive rights to advertise and sell its beverages at and near tournament venues.

But Oraz Durdyev, legal and corporate affairs director at the group's Russian unit, said last year's Confederations Cup contest - featuring the champions of world football's six regions plus the World Cup holders and hosts Russia - had not set a strong precedent.

"We had a very positive view on 2017 because the Confederations Cup should have become a trigger forbeer, but restrictions on ... (plastic beer bottles) offset all the positives," Durdyev said at a news conference last week.

A law passed in 2016 limited the size of plastic beer bottles to no more than 1.5 liters, dealing a blow to a segment accounting for more than 20 percent of all beer sold in Russia. Previously beer had been sold in bottles of up to 2.5 liters.

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The Russian beer market was the world's fifth largest after China, the United States, Brazil and Germany in 2016, according to market research provider Euromonitor International.

Sales volume shrank around 5 percent in 2017, according to the Russian Brewers' Union, despite forecasts for growth of 3 to 5 percent.

Further to fall

"In 2016 we thought we had bottomed out, but it turned out we still had further to fall," Durdyev told Reuters. "When you envisage growth of 3 to 5 percent, and in the end you get a 5 percent contraction - what's the point in forecasts?"

In 2018, Durdyev added, an "aggressive" regulatory environment and weak consumer purchasing power could again offset any positive impact from the World Cup.

All of which isn't to say there won't be any benefit.

"This year, the Russian beer market should see a boost to its otherwise floundering volumes, though a lukewarm performance by the national team is likely to limit these gains," Bernstein analysts said. In Brazil four years ago, Russia failed to progress from the group stage having not registered a win.

Bernstein analysts predicted the tournament would boost Russian beer sales volume by between 2.5 and 3 percent this year, depending on the team's performance, with gains likely to be reversed in 2019.

Alexei Kedrin, vice president for cooperation with government agencies and corporate relations at Danish brewer Carlsberg's Russian unit Baltika, Russia's top brewer, said that

while the World Cup was a positive factor, its impact should not be overestimated amid market restrictions and sluggish broader consumption.

"We believe that in general there will be no major shocks this year," Kedrin told Reuters.

Dutch brewer Heineken is equally sanguine and an expectation of no further shrinkage is as positive as it gets. It expects the Russian market to be broadly flat this year, supported by economic recovery, a lack of new restrictions and stable duties.

"The market will probably be more or less flat this year," said Kirill Bolmatov, corporate relations director at Heineken's Russian unit. "We don't expect a contraction."

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