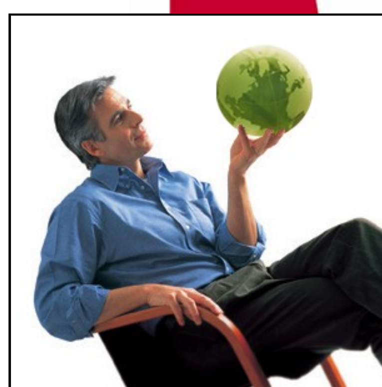
Agriculture and Agri-Food Canada | Agriculture et Agroalimentaire Canada

International Markets Bureau

MARKET INDICATOR REPORT | MARCH 2012

Consumer Trends
Wine, Beer and Spirits in Russia



Source: *Shutterstock.*

Growing Forward

Canada

EXECUTIVE SUMMARY

Russia is by far the largest consumer market in Central and Eastern Europe, with an estimated population of 138.7 million as of July 2011. Approximately 73% of the population live in urban areas, with Moscow (the capital city), and St. Petersburg as the largest economic and cultural centres. Roughly 10.5 million people, or 7.6% of the Russian population, live in Moscow and its suburbs, while roughly 3.3% (4.6 million) live in St. Petersburg (CIA World Factbook, 2011).

The Russian population is unevenly distributed over the vast country. The Far-Eastern and Siberian Federal Districts cover more than 66% of the total Russian territory, but only account for 18% of the Russian population. Over 26% of Russians live in the Central Federal District, and of these, almost one-third live in Moscow. One-third of the population in the North-West Federal District live in St. Petersburg.

As a whole, Russia has twelve cities that each have over one million inhabitants, and more than twenty cities have more than half a million residents. The sheer concentration of residents in Russia's city centres offers significant potential.

Russia is a sophisticated market and there are opportunities for a wide range of value-added food and beverage products for both high-end retail establishments and foodservice outlets. These opportunities include the wine, beer and spirits sector.

In 2010, the average Russian drank 68 litres of beer, 12 litres of spirits and 7 litres of wine. In comparison, the average Canadian consumed 50 litres of beer, 4.3 litres of spirits, and 10 litres of wine in the same year.

Supermarkets are the largest retail channel for the wine, beer and spirits sector, largely due to sales of low- and mid-priced wines. However, there is also a developing market for premium wines through up-market food and wine speciality stores. The foodservice sector also offers opportunities for expansion.

It is important to note that significant differences in terms of consumer behaviour and preferences can exist from region to region, as well as between city centres and broader provinces. Companies considering entering the Russian market should consider preparing not just one nation-wide plan, but multiple or multifaceted plans to reflect the unique aspects of each region.

There is a growing number of regions that are considered to have high business development potential, including: Rostov, St-Petersburg, Krasnodar, Nizhny Novgorod, Irkutsk, Tatarstan, Bashkortostan, Yekaterinburg, Krasnoyarsk, and Samara.

INSIDE THIS ISSUE

MARKET TRENDS

Spending on alcohol, which has long been a staple in Russian culture, has increased in recent years. Russia is the world's largest vodka market, and while spirit sales are dominated by this traditional preference, many Russian consumers are opting to have beer or wine instead. Beer has come into fashion as a more casual drink, but other types of alcohol, such as brandy, whiskey, cognac, and mixed cocktails have also gained popularity.

The Russian alcoholic drinks market is highly regulated. In 2009, retail pricing standards were introduced, with a half-litre bottle of spirits requiring a set minimum shelf price.

Source: *Mintel.*

A Culture of Brands

In Russia, spirits are often ordered by brand name rather than type, signalling a strong brand culture among consumers. There are essentially two driving forces behind attitudes toward alcohol brands: price and perceived image. Following these criteria, local brands are viewed quite positively as they can be considerably cheaper than their foreign counterparts. Domestic brands are also believed to be healthier, since they are generally produced with local ingredients, and are thus perceived to contain less preservatives. However, as incomes grow following the economic recession, Russian consumers are also buying more international brands. Aggressive advertising and slight price decreases are currently the most important factors shaping consumer preferences for global products.

Market Sizes of Alcoholic Beverages in Russia
Off-Trade[1] Retail Sales Value in $US Millions, Fixed 2010 Exchange Rate

Categories	2005	2006	2007	2008	2009	2010	2011	2015
Alcoholic Drinks	27,908.0	31,702.9	36,521.7	41,118.7	42,421.5	44,642.3	46,243.0	54,357.0
Beer	10,000.8	11,678.4	14,746.2	16,836.5	18,301.8	20,068.7	20,441.3	25,112.7
Dark Beer	129.4	148.8	169.4	197.2	225.3	224.5	217.9	271.0
Lager by Origin	9,667.9	11,295.6	14,303.2	16,309.4	17,696.0	19,459.5	19,818.9	24,316.4
Low/Non- Alcohol Beer	197.7	227.5	266.0	321.2	370.5	374.4	394.5	514.5
Cider/Perry	-	-	-	-	-	-	-	-
RTDs/High-Strength Premixes	734.9	1,049.0	837.1	1,078.2	1,017.7	986.1	961.7	1,185.5
RTDs	734.9	1,049.0	837.1	1,078.2	1,017.7	986.1	961.7	1,185.5
Spirits	12,033.3	13,439.5	14,447.8	15,762.0	15,606.9	15,827.7	16,818.5	17,076.0
Brandy and Cognac	1,871.3	2,110.2	2,356.8	2,750.2	2,809.1	3,022.2	3,239.0	4,559.3
Liqueurs	32.4	43.5	62.1	77.1	81.2	83.8	86.2	107.9
Rum	23.0	29.6	49.6	80.0	72.9	76.7	84.5	114.1
Tequila (and Mezcal)	42.4	58.4	77.7	95.7	86.1	90.7	91.4	105.2
Whiskey	253.6	339.0	522.3	710.7	676.4	737.6	810.4	1,311.7
White Spirits	9,435.0	10,438.0	10,915.1	11,528.4	11,351.9	11,285.1	11,970.9	10,272.0
Other Spirits	375.5	420.8	464.2	520.0	529.3	531.6	536.2	605.9
Wine	5,139.1	5,535.9	6,490.7	7,442.0	7,495.1	7,759.9	8,021.5	10,982.8
Fortified Wine and Vermouth	1,953.1	2,107.9	2,366.5	2,804.1	2,962.9	3,082.4	3,217.4	4,388.6
Non-Grape Wine	82.1	92.6	109.5	138.4	177.7	175.0	178.3	213.9
Sparkling Wine	419.2	476.1	661.6	762.2	467.4	580.9	611.4	853.6
Still Light Grape Wine	2,684.7	2,859.3	3,353.1	3,737.3	3,887.2	3,921.6	4,014.4	5,526.6

Source: *Euromonitor, 2011.*

[1] ***"Off-trade"*** refers to sales of alcoholic beverages through retail outlets.
"On-trade" refers to sales of alcoholic beverages through bars, restaurants, cafés, hotels and other catering establishments. (*Please note that on-trade statistics will only be presented in this report as they are available, and availability differs by sector/sub-sector.)

WINE

Wine is the third-most popular alcoholic beverage amongst Russian consumers, after beer and spirits. Table wine continued to dominate, growing to represent a 64% volume share of the red wine market in 2010. This is likely due to the economic recession, as premium still red wine, and high-quality red wines saw their volume shares recede marginally. The same trend was found within the white wine and rosé markets, where table wine increased its volume share to 66% and 77%, respectively.

Consumers are not yet confident in the quality of domestic wines, and prefer products in the medium- to high-priced segments, of French, Spanish or Italian origin. Such Old World wines continue to hold leading positions in the Russian market in terms of sales, and also represent the leading source of Russian wine imports. France is Russia's leading wine supplier in terms of volume (followed by Italy and Spain), and in value terms, Italy is the leading source of wine imports, followed by France and Spain.

However, Russian consumers have become increasingly interested in New World wines (those originating from the Americas and Australasia) during the last decade. Their price-to-quality ratio compares favourably to the more expensive European variations, which has contributed to growing public interest in New World wines. High-quality wines saw the strongest sales growth, as they allow consumers to trade up, while maintaining affordability.

Russian wine sales are very diversified. There are no major leading companies, as is the case in the beer or spirits markets. In 2010, over 70% of Russia's total wine volume sales came from a variety of small producers.

On-trade versus Off-trade Split: Volume Sales of Wine in millions of litres

	2005	2006	2007	2008	2009	2010
Off-trade	984	961	1,054	1,089	940	927
On-trade	73	63	69	71	67	65
Total	1,058	1,025	1,123	1,160	1,007	992

Source: *Euromonitor, 2011.*

Russian Wine Sales by Category: Total Volume (On-Trade and Off-Trade) in millions of litres

	2005	2006	2007	2008	2009	2010	2011	2015
Fortified Wine and Vermouth	195.8	189.8	194.4	207.3	196.4	195.7	203.5	256.3
Vermouth	87.8	84.9	86.8	93	87.9	82	83.6	101.8
Other Fortified Wine and Vermouth	108	104.9	107.6	114.3	108.6	113.7	119.9	154.5
Non-Grape Wine	28.7	28.4	31.8	36.4	39.8	37.8	38.2	42.2
Apple Wine	1.2	1.1	1.2	1.4	1.5	1.5	1.6	2.1
Other Non-Grape Wine	27.5	27.3	30.5	35.0	38.3	36.2	36.6	40.0
Sparkling Wine	177.8	182.8	227.9	236.8	135.0	151.5	158.8	204.9
Champagne	0.3	0.4	0.6	0.6	0.5	0.4	0.5	0.5
Other Sparkling Wine	177.5	182.4	227.3	236.2	134.5	151	158.3	204.4
Still Light Grape Wine	655.5	623.4	669.3	679.1	635.8	607.3	618.9	729.3
Still Red Wine	338.1	322.1	346.8	352.4	330.1	315.1	321.2	378.8
Still Rosé Wine	36.2	33.7	35.5	36.5	33.1	31.8	32.4	38.0
Still White Wine	281.1	267.5	287.1	290.1	272.7	260.4	265.3	312.5
Wine	1,057.8	1,024.5	1,123.4	1,159.6	1,007	992.3	1,019.4	1,232.7

Source: *Euromonitor, 2011.*

WINE (continued)

Most importers divide their wines between the on-trade and off-trade market segments. Although 93% of wine sales in Russia are through the off-trade format, bars and restaurants are steadily increasing their share, especially in premium and super-premium categories. Some importers try to reserve their best brands for the on-trade format only, but very few can resist moving into the off-trade segment, due to its significant volume sales.

More and more, Russian consumers are associating high prices with high quality and this is creating exciting opportunities for foreign wine producers that are able to cater to premium market segments.

Russian Import Statistics — Commodity 2204: Wine Of Fresh Grapes, Including Fortified

Partner Country	USD$			% Share			% Change 2009/2010
	2008	2009	2010	2008	2009	2010	
World	914,052,026	613,509,720	797,719,996	100.00	100.00	100.00	30.03
Italy	151,023,526	116,486,038	204,705,823	16.52	18.99	25.66	75.73
France	214,761,470	124,722,024	181,628,481	23.50	20.33	22.77	45.63
Spain	123,120,557	74,386,138	100,448,035	13.47	12.12	12.59	35.04
Ukraine	42,367,232	55,100,597	61,457,881	4.64	8.98	7.70	11.54
Moldova	45,333,353	41,911,726	47,864,047	4.96	6.83	6.00	14.20
Chile	38,494,855	32,909,953	40,445,518	4.21	5.36	5.07	22.90
Germany	41,533,095	31,331,567	36,033,347	4.54	5.11	4.52	15.01
Bulgaria	69,863,939	30,833,744	26,136,775	7.64	5.03	3.28	-15.23
Abkhazia	2,197,815	11,956,994	13,304,395	0.24	1.95	1.67	11.27
South Africa	19,659,769	7,297,698	11,345,223	2.15	1.19	1.42	55.46
European Union	8,654,083	10,566,397	10,218,346	0.95	1.72	1.28	-3.29
Argentina	80,338,320	28,880,557	10,103,290	8.79	4.71	1.27	-65.02
United States	6,807,048	6,214,513	7,381,839	0.74	1.01	0.93	18.78
Uzbekistan	9,193,266	1,998,455	7,352,485	1.01	0.33	0.92	267.91
Australia	5,827,622	3,383,105	5,462,301	0.64	0.55	0.68	61.46
Canada (38)	113,064	98,119	26,839	0.01	0.02	0.00	-72.65

Source: *Global Trade Atlas, 2011.*

BEER

Although vodka has long been the traditional alcoholic drink in Russia, beer has soared in popularity, with many consumers viewing it as a sort of soft drink. Beer has even been marketed as a “healthier” alternative to spirits, contributing to its casual consumption. Over the past decade, beer sales in Russia have risen more than 40% while vodka sales have fallen by nearly 30% (BBC News, 2011).

However, in July 2011, Russian President Dmitry Medvedev signed a bill that officially classifies beer as an alcoholic drink. Previously, anything with less than 10% alcohol content was designated as “foodstuffs.” The new bill will control the sale of beer in much the same way as spirits, with new regulations that come into effect in 2013. The bill will prohibit the sale of alcohol through unlicensed kiosks (which reportedly represent at least 30% of all beer sales in Russia), ban retail sales of alcohol between 11:00 p.m. and 8:00 a.m., and restrict the advertising of alcoholic products (GlobalPost International News, 2011; BBC News, 2011).

In 2010, less than 10% of total beer volume sales in Russia took place through the on-trade format, which is considerably lower than seen in Europe as a whole. Most consumers view beer as simply a packaged food product to be purchased and consumed at home. In addition, on-trade prices are often high, and the bar culture remains largely underdeveloped in Russia.

On-trade versus Off-trade Split: Volume Sales of Beer in millions of litres

	2005	2006	2007	2008	2009	2010
Off-trade	8,745	9,230	10,503	10,426	9,831	8,856
On-trade	813	857	896	893	823	761
Total	9,557	10,086	11,399	11,318	10,655	9,617

Source: *Euromonitor, 2011.*

Russian Beer Sales by Category: Total (On-Trade and Off-Trade) Volume in millions of litres

	2005	2006	2007	2008	2009	2010	2011	2015
Lager	9,317	9,835	11,134	11,043	10,381	9,351	8,843	9,293
Premium Lager	2,581	2,827	3,442	3,594	3,498	3,255	3,123	3,376
Domestic Premium Lager	2,437	2,678	3,290	3,442	3,351	3,124	2,985	3,210
Imported Premium Lager	144	149	152	152	147	132	138	167
Standard Lager	4,052	4,194	4,680	4,501	4,200	3,816	3,556	3,680
Domestic Standard Lager	3,863	3,981	4,464	4,285	4,001	3,644	3,402	3,522
Imported Standard Lager	189	213	217	216	199	172	155	158
Economy Lager	2,683	2,815	3,011	2,948	2,682	2,279	2,164	2,237
Domestic Economy Lager	2,683	2,815	3,011	2,948	2,682	2,279	2,164	2,237
Imported Economy Lager	-	-	-	-	-	-	-	-
Dark Beer	60	63	65	66	65	55	53	55
Weissbier/Weizen/Wheat Beer	60	63	65	66	65	55	53	55
Stout	3	3	3	3	3	3	2	2
Low/No-Alcohol Beer	178	186	197	207	206	209	213	227
Low Alcohol Beer	178	186	197	207	206	209	213	227
Non-Alcoholic Beer	-	-	-	-	-	-	-	-
Total Beer	9,557	10,086	11,399	11,318	10,655	9,617	9,110	9,577

Source: *Euromonitor, 2011.*

BEER (continued)

Domestic players dominate the Russian beer market, with domestic lager alone accounting for 33% of total beer sales by volume in 2010. Baltika PK OAO, one of the largest consumer goods production companies in Russia and Eastern Europe, was the 2010 leader in Russian beer sales. Baltika PK OAO joined the International Carlsberg group in April 2008, owns 89% of the company's shares, and operates ten facilities in Russian cities.

Brewing companies are responding to the requirements of a changing market, looking to capitalize on the significant growth potential in the premium beer segment. Heineken entered a new segment of light beer, while Baltika has launched Eve, a beer targeted at female consumers, as well as a new draught variety.

Russian Beer Market Brand Shares (by Global Brand Name): Total Volume Sales % Breakdown

Brand	Company Name (GBO)	2005	2006	2007	2008	2009	2010
Baltika	Carlsberg A/S	-	-	-	16.0	16.1	16.4
Klinskoye	Anheuser-Busch InBev NV	-	-	-	4.7	4.5	5.3
Arsenalnoe	Carlsberg A/S	-	-	-	4.9	4.4	4.4
Tuborg	Carlsberg A/S	0.7	1.5	2.3	2.8	3.2	3.5
Gold Mine Beer	Anadolu Group	-	1.1	1.6	4.0	3.8	3.4
Sibirskaya	Anheuser-Busch InBev NV	-	-	-	3.3	3.3	3.4
Yarpivo	Carlsberg A/S	-	-	-	3.3	3.3	3.0
Bolshaya Kruzhka	Carlsberg A/S	-	-	-	3.0	3.0	3.0
Ochota	Heineken NV	2.8	3.2	3.3	3.3	3.0	2.7
Bely Medved	Anadolu Group	2.4	2.4	2.4	2.5	2.6	2.7
Zolotaya Bochka	SABMiller Plc	1.6	2.2	2.3	2.2	2.2	2.6
Tolstyak	Anheuser-Busch InBev NV	-	-	-	2.7	2.5	2.4
Ochakovo	Ochakovo MPBK ZAO	3.7	2.9	2.5	2.5	2.5	2.4
Bagbier	Anheuser-Busch InBev NV	-	-	-	2.3	2.2	2.3
Stary Melnik	Anadolu Group	1.8	1.8	1.9	2.0	2.1	2.2

Source: *Euromonitor, 2011.*

Russian Import Statistics — Commodity 220300: Beer Made From Malt

Partner Country	USD$			% Share			% Change
	2008	2009	2010	2008	2009	2010	2009/2010
World	197,717,767	164,970,012	165,714,636	100.00	100.00	100.00	0.45
Ukraine	79,971,152	75,647,273	61,830,633	40.45	45.86	37.31	-18.26
Czech Republic	41,783,121	32,881,370	36,421,741	21.13	19.93	21.98	10.77
Germany	25,773,868	22,194,197	25,354,841	13.04	13.45	15.30	14.24
Belgium	5,613,269	5,183,544	6,890,746	2.84	3.14	4.16	32.94
Finland	6,811,434	6,003,228	6,305,411	3.45	3.64	3.80	5.03
United Kingdom	4,191,653	3,878,149	5,873,811	2.12	2.35	3.54	51.46
Ireland	4,713,455	3,784,062	5,060,491	2.38	2.29	3.05	33.73
Netherlands	5,190,979	2,636,657	3,825,278	2.63	1.60	2.31	45.08
Japan	4,531,683	2,804,476	3,608,358	2.29	1.70	2.18	28.66
China	1,605,881	1,006,357	1,899,814	0.81	0.61	1.15	88.78
Mexico	5,542,584	2,737,096	1,754,403	2.80	1.66	1.06	-35.90
Austria	1,611,578	1,112,261	1,200,967	0.82	0.67	0.72	7.98
Lithuania	560,262	825,689	981,544	0.28	0.50	0.59	18.88
Sweden	847,603	702,453	931,772	0.43	0.43	0.56	32.65
Italy	755,293	635,463	787,534	0.38	0.39	0.48	23.93
Canada (22)	148,630	98,832	167,593	0.08	0.06	0.10	69.57

Source: *Global Trade Atlas, 2011.*

SPIRITS

Declining volume sales in the spirits category can be largely attributed to the decline in vodka sales, as well as higher unit prices. Increases to the excise tax on spirits with more than 9% alcohol by volume, as well as minimum selling prices implemented in 2010 for both manufacturers and retailers, put upward pressure on spirit prices. These changes also negatively affected sales of illegal products (further decreasing overall sales), that were previously available for sale in legal retail outlets. Many retailers turned away from illegal products, because the increased tax and minimum shelf price meant that the price of illegal spirits would no longer be cheaper than legal varieties (Euromonitor, 2010).

Vodka accounts for the largest volume share in the spirits category, representing over 87% of sales. There is more vodka consumed in Russia than any other spirit, in any other country in the world. It is estimated that Russian consumers drink an average of thirty bottles each year. Russia has a long-standing history of vodka consumption; it is said that the first samples of domestic vodka were developed between the years 1448 and 1478, when the production of grain spirits was actively increasing in Europe. Russia has a large domestic market, and is a net exporter of vodka spirits. Synergya OAO is one of the largest producers of vodka in Russia, holding 6% of the vodka market in volume terms.

According to Euromonitor, local producers continue to dominate sales in vodka, brandy and nalivka (a white spirit), while imported brands lead sales in cognac, gin, tequila, whisky, rum and liqueur. Imported brandy, particularly products originating from former Soviet countries such as Armenia, Moldova, Ukraine and Azerbaijan, has a loyal consumer base, generally amongst the older demographic (Datamonitor). Imported vodka and brandy brands can only compete with Russian products in premium or super-premium products.

The off-trade sector dominates the Russian spirits market. Although the number of wine bars and restaurants is increasing quickly, the off-trade versus on-trade imbalance has only slightly shifted.

On-trade versus Off-trade Split: Volume Sales of Spirits in millions of litres

	2005	2006	2007	2008	2009	2010
Off-trade	2,005	1,941	1,881	1,789	1,720	1,656
On-trade	92	90	93	82	68	64
Total	2,097	2,030	1,974	1,872	1,788	1,720

Source: *Euromonitor, 2011.*

Russian Spirit Sales by Category: Total (On-Trade and Off-Trade) Volume in millions of litres

Categories	2005	2006	2007	2008	2009	2010	2011	2015
Spirits	2.096.9	2,030.4	1,973.8	1,880.7	1,788.0	1,719.8	1,647.7	1,444.2
Brandy and Cognac	84.5	89.7	94.7	102.9	97.8	101.8	106.5	133.2
Liqueurs	1.6	2.0	2.6	2.8	2.6	2.4	2.4	2.7
Rum	1.1	1.4	2.0	2.7	2.2	2.2	2.4	2.9
Tequila (and Mezcal)	1.1	1.4	1.8	1.9	1.6	1.6	1.6	1.7
Whiskey	7.1	8.9	12.8	15.3	12.7	13.2	14.1	19.6
White Spirits	1,904.0	1,831.7	1,761.4	1,654.0	1,577.3	1,504.7	1,425.4	1,181.6
Vodka	1,903.4	1,831.1	1,760.8	1,653.3	1,576.8	1,504.2	1,424.8	1,181.1
Gin	0.6	0.6	0.6	0.7	0.5	0.5	0.5	0.6
Other Spirits	97.5	95.5	98.5	101.0	93.8	94.0	95.3	102.7

Source: *Euromonitor, 2011.*

SPIRITS (continued)

In terms of sales volume, Zelenaya Marka, from the Central European Distribution Corp. (CEDC), is the number one selling vodka in Russia. The CEDC has long-term development plans in Russia. Today, 70% of CEDC's business is in Russia, and the corporation has a strong-performing vodka brand in each segment: Parliament in the sub-premium segment; Zelenaya Marka in the mainstream segment; and Yamskaya in the economy segment.

The federal government is the major consolidator of the vodka market. It formed a public-private partnership led by Rosspirtprom OAO.

Russian Spirit Market Brand Shares (by Global Brand Name): Total Volume Sales % Breakdown

Brand	Company name (GBO)	2005	2006	2007	2008	2009	2010
Zelenaya Marka	Central European Distribution Corp (CEDC)	-	-	-	-	-	5.9
Pyat Ozer	Alkogolnaya Sibirskaya Gruppa OOO	-	-	-	-	2.9	3.3
Nemiroff	Nemiroff UVK	1.6	1.3	1.4	1.5	1.6	1.7
Belenkaya	Synergya OAO	1.3	0.8	0.9	1.1	1.3	1.5
Parliament	Central European Distribution Corp (CEDC)	-	-	-	1.2	1.4	1.5
Yamskaya	Central European Distribution Corp (CEDC)	-	-	-	-	-	1.3
Zhuravli	Central European Distribution Corp (CEDC)	-	-	-	-	-	1.1
Staraya Moskva	Kristall Moskovsky Zavod OAO	2.0	1.7	1.9	1.6	1.4	1.0
Slavyanskaya	Zavody Gross GK OOO	-	0.8	1.1	0.9	0.8	1.0
Ladoga	Ladoga Kholdingovaya Kompanya ZAO	0.3	0.5	0.5	0.7	0.7	0.8

Source: *Euromonitor, 2011.*

Russian Import Statistics from the World — Spirits

HS Code	Description	USD$			% Change 2009/2010
		2008	2009	2010	
220820	Brandy and Cognac	469,213,359	259,174,623	349,756,431	34.95
220830	Whiskey	253,891,117	170,614,195	252,451,733	47.97
220840	Rum	28,953,739	23,728,331	38,993,497	64.33
220850	Gin and Geneva	10,857,026	5,594,559	8,019,154	43.34
220860	Vodka	127,626,480	90,866,369	112,631,343	23.95
220870	Cordials and Liqueurs	70,048,082	41,189,087	57,620,887	39.89
220890	Other Spirits (with <80% alcohol content by volume)	149,232,032	103,993,166	114,229,272	9.84

Source: *Global Trade Atlas, 2011.*

Source: *Shutterstock.*

SPIRITS (continued)

Russian Import Statistics — Commodity 220860: Vodka							
Partner Country	USD$			% Share			% Change 2009/2010
	2008	2009	2010	2008	2009	2010	
World	127,626,480	90,866,369	112,631,343	100.00	100.00	100.00	23.95
Ukraine	91,279,246	61,186,580	73,874,649	71.52	67.34	65.59	20.74
Finland	13,803,986	14,075,768	14,098,287	10.82	15.49	12.52	0.16
France	2,900,082	1,619,125	9,760,396	2.27	1.78	8.67	502.82
Sweden	8,603,606	5,300,206	5,517,990	6.74	5.83	4.90	4.11
Russia	3,581,142	3,537,372	4,252,084	2.81	3.89	3.78	20.20
Denmark	1,591,998	1,162,895	1,650,133	1.25	1.28	1.47	41.90
United Kingdom	1,548,243	1,191,437	1,193,126	1.21	1.31	1.06	0.14
Germany	1,393,105	773,938	809,275	1.09	0.85	0.72	4.57
Netherlands	1,106,678	819,267	628,852	0.87	0.90	0.56	-23.24
Estonia	689,614	689,324	626,054	0.54	0.76	0.56	-9.18
Belarus	0	0	63,434	0.00	0.00	0.06	0.00
Italy	58,009	34,855	59,558	0.05	0.04	0.05	70.87
Poland	161,497	37,417	46,592	0.13	0.04	0.04	24.52
United States	793,012	252,018	18,374	0.62	0.28	0.02	-92.71
Latvia	0	0	16,484	0.00	0.00	0.01	0.00
Canada (N/A)	—-	—-	—-	—-	—-	—-	—-

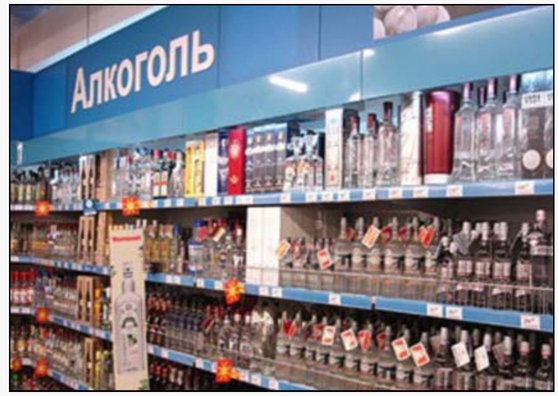
Russian Export Statistics — Commodity 220860: Vodka							
Partner Country	USD$			% Share			% Change 2009/2010
	2008	2009	2010	2008	2009	2010	
World	154,129,324	133,727,199	146,612,901	100.00	100.00	100.00	9.64
Latvia	29,632,008	19,890,555	21,216,369	19.23	14.87	14.47	6.67
United States	10,052,199	12,138,749	18,046,754	6.52	9.08	12.31	48.67
Germany	11,905,028	12,620,814	14,129,790	7.72	9.44	9.64	11.96
United Kingdom	8,307,450	10,206,862	13,207,700	5.39	7.63	9.01	29.40
Ukraine	12,043,104	5,781,981	13,034,690	7.81	4.32	8.89	125.44
Armenia	9,030,869	8,303,535	10,705,178	5.86	6.21	7.30	28.92
Kazakhstan	20,141,356	17,712,743	8,185,175	13.07	13.25	5.58	- 53.79
Azerbaijan	9,131,187	8,840,762	6,690,653	5.92	6.61	4.56	- 24.32
Georgia	8,308,629	4,037,404	3,578,122	5.39	3.02	2.44	- 11.38
France	1,598,594	1,484,299	2,969,703	1.04	1.11	2.03	100.07
Lithuania	2,295,275	2,610,583	2,791,022	1.49	1.95	1.90	6.91
Australia	185,925	3,017,227	2,645,498	0.12	2.26	1.80	- 12.32
Kyrgyzstan	4,418,580	2,449,942	2,540,678	2.87	1.83	1.73	3.70
Israel	905,352	933,711	2,404,079	0.59	0.70	1.64	157.48
Vietnam	1,173,522	898,447	1,623,289	0.76	0.67	1.11	80.68
Canada (55)	114,470	57,069	51,806	0.07	0.04	0.04	-9.22

Source for both: *Global Trade Atlas, 2011.*

DISTRIBUTION CHANNELS

THE RETAIL INDUSTRY

Specialist retailers are expected to have good growth opportunities over the forecast period (until 2015) as the economy stabilizes, especially in large cities where consumers are typically wealthier and better educated. Specialist retailers may also expand rapidly into smaller Russian towns and regional areas, with Russian consumers in general becoming more interested in quality alcoholic drinks. However, much development is expected to remain focused on Moscow and St. Petersburg.



***Source**: Planet Retail.*

Despite this expansion, growth amongst specialist retailers will still be constrained by the wide range of alcoholic drinks on offer in supermarkets/hypermarkets. In 2010, supermarkets/ hypermarkets accounted for 27% of off-trade volume sales in alcoholic drinks, and had a larger share than specialists in wine. In order to better compete, specialists focused on offering a premium retail environment and strong customer guidance in the form of well-trained sales associates.

Russia's Top 5 Grocery Retailers in 2010

Company	Number Of Outlets	Grocery Market Share %
X5 Retail Group	2,469	5.26
Magnit	4,055	3.64
Auchan	95	2.17
Metro Group	73	1.67
O'Key	57	1.06
Total	**6,749**	**13.80**

***Source:** Planet Retail, 2011.*

Wine and Spirits, Leading Specialist Retailers in 2008

Company	Retailer	Number of Outlets
Aroma TD	Aromatny Mir	165
NormaN-Vivat	Norman	121
Kollektsya Vin	Kollektsya Vin	10

***Source:** Euromonitor, 2011.*

THE HOTEL AND RESTAURANT INDUSTRY

The on-trade segment continues to suffer from rising beer and vodka prices (and subsequent mark-ups), further encouraging consumers to drink store-bought alcoholic beverages at home. However, Russia sees up to 40 million tourists per year, and this number is anticipated to grow in both its domestic and foreign components. By 2020, Russia is expected to be among the top ten most visited countries in the world, attracting 3% of the world's tourists.

On-trade versus Off-trade Split: Sales of Alcoholic Drinks in 2010, % Breakdown

	Value Sales	Volume Sales
Off-trade	83.5	92.7
On-trade	16.5	7.3
Total	100.0	100.0

***Source:** Euromonitor, 2011.*

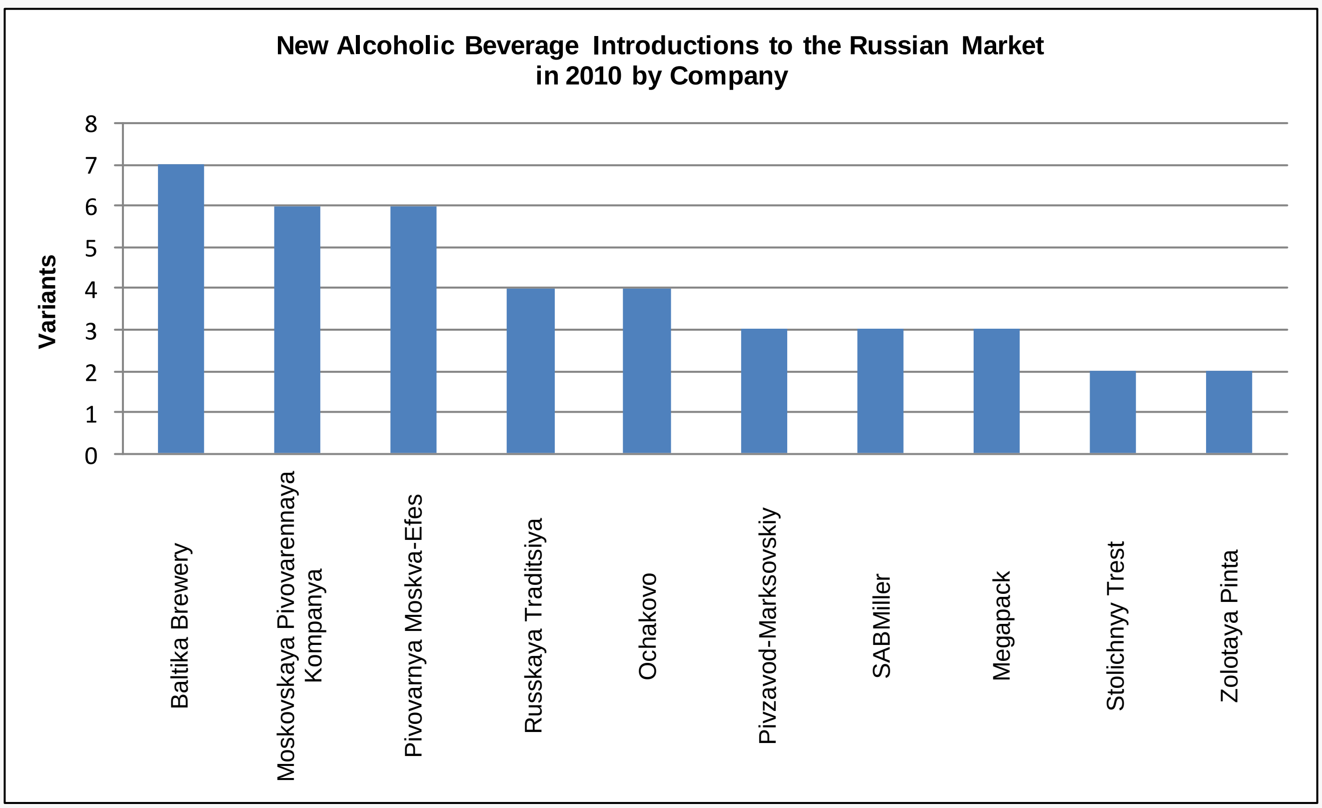
NEW PRODUCT LAUNCHES

According to the Mintel Global New Products Database, there were 81 new alcoholic beverage products introduced to the Russian market in 2010, from multiple manufacturers.

Launch Type	Number of Variants
New Product	54
New Packaging	22
New Variety/Range Extension	5
Total Sample	81

Sub-Sector	Number of Variants
Beer	61
Vodka	10
Flavoured Alcoholic Beverage	8
Cider	2
Total Sample	81

Top Claims Used	Number of Occurrences
No Additives/Preservatives	19
Premium	13
GMO-Free	7
Limited Edition	6
Not Pasteurised	3
Event Merchandising	1
Ethical - Environmentally Friendly Package	1
Seasonal	1
Interesting Packaging	1
Female	1



***Source for all**: Mintel, 2011.*

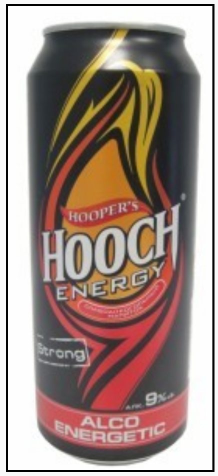
NEW PRODUCT EXAMPLES

The following is a selection of new alcoholic beverage products introduced to the Russian marketplace in 2010, from the Mintel Global New Products Database.

Cel'siy Original Vodka

Company: Natsional'naya vodochnaya Kompaniya
Brand: Cel'siy Original
Store Name: Sopot
Store Type: Supermarket
Date Published: December 2010
Pack Size: 375 ml
Price (local currency): RUR156.0
Price (major currency): US$5.06

Description: Cel'siy Original Vodka is manufactured by unique technology with a platinum filtration.



Alcoholic Energy Drink

Company : Megapack
Brand: Hooper's Hooch Energy
Store Name: Utkonos
Store Type: Supermarket
Date Published: July 2010
Pack Size: 0.5 litre
Price (local currency): RUR41.95
Price (major currency): US$1.37

Description: Hooper's Hooch Energy Napitok Energeticheskiy Slaboalkogol'nyy (Alcoholic Energy Drink) has a tropical fruit flavour and is free from GMO's.

Somersby Apple Cider

Company : Baltika Brewery
Brand: Somersby
Store Name: Land
Store Type: Supermarket
Date Published: December 2010
Pack Size: 0.50 litre
Price (local currency): RUR54.0
Price (major currency): US$1.71

Description: Somersby Yablochnyy Sidr (Apple Cider) is said to be natural and refreshing.

London Dry Gin and Tonic

Company : Borodino
Brand: Churchill
Store Name: Utkonos
Store Type: Supermarket
Date Published: July 2010
Pack Size: 0.5 litre
Price (local currency): RUR38.31
Price (major currency): US$1.25

Description: Churchill Napitok Slaboalkogol'nyy so Vkusom Dzhina i Tonika (London Dry Gin and Tonic) is free from GMO's.

Special Edition Dark Beer

Company : Pivovarnya Moskva-Efes
Brand: Gold Mine
Store Name: Sem'ya
Store Type: Supermarket
Date Published: September 2010
Pack Size: 500 ml
Price (local currency): RUR28.4
Price (major currency): US$0.93

Description: Gold Mine Temnoye Pivo (Special Edition Dark Beer) is a pasteurized product.

Chocolate and Cream Flavoured Alcoholic Drink

Company : Ochakovo
Brand: Street
Store Name: Utkonos
Store Type: Supermarket
Date Published: June 2010
Pack Size: 0.33 litre
Price (local currency): RUR26.1
Price (major currency): US$0.85

Description: Street Slaboalkogol'nyy Negazirovannyy Napitok Slivochnyy s Shokoladnym Vkusom (Chocolate & Cream Flavoured Drink) is free from preservatives.

Consumer Trends: Wine, Beer and Spirits in Russia

ISSN 1920-6615
AAFC No. **11703E**

Photo Credits

For additional copies of this publication or to request an alternate format, please contact:
Agriculture and Agri-Food Canada
1341 Baseline Road, Tower 5, 4th floor
Ottawa, ON
Canada K1A 0C5
E-mail: infoservice@agr.gc.ca

Aussi disponible en français sous le titre :
Tendances de la consommation : Vin, bière et spiritueux en Russie

Canada