

RUSSIA

Russia is the biggest country in the world (Size: 17 075 400 km²), crossing nine time zones. A quarter of its territory is considered part of the European continent, the remaining three quarters being in Asia.

Population: With 140.7 million people in July 2008, Russia has one of the largest populations in the world.

Ethnic origin of population:

Russian:	81.3%
Tatar:	3.7%
Ukrainian:	3.0%
Other:	12.0%

Official language: Russian

However, more than 150 languages are spoken within the Russian Federation.

Gross Domestic Product (real growth rate): 8.1%

Consumer Price Index: 11.9%

Exchange rate (1 January 2007 – 31 December 2007):

- 1 US\$ converted to 25.58 Russian Rub
- 1 British pound converted to 51.18 Russian Rub
- 1 Euro converted to 35.03 Russian Rub
- 1 Rand converted to 3.64 Russian Rub

1 AREA UNDER VINES

Most of the country is too cold, with winter temperatures of -15 to -30°C and a very short growing season. Only Southern Russia, between the Black Sea and the Caspian Sea, enjoy climatic conditions suitable for growing vines. Russian winemaking takes place in this area. There are three main regions: Krasnodar, Dagestan and Stavropol.

Year	Area under vines (ha)
1994	103 000
1995	103 000
1996	95 000
1997	90 000
1998	85 000
1999	82 000
2000	80 000
2001	70 000
2002	68 000
2003	70 000
2004	73 000
2005	75 000

Source: www.vinimarket.com and OIV

2 PRODUCTION

The Russian industry uses around 120 grape varieties (40 for table grapes and 80 for wine production). The white varieties are generally of better quality than the red.

Year	Production
	'000 litres
1996	255 000
1997	223 000
1998	218 000
1999	256 000
2000	305 000
2001	343 000
2002	406 000
2003	453 000
2004	512 000
2005	503 500

Source: OIV

3 CONSUMPTION

Historically, Russia has a culture of drinking spirits rather than wine. Wine represents only 7% of alcoholic drinks consumed in Russia (against 68% for vodka and 22% beer).

While Russia still has the highest level of spirit consumption in the world, the consumption of wine is increasing rapidly and consistently.

An increase in spirits tax has encouraged Russians to drink less spirits and more wine. This phenomenon is also linked to increased health awareness and reinforced state quality controls.

3.1 TOTAL WINE CONSUMPTION

Year	Volume
	'000 litres
1996	590 000
1997	580 000
1998	550 000
1999	430 000
2000	469 900
2001	606 700
2002	640 400
2003	868 200
2004	1 015 900
2005	1 050 000

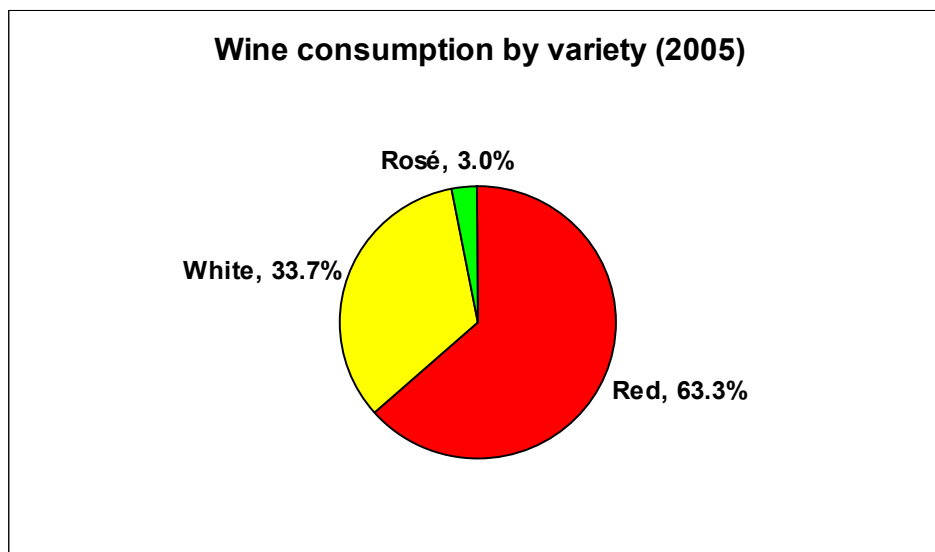
Source: OIV

3.2 PER CAPITA CONSUMPTION

	Wine	Beer	Spirits	Total alcohol
	Litres		LAA	
1993	3.5	17.3	4.86	6.1
1994	4.7	15.2	5.51	6.7
1995	5.8	24.2	6.99	8.8
1996	5.7	24.0	5.49	7.3
1997	5.9	25.0	5.50	7.3
1998	6.0	26.0	6.00	7.9
1999	7.2	28.4	6.50	8.6
2000	7.2	28.4	6.50	8.6
2001	7.7	30.0	6.30	8.6
2002	8.0	31.1	6.20	8.6
2003	8.6	32.8	6.20	8.7

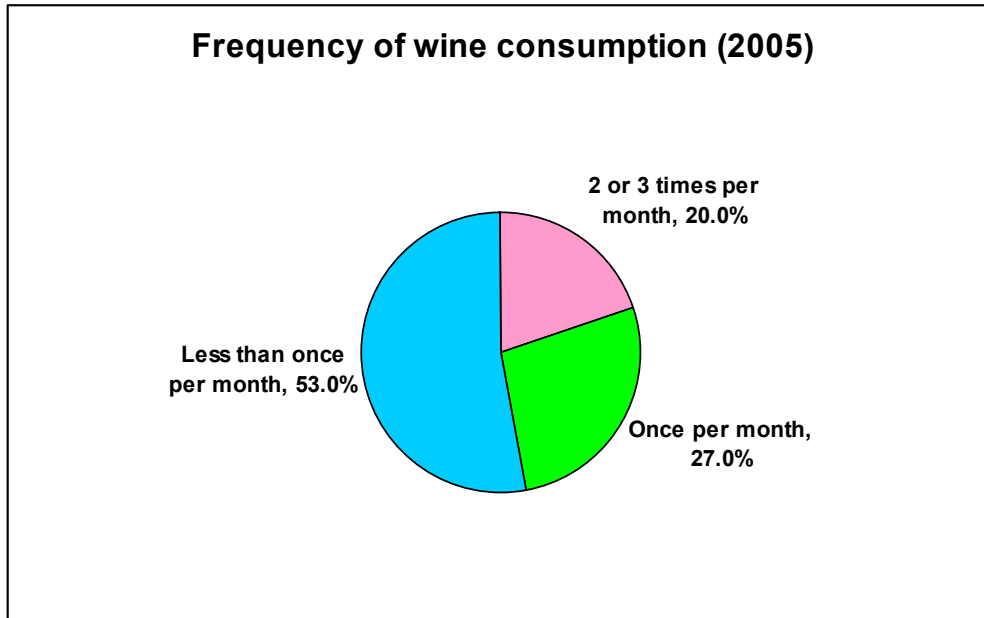
Source: *World Drink Trends 2005*

3.3 WINE CONSUMPTION BY VARIETY - 2005



Source: www.econsa.ru

3.4 FREQUENCY OF WINE CONSUMPTION - 2005



Source: www.vinimarket.com

Please Note: Due to the Copyright and Licence Agreement between SAWIS and Euromonitor, access to the following Euromonitor statistics will only be available by emailing Lizelle Arendse, Information Officer at SAWIS (lizelle@sawis.co.za). Only South African Wine Industry role-players will gain access to these statistics. These statistics will be available in electronic – and hard copy.

4 CONSUMER EXPENDITURE ON ALCOHOLIC DRINKS

5 ALCOHOLIC DRINKS

5.1 SALES OF ALCOHOLIC DRINKS BY SECTOR – TOTAL VOLUME

5.2 SALES OF ALCOHOLIC DRINKS BY SECTOR – TOTAL VALUE

5.3 FORECAST SALES OF ALCOHOLIC DRINKS BY SECTOR – TOTAL VOLUME

5.4 FORECAST SALES OF ALCOHOLIC DRINKS BY SECTOR – TOTAL VALUE

6 SALES OF WINE BY SUBSECTOR

6.1 TOTAL VOLUME

6.2 TOTAL VALUE

7 FORECAST SALES OF WINE BY SUBSECTOR

7.1 TOTAL VOLUME

7.2 TOTAL VALUE

8 SALES OF WINE BY PRICE SEGMENT

8.1 RED WINE

8.2 WHITE WINE

8.3 ROSÉ WINE

9 DISTRIBUTION

9.1 ON-TRADE VS OFF-TRADE SALES OF WINE – TOTAL VOLUME

9.2 ON-TRADE VS OFF-TRADE SALES OF WINE – TOTAL VALUE

9.3 OFF-TRADE SALES OF WINE BY DISTRIBUTION FORMAT

10 INTERNATIONAL TRADE

10.1 TOTAL EXPORTS

Year	Volume (‘000 litres)
2001	900
2002	1 000
2003	1 200
2004	1 200
2005	1 219

Source: OIV & www.vinimarket.com

10.2 TOTAL IMPORTS

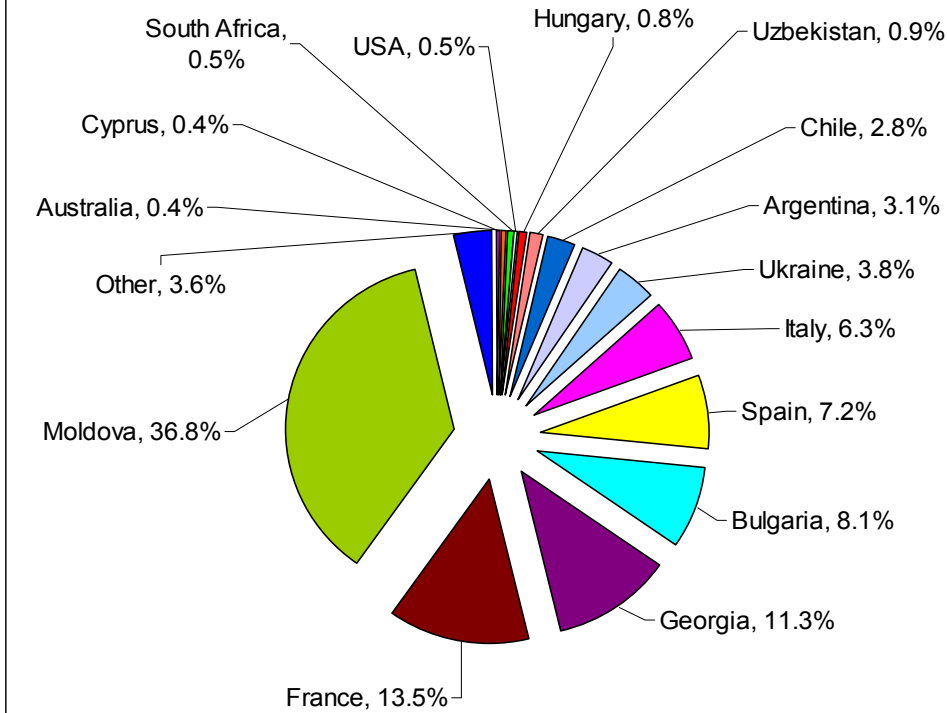
Year	Volume ('000 litres)
2001	256 600
2002	298 400
2003	416 400
2004	505 100
2005	622 700

Source: OIV

10.3 TOTAL IMPORTS BY COUNTRY

Country	2001	2002	2003	2004	2005
	Value (US\$ million)				
Moldova	151.6	139.9	173.7	199.6	212.3
France	34.0	44.2	55.9	61.0	78.1
Georgia	26.3	26.7	34.5	38.8	65.3
Bulgaria	5.8	12.3	19.7	27.9	46.5
Spain	7.9	10.8	16.3	25.3	41.5
Italy	10.6	13.7	20.0	24.9	36.2
Ukraine	13.5	9.6	14.4	16.5	22.1
Argentina	2.0	3.5	16.0	12.2	17.8
Chile	2.8	5.1	7.8	11.3	16.0
Germany	4.4	5.9	8.1	9.9	13.9
Uzbekistan	4.1	3.6	3.3	0.8	5.4
Hungary	2.1	3.4	3.0	3.6	4.5
South Africa	0.4	0.7	0.9	2.0	2.8
USA	2.0	1.6	1.7	2.4	2.6
Cyprus	0.4	1.1	1.3	2.1	2.4
Australia	0.5	0.7	1.1	1.7	2.1
Other	5.9	3.9	5.0	5.3	6.9
Total	274.4	286.7	382.5	445.2	576.5

Source: www.vinimarket.com

Wine imports by country (Value) - 2005

11 PRICES

11.1 PRICE BANDS OF RUSSIAN WINE (2004)

Price band	Price per bottle (750ml) in US\$	% market share per bottle	% market share by price
Cheap	Up to 1.7	12.5	5.4
Medium	1.7 – 3.2	43.5	35.3
Expensive	3.2 – 6.3	37.2	42.1
Luxury	6.3 – 12.5	5.8	12.8
Premium	More than 12.5	1.0	4.4

12 TAXES

VAT for all alcoholic drinks is 18% of the total including:

- Value declared at customs
- Custom rights
- Total excise duty

13 LEGISLATION

Five excise labels exist in Russia varying with type of alcohol:

- Wine
- Fortified wine
- Champagnes and sparkling wines
- Alcoholic drinks more than 9° but less than 25° proof
- Alcoholic drinks more than 25° proof

A distinction is also made according to the maximum volume of the container

- Less than 0.1 litres
- Less than 0.25 litres
- Less than 0.50 litres
- Less than 0.75 litres
- Less than 1 litre
- More than 1 litre

Excise labels, 26 by 90mm in size, should be put on all bottles which are more than 90° proof. To obtain these labels, and before sending them to the exporter, the importer must offer financial guarantees or deposit a sum equivalent to the volume of the alcohol being imported in a customs account.

This sum is calculated based on:

- 2.1€/litre for still wine
- 14.5€/litre for Champagne
- 8€/litre for cognac or armagnac

An excise label costs 1.53 roubles all taxes included, or around 4.5 cents per euro. The importer pays all excise duty.

New excise labels imposed by the state must be in Russian, with a barcode containing certain information:

- Number of the software version EGAIS which allows information to appear on the label
- Number and date that the customs application was made
- Number of the label in the demand
- Identification of the importing company (name, address, country from which the product originates, identification number, number of the business importing alcohol into Russia) ; name and nature of the imported product, alcohol content, volume of the container, attestation that the product conforms to quality and safety standards, authorisation to use a commercial brand on Russian territory.
- Five computer created security cryptograms.

In addition to the information on the barcode which allows the identification of any bottle in Russian territory, the excise label must also carry the following details:

- Name of product
- Nature of product
- Alcohol content
- Volume of the container
- Name of the producer
- Country of origin
- Indication of Special Economic Zone status (SEZ) for all products destined for import and free circulation in the territory of a SEZ.

- Number of the request to be registered in the EGAIS file (unified registration system of volumes of production and circulation of ethyl alcohol or alcohol containing product) and number of the excise band in the request.