



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 2/14/2007

GAIN Report Number: RS7301

Russian Federation

Wine

New health label required for wine and spirits

2007

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Report Highlights:

As of February 1, Russia requires a new health label for wine and spirits. The situation has been confusing to market players, as the Ministry of Health, Ministry of Justice, and Ministry of Economic Development and Trade have each issued instructions on what the label should contain and when the new law will be implemented. Exporters are advised to contact their importers and be prepared to affix new Russian language health warning stickers.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Moscow ATO [RS4]
[RS]

As of February 1, producers must label bottles of wine, vodka and other spirits with a warning listing the dangers of alcohol to minors, pregnant and nursing mothers, and those with disease of the nervous and digestive systems, the liver, and kidneys. Previously, generic labels were required, but there was no standard language. As the government only approved the new specific wording on January 19, producers had trouble meeting the deadline. According to Russia's Chief Medical Officer Onishchenko, as long as some form of health alert is affixed, inspectors will not remove bottles from the shelves for the time being. Experts admit that they don't expect the new label to have any significant impact on drinking habits.

The new health label was mandated by legislation issued in Resolution No. 770, dated December 15, 2006, ? 770. Subsequent to the resolution, the Government issued a decree No. 55 on January 19, 1998, stating that after February 1, 2007, sale of alcohol is not permitted if a bottle does not indicate about harm from consumption of alcohol. Informational content is strictly defined by the Ministry of Health in a decree dated January 19, 2007 ? 49 "On the confirmation of preventative warnings to the consumer about alcohol consumption". The language states that the warning label must report in Russian that, "Alcohol is not for children and teen-agers up to age 18, pregnant and nursing women, or for persons with diseases of central nervous system, kidneys, liver and other digestive organs".

The announcement of the new provision has been confusing, with other Ministries issuing instructions about the label language and on the effective date of the decree. Some retailers began to remove product from shelves, but later returned them after reassurances were issued that the law would affect only products produced after Feb. 1, and that no labels would be checked for six months. Russia continues to make alcohol policy in an uncoordinated and confusing manner.

On January 22, 2007 the Russian newspaper "Kommersant" reported that, "...data on the consequences of last year's alcohol crisis were released last Friday. According to Rosstat, in 2006 60.8 million decaliters of ethanol spirits were produced in Russia, which is 29.5% less than in 2005; also in 2006, 199 million decaliters of vodka and distilled spirits were produced, 9.6% less than in 2005. The report stated that this year was the most difficult year for the alcohol sector in the history of the Russian Federation. According to some experts 25 percent of Russian alcohol wholesalers have left the market because of these problems. Local production decreased dramatically in the last year with significant problems for companies' survival. Federal revenue from customs and excise stamps fell at least 14 billion RUR (or almost \$500 million) in 2006. Russia is the world's largest producer and consumer of alcohol.

We remind all that over the last year the Russian alcohol market has been almost paralyzed by several problems. There was a ban introduced on the import of wine and spirits from Moldova and Georgia. The ban is about to be lifted on Moldova and product is on the way to the market. Georgia remains shut out. A great quantity of imported alcohol remains in warehouses, stuck since July 1, 2006 when the new Spirits Law required products to receive a new excise and customs stamps but the Government issued conflicting regulations and millions of bottles have been trapped in limbo, unsold. See prior GAIN reports for more details. unstamped by the procedures prescribed under the new Spirits Law. Eight months after the July 1 freeze a new decree may be issued as soon as this week that will address the conflicts and allow most of the imported alcohol to be restamped. The market still suffers from the technical difficulties for introduction of the new computer information management system (UFAIS) which allows the Federal Tax Service and Federal Customs Service to regulated the local production as well as imported alcoholic beverages. Use of the UFAIS system, under the pressures of local producers, has been postponed until November 1, 2007.

The excise tax for all alcohol products, except natural wine, has been recently fixed at 162 RUR, not depending on the gradation of alcohol. The Customs Service Feb. 13 issued an instruction on the definition of natural wine, and its excise will be lower at just 2.20 RUR.