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Demand Grows for US Distilled Spirits in Russia

Report Categories:

Agriculture in the Economy

Food Service - Hotel Restaurant Institutional

Retail Foods

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Report Highlights:

Despite Russia's strong affinity to vodka, consumers are very open to trying and purchasing distilled spirits from abroad making this a great market for U.S. exporters. Over the last decade, Russian imports of spirits have increased 4 times making Russia the 3rd largest market in the world for strong spirits. The United States (including Puerto Rico) is the 4th largest supplier of spirits to Russia and has seen double-digit growth per year since 2010. In 2013, U.S. exports of spirits to Russia set a new record of \$124 million, up 19 percent compared to 2012.

General Information:

It is well known that Russians like to drink alcohol. According to Euromonitor, Russians are the second largest hard alcohol drinkers in the world with per capita consumption reaching 6.3 shots per week. The spirit of choice in Russia is vodka which makes up roughly 85 percent of Russia's distilled spirits market. Despite Russia's strong affinity to vodka, consumers are very open to trying and purchasing distilled spirits from abroad making this a great market for U.S. exporters. Over the last decade, sales of imported spirits have increased 4 times while U.S. exports of spirits have seen double-digit growth per year since 2010. In 2013, U.S. exports of spirits to Russia set a new record of \$124 million, up 19 percent compared to 2012. Russia is now the 3rd largest market in the world for strong spirits.

In recent years, the Russian government has put into effect numerous measures intended to address Russian's high alcoholism rate and the propensity of young Russian's to binge drink at alarming rates. Such measures included the implementation of excise taxes which have increased steadily. The Russian government also imposed new restrictions on set hours and limited the locations of sale of spirits and even banned all alcohol advertising. In 2011, the Russian government required producers and distributors of alcohol to go through a burdensome "re-licensing process" which takes place every 5 years. The process in 2011 ended up significantly reducing the number of domestic production licenses for vodka. While Russian government officials have stated that the re-licensing procedure was necessary to better monitor the industry and control consumption, what it really did was shut down many of Russia's small and medium-sized vodka producers. Nevertheless, even with such strong government measures to curb alcohol consumption, the market in Russia keeps growing for imported distilled spirits – particularly for Kentucky Bourbon and Tennessee Whiskey.

According to data from the Russian Federal Customs Service, imports of hard spirits and liquors increased by 67 percent from 2009-2013. In 2013, Russian imports of spirits totaled \$1.4 billion, down only slightly from 2012. In addition, imports of hard alcohol (absinthe, whiskey, vodka, gin, cognac, brandy, rum, tequila and hard liquors) surpassed 75 million liters in volume in 2013, down 7.2 percent compared to the previous year.

Table 1. Russia: Alcohol Imports from 2011-2013, in U.S. Dollars and Liters

Alcoholic Beverage	2011		2012		2013	
	USD	Quantity	USD	Quantity	USD	Quantity
Spirits	1,142,104,297	63,882,862	1,399,602,764	80,895,851	1,392,046,935	75,060,966
Wine	953,519,651	499,095,670	1,052,056,876	490,088,534	1,218,674,614	497,749,582
Beer	184,994,944	278,040,674	212,898,465	308,899,190	195,276,384	250,059,578
TOTAL	2,280,618,892	841,019,206	2,664,558,105	879,883,575	2,805,997,933	822,870,126

Source: Russian Federal Customs Service

The largest exporters of hard alcohol Russia (in value terms) in 2013 were United Kingdom, France and Armenia with the total market share of about 60 percent. Only three of the top ten exporting countries increased sales (and market share) in 2013. Two of these were the United States by 20 percent and Puerto Rico (U.S. territory) by 17.36 percent.

Table 2. Russia: Hard Alcohol Imports by Countries, in U.S. Dollars

	2011	2012	2013	Market Share 2013	% Change 13/12
World	1,142,104,297	1,399,602,764	1,392,046,935	100.00	- 0.54
United Kingdom	338,857,487	412,995,775	392,086,703	28.17	- 5.06
France	231,644,731	298,135,628	281,109,938	20.19	- 5.71
Armenia	96,166,047	134,813,261	152,295,660	10.94	12.97
Ukraine	98,390,370	95,306,377	90,310,297	6.49	- 5.24
Ireland	71,460,760	87,194,886	83,352,999	5.99	- 4.41
United States	53,990,591	69,157,760	83,029,367	5.96	20.06
Mexico	41,964,347	57,309,229	55,392,710	3.98	- 3.34
Finland	39,795,076	50,842,504	47,580,569	3.42	- 6.42
Puerto Rico (U.S.)	35,227,088	34,933,636	40,999,839	2.95	17.36
Germany	13,236,151	22,971,047	23,592,160	1.69	2.70

Source: Russian Federal Customs Service

Table 3. Russia: Hard Alcohol Imports by Beverage Variety, in U.S. Dollars and Liters

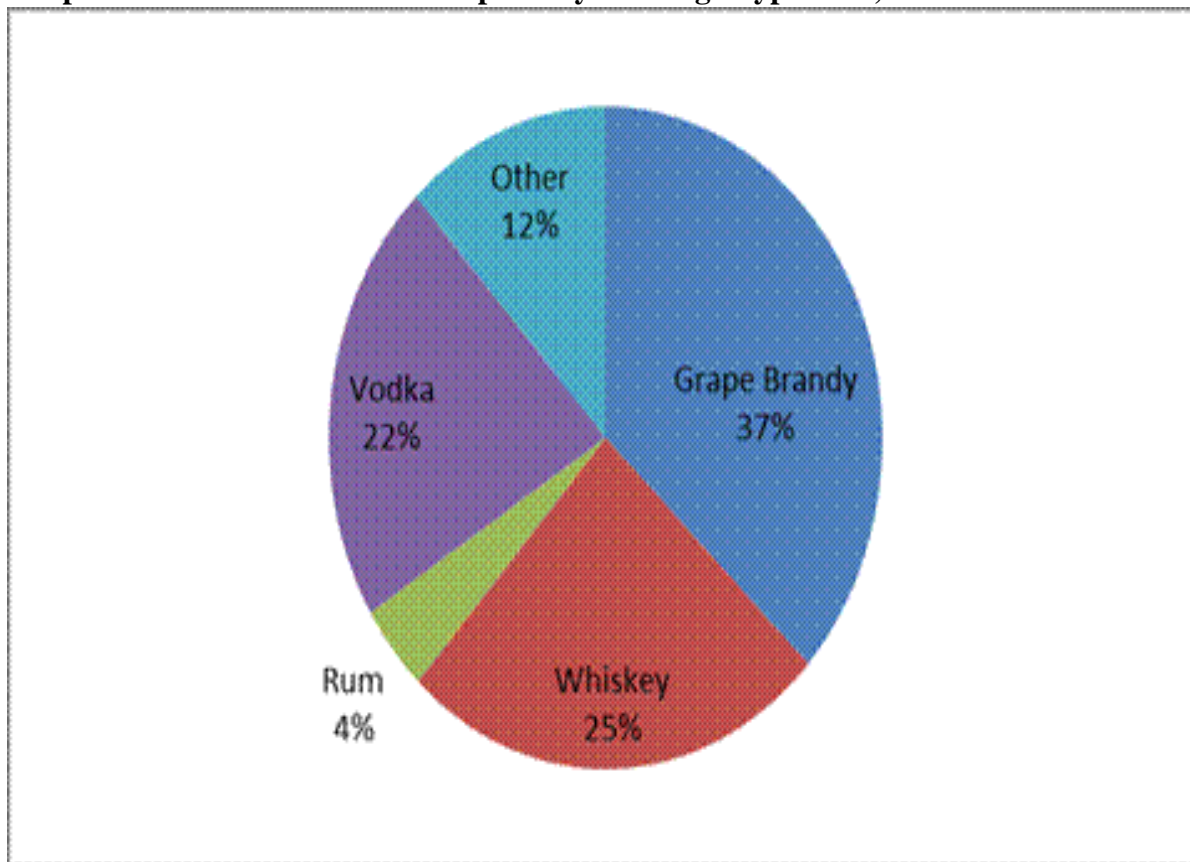
Hard Alcohol Beverage	2011		2012		2013	
	USD	Quantity	USD	Quantity	USD	Quantity
Spirits HS 2208	1,142,104,297	63,882,862	1,399,602,764	80,895,851	1,392,046,935	75,060,966
Grape Brandy	368,458,156	22,423,552	467,432,024	31,029,342	469,844,506	27,734,550
Whiskey	418,744,133	15,085,013	519,717,804	19,404,491	507,673,174	18,693,417
Vodka	110,944,187	15,972,120	128,867,210	18,457,796	122,175,574	16,383,598
Rum & Tafia	59,457,714	2,359,392	66,955,250	2,859,141	77,405,984	3,228,644
Liqueurs	69,802,856	1,594,132	83,263,723	1,999,126	80,731,380	2,191,353
Gin & Geneva	10,778,237	517,808	13,040,142	695,356	14,007,881	726,898

Other Spirituous Beverages	103,919,014	5,930,845	120,326,610	6,450,598	120,208,436	6,102,506
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Source: Russian Federal Customs Service

A little over 1/3 of Russia's imports of hard alcohol is grape brandy (cognac and brandy) while whiskey comprises of 25 percent of total imports. Russian demand for whiskey (particularly U.S. whiskey) has been growing in recent years. Jack Daniel's is the top premium whiskey by volume with 29.1 percent market share of total whiskey imports) and a close second place by value (after Chivas Regal).

Graph 1. Russia Hard Alcohol Imports by Beverage Type 2013, Liters



Source: Russian Federal Customs Service

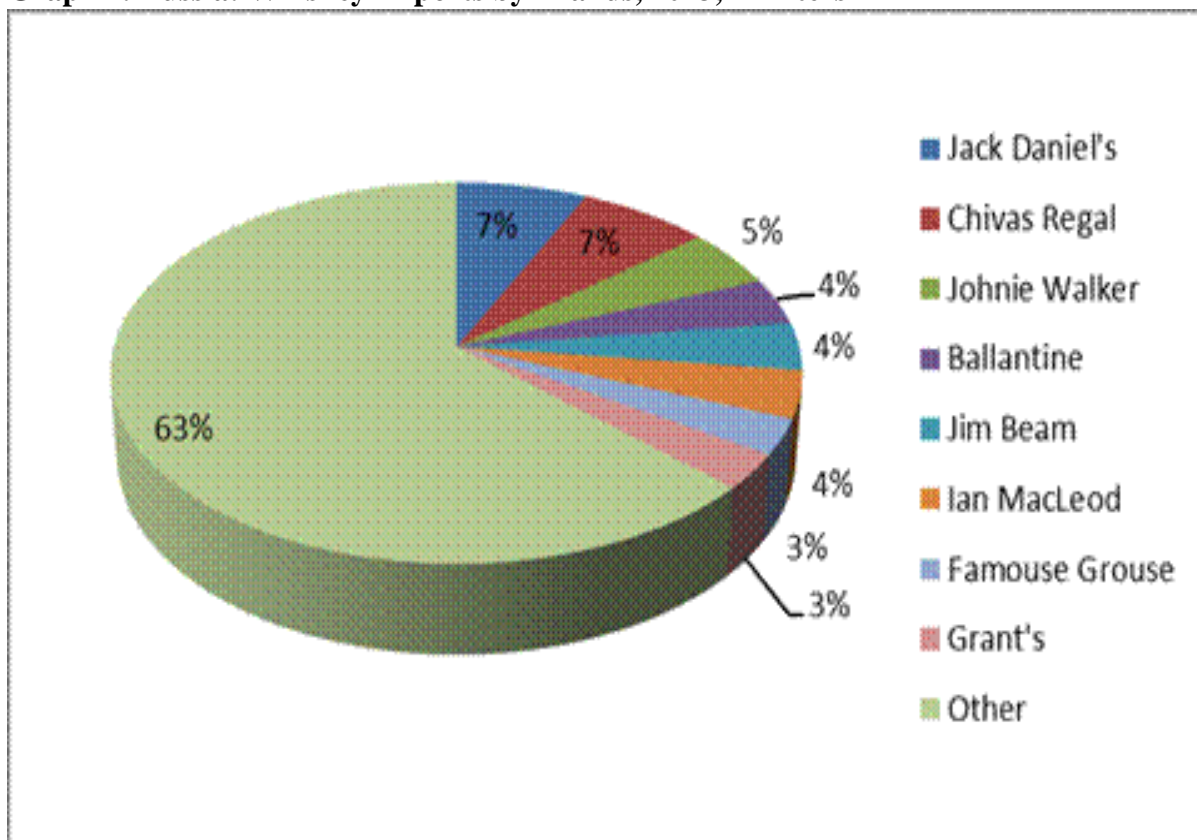
Table 4. Russia: Whiskey Imports from 2009-2013, in U.S. Dollars

	2009	2010	2011	2012	2013	MarketShare 2013	% Change 13/12
World	170,614,1	252,451,7	418,744,1	519,717,8	507,673,1	100.00	- 2.32

	95	33	33	04	74		
United Kingdom	131,081,338	200,589,726	316,600,636	383,971,927	360,860,869	71.08	- 6.02
United States	20,181,184	20,869,377	48,564,091	60,823,165	74,716,161	14.72	22.84
Ireland	15,743,591	25,667,675	46,016,900	61,082,897	58,322,514	11.49	- 4.52
Canada	2,789,235	3,650,488	5,037,097	7,049,830	7,496,130	1.48	6.33

Source: Russian Federal Customs Service

Graph 2. Russia: Whiskey Imports by Brands, 2013, in Liters



Source: Intesco Research Group

Table 5. Russia: Rum Imports from 2009-2013, in U.S. Dollars

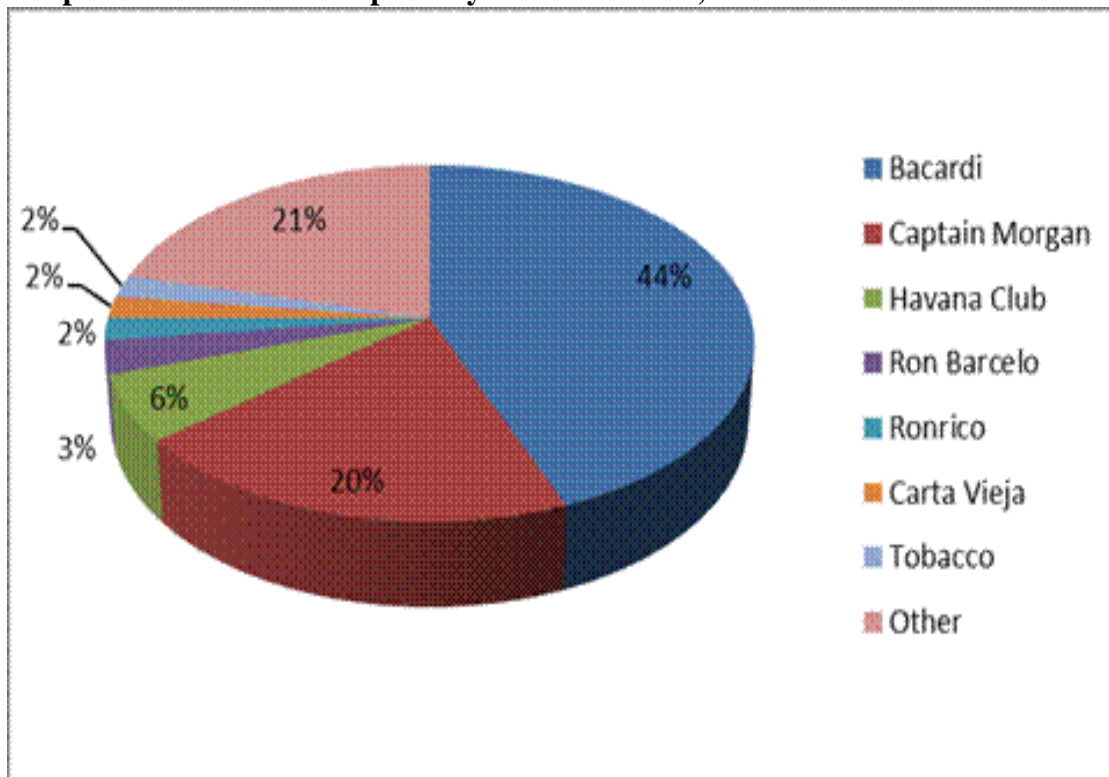
	2009	2010	2011	2012	2013	Market	% Change
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						Share 2013	2013/2012
World	23,728,331	38,993,497	59,457,714	66,955,250	77,405,984	100.00	15.61
Puerto Rico (U.S.)	12,585,610	23,237,023	35,227,088	34,746,363	40,607,335	52.46	16.87
United Kingdom	2,505,761	3,614,907	7,640,833	8,845,648	9,999,573	12.92	13.05
Cuba	4,009,212	4,399,550	5,127,673	6,257,858	5,802,469	7.50	- 7.28

Source: Russian Federal Customs Service

The largest supplier of rum to Russia in 2013 was Puerto Rico which currently holds over half of the market share. Imports of rum to Russia are mainly controlled by large players such as Bacardi, Diageo and Pernod Ricard. Bacardi offers a variety of rums in Russia including Bacardi Superior, Bacardi 8 Reserve Superior, Bacardi Oak Heart, legendary Bacardi Black/Select and Bacardi Gold/Oro.

Graph 3. Russia: Rum Imports by Brands in 2013, in Liters



Source: Intesco Research Group

