



UNITER



**Alcogolic beverage  
production industry**



## Alcoholic Beverage Market

### ***In 2015 there was decreasing tendency of alcoholic beverages production volumes***

Decreasing tendency of alcoholic beverages production continued in 2015, particularly of vodka and potable alcohol production. The rate of decline was 22.3% compared to 2014 year and production volume fell to 9.1 mln. dal. At the same time, inventories of vodka and potable alcohol at enterprises' warehouses have declined by 27.1% and amounted to 875 thousand dal on 01.01.2016 (115.7% of the monthly output).

### ***Alcoholic Beverage Market of Belarus is preparing to face foreign competition***

Alcoholic Beverage Market of Belarus is fully controlled by domestic producers. In 2015 holding group for the production of alcoholic beverages was created with the managing company JSC "Minsk Kristall". This holding group was a response to the predicted increase of foreign competition. So technology roadmap for alcohol market involves convergence of excise rates on alcohol in all states of the Eurasian Customs Union in 2016. Otherwise, the free movement of lots of alcohol beverages between Russia and Belarus, Russia and Kazakhstan may be banned. Furthermore, Draft Agreement on the regulation of the alcohol market within the EAEC is approved. The document is aimed towards eliminating existing barriers in mutual trade of alcoholic beverages as well as forming the legal framework of the alcohol market regulation within the Union. In particular, it also comes to the elimination of special importers Institute in Belarus.

### ***The main production quotas on alcohol are increased in Belarus in 2016***

Resolution of the Council of Ministers №1117 of December 30, 2015, set the sizes for the quotas for 2016. The quotas for the production of vodka, liqueurs and spirits increased from 11.486 mln dal to 11.603 mln dal; fruit vodka - from 35 mln dal to 55 mln dal, grape vodka - from 10 mln dal to 15 mln dal; rum - from 23 thousand dal to 32 thousand dal; calvados - from 6 mln dal to 11 mln dal. Besides, quotas for the production of fruit and berry natural wines are increased from 133 mln dal to 585 mln dal, grape wines - from 2.5 mln dal to 3.473 mln dal.

### ***According to the WHO alcohol consumption per capita in Belarus was 13.9 liters in 2014 (15 years and older)***

According to the latest data published by the World Health Organization (WHO) in 2014, Belarus ranked second in the ranking of countries of world in the consumption of alcohol - 13.9 liters per capita, ranging from 15 years of age. Strong spirits are accounted for the half of drunk alcohol in Belarus. On the other hand overall alcohol consumption in Belarus has dropped dramatically in 2015 according to the government statistics. However it doesn't mean that Belarusians started to drink less. Belarusian high-quality alcohol got replaced by cheap counterfeits from the neighboring countries.

### ***Sales of major alcoholic beverages decreased in 2015***

In 2015 there was a decrease in sales of main alcoholic beverages. Trade organizations have sold alcoholic drinks and beer in the amount of 29.7 trillion Belarusian rubles (1,432 billion dollars at the exchange rate of the National Bank of Belarus) that in retail trade turnover amounted to 10.4% vs. 11.1% in 2014. Sales volume of vodka dropped by 10.6% to 8.651 mln dal; liqueurs and spirits - by 14.9% to 1.131 mln dal; fruit wines - by 19.7% to 7.894 mln dal. This was due to the increase of excise rates, as well as due to active government policies aimed to fight against alcoholism.



# Alcoholic Beverage Market

## Production

In 2015 there was a decrease in the production of all major types of alcoholic beverages in Belarus.

The rate of decline was 22.3% compared to 2014 year and production volume fell to 9.1 mln. dal. At the same time, inventories of vodka and potable alcohol at enterprises' warehouses have declined by 27.1% and amounted to 875 thousand dal on 01.01.2016 (115.7% of the monthly output).

Beer production decreased by 5.8% compared to 2014 year to 40.6 mln. dal. Inventories of beer at 01/01/16 amounted to 1.21 million. dal.

Production of fermented beverages, amounted to 8.848 mln. dal. (-21.8%). Inventories decreased by 11.2% and amounted to 419 thousand dal at 01.01.16. (57.3% of the monthly average output).

Production of the grape wines decreased by 4% to 2.873 mln. dal. Inventories of wine decreased by 12.8% and amounted to 260 thousand dal at 01.01.16. (108.6% of the monthly average output).

Production of sparkling wines decreased by 2.9% to 1.363 mln. dal. Inventories of sparkling wines decreased by 71.1% and amounted to 44 thousand dal at 01/01/16. (38.7% of the monthly average output).

Production of cognac amounted to 254 thousand dal (-24.9%). Inventories decreased by 16.1% and amounted to 26 thousand dal at 01/01/16. (122.8% of the monthly average output).

## Foreign Trade

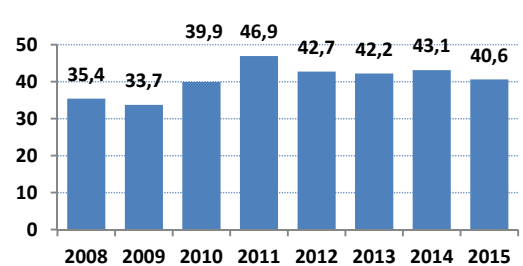
Since 2008 export of liqueurs and spirits, vodka including, has been growing steadily and in 2014 has reached 84.6 mln US dollars (exports of vodka amounted to 48.4 mln US dollars, other liqueurs and spirits - 36.2 mln US dollars). The average annual export growth amounted to over 50% during that period. In 2015, there was a decrease of export of liqueurs and spirits, first time in 8 years. The decline amounted to 34.1%, as compared to the 2014 year. All exported alcoholic beverages in 2015 were worth in total of 55.8 mln US dollars, vodka including - 28.4 mln US dollars (up to 41.3% decline). A significant drop in exports is due to the difficulties of work in foreign markets, where the Belarusian producers were unable to compete on price (exchange rate differences). Countries also protect their own markets by high excise duties (Sweden - 56 euros for a liter of alcohol, in Estonia - 18, Belgium - 21, Latvia - 13, in Portugal and Lithuania -12), or interim payments (in Kazakhstan - three times the cost of the value). In 2015 the rates of production growth of alcoholic beverages are exceeding the rates of consumption growth in Belarus. Furthermore sales in domestic market are difficult due to the constant growth of excise duties and the only way to unload the warehouses is to increase exports.

Production of vodka and potable alcohol in Belarus



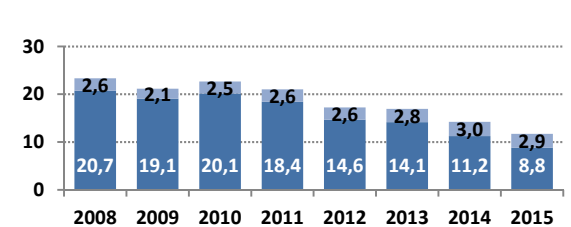
Source: Belstat

Production of beer in Belarus mln dal



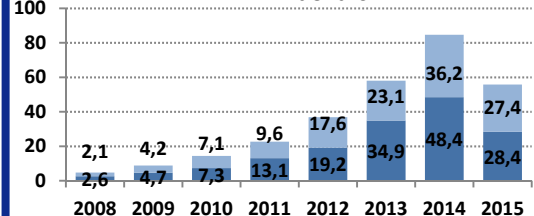
Source: Belstat

Production of fermented beverages in Belarus



Source: Belstat

Export of liqueurs and spirits mln US dollars



Source: Belstat



# Alcoholic Beverage Market

## Foreign trade

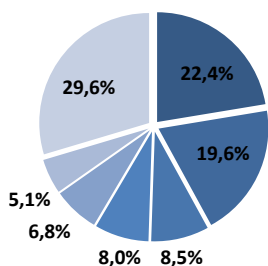
Export structure of alcoholic beverages in Belarus is well diversified. Belarusian alcoholic beverages are exported to 28 countries around the world. In the export structure of Belarusian alcoholic beverages Russia takes first place with a total share of 24.5%. Entering the market of a neighboring country is quite problematic for Belarusian producers because it requires significant investments (establishment of organization with a statutory fund of 5 mln US and large costs for marketing and distribution). Foreign markets are almost completely divided among private players. Additional distribution areas for domestic alcoholic beverages are the EU countries (11.5%), Ukraine (9.5%) and Kazakhstan (2,1%).

Import of alcoholic beverages in Belarus is mainly represented by grape wines, liqueurs and spirits. Import of alcoholic beverages in 2015 amounted to USD 51.4 million, which is 31.6% less than in 2014, including cognac products - 22.5 mln USD and other alcoholic beverages - 28.9 mln USD. Significant part in the import of alcoholic beverages occupy cognac products (accounted for 43.8% in 2015).

Import of grape wines was \$ 46.2 million in 2015, which is 29.3% less than in 2014. Main suppliers of alcoholic beverages to Belarus are Moldova, Georgia, Armenia, France, Ukraine and the United Kingdom.

**Import structure of alcoholic beverages in Belarus, 2015**

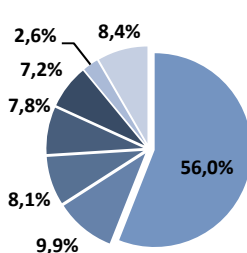
- Moldova
- United Kingdom
- Armenia
- France
- USA
- Georgia
- Other countries



Source: Belstat

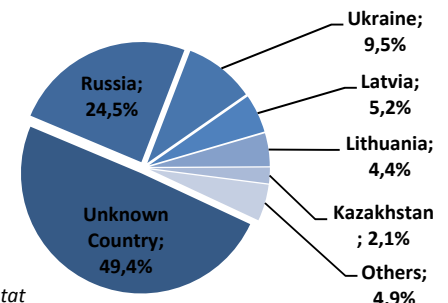
**Import structure of grape wines and musts in Belarus**

- Moldova
- France
- Spain
- Italy
- Georgia
- Germany
- Other



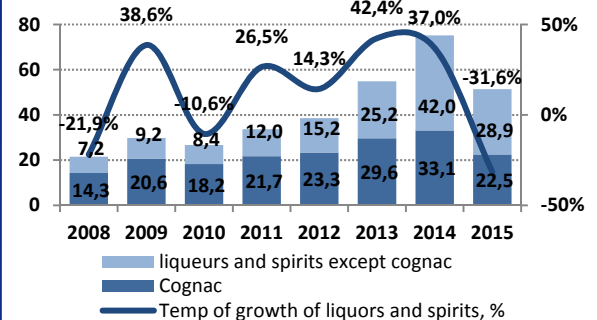
Main deterrent to the import of alcohol is that only expensive drinks can be freely imported, which mean that cheap and even average price segments are closed. For this reason, no more than 5% of bottled alcoholic beverages consumed in Belarus are imported. At the same time 47.3% of imports come from wine, 23.1% - for cognac, 16.5% - in the whiskey, 5.6% - for vodka.

**Exports of alcoholic beverages, 2015**



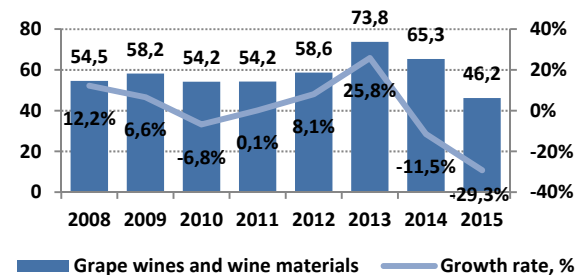
Источник: Belstat

**Imports of alcoholic beverages, mln. US dollars.**



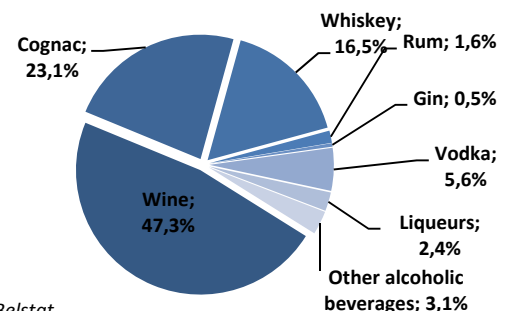
Source: Belstat

**Imports of grape wines, mln. USD.**



Source: Belstat

**Import structure of alcoholic beverages, 2015**



Source: Belstat



# Alcoholic Beverage Market

## Consumption

Belarus is constantly included in the world top 10 both by the production volume of spirits, and on its per capita consumption. According to the latest data published by the World Health Organization (WHO) in 2014, Belarus ranked second in the list of countries by the consumption of alcohol - 13.9 liters per capita. An average Belarusian man drinks more than 25 liters of pure alcohol annually.

Meanwhile, according to WHO the critical rate of alcohol consumption is 8 liters annually per person. The average global rate of drinking totaled approximately 6 liters of alcohol per person annually. The average consumption rate is significantly lower in North Africa and Middle East - less than 2.5 liters of alcohol per person, and in some countries in the region this figure is below one liter per year.

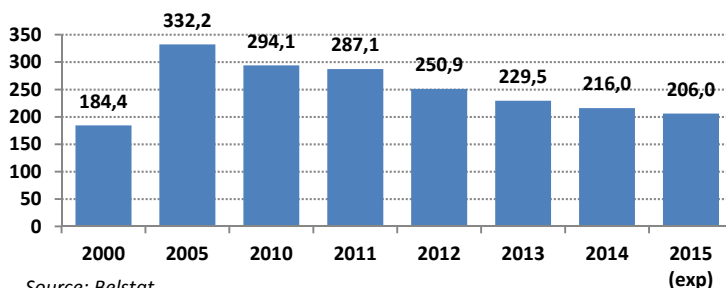
European countries hold the top 10 lines of top 10 of most drinking countries. The WHO estimates that in 2014 in this list came Lithuania (15.2 L), Czech Republic (12.7 liters), Belgium (12.6 liters), Austria (12.3 liters), Croatia (12.1 L) Bulgaria (12.0 l), France (11.5 l), and others.

Overall alcohol consumption in Belarus has dropped dramatically in 2015 according to the government statistics. However it doesn't mean that Belarusians started to drink less. Belarusian high-quality alcohol got replaced by cheap counterfeits from the neighboring countries.

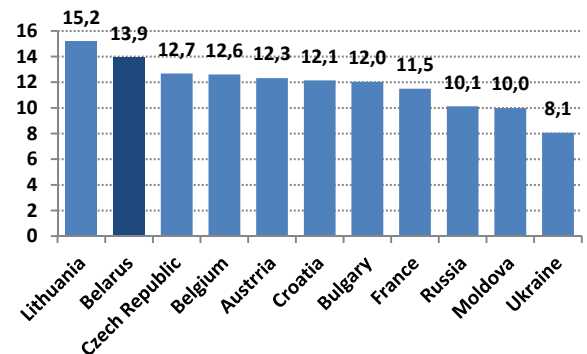
Strong spirits are accounted for the half of drunk alcohol in Belarus. Consumption of illegal alcohol (vodka) is also taken into account by WHO. The share of it is estimated at 20%. The share of fruit wines (which is much more dangerous for health than just a strong alcoholic drinks) is 19%, beer - 18.4%, grape and of sparkling wines - 8.8%

Despite the high alcohol consumption, morbidity peak of alcoholism and alcoholic psychoses (which came at the end of the 2000s) has passed, and for 6 years this figure is reduced.

Population morbidity with alcoholism and alcoholic psychoses (100 thousand people).

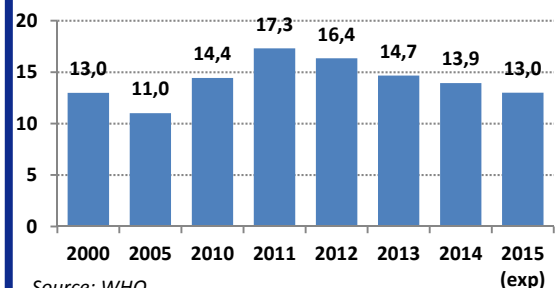


Ranking of countries by the level of alcohol consumption, liters per capita, 2014)

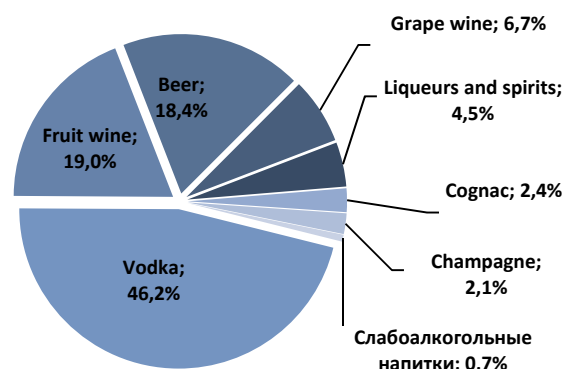


Source: WHO

Consumption of alcoholic beverages in the Republic of Belarus per capita, liters



Structure of alcohol consumption, 2015



Source: Belstat



## Alcoholic Beverage Market

### Consumption

In 2015, the retailers sold beverages and beer, amounting to 29.7 trillion Belarusian rubles in total (1,432 billion dollars at the exchange rate of the National Bank of Belarus), which accounted for 10.4% of retail turnover of trade organizations against 11.1% in 2014.

The sales volume of vodka in physical terms declined in 2015 by 10.6% compared to 2014 year to 8.651 mln dal; liqueurs and spirits - by 14.9% to 1.131 mln dal; fruit wines - by 19.7% to 7.894 mln dal.

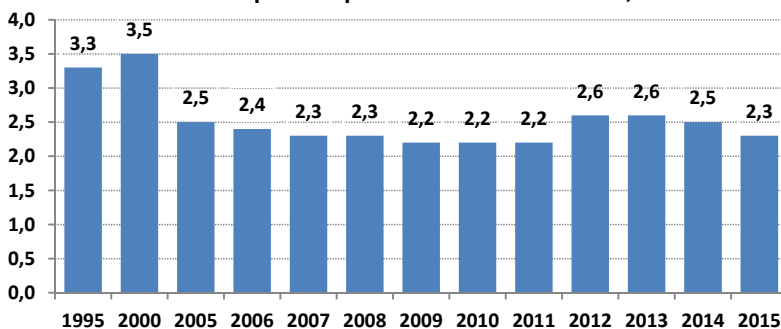
The sales volume of cognac fell by 10.9% to 450.4 thousand dal; grape wines - by 1.6% to 3.607 mln dal. sparkling wines, including champagne - by 7.9% to 1.412 mln dal.

Volume of sales of alcoholic beverages, 2015 (2015/2014,%)

Alcoholic Beverages	Sales volume 2014, ths. Dal.	Sales volume 2015, ths. Dal.	2015 to 2014, %
Vodka	9 674,3	8 650,6	89,4%
Beer	35 978,9	34 482,1	95,8%
Grape wine	3 664,9	3 607,3	98,4%
Fruit wine	9 827,0	7 894,0	80,3%
Cognac, including brandy	505,5	450,4	89,1%
Sparkling wines, including champagne	1 534,3	1 412,5	92,1%
Low alcohol beverages	896,7	914,9	102,0%
Other alcoholic beverages	1 329,4	1 131,4	85,1%

Source: Belstat

Share of expenses for alcoholic beverages in the structure of consumption expenditures of households, %



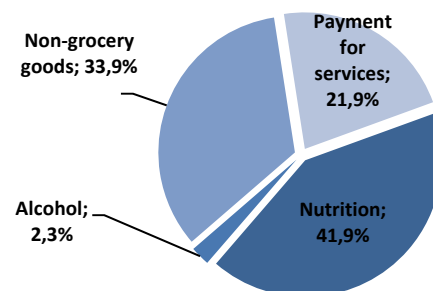
Source: Belstat

If you look at the share of household expenses in the Republic of Belarus on alcoholic beverages in the general expenses, it is necessary to notice that, since 2000 until 2011 it has been steadily declining. Thus, in 2011 the share of alcohol costs in the total share of household expenditures decreased by one third compared to 2000. However, the increase in the proportion of alcohol was 18% in 2012 compared to 2011, and in 2013 this share remained unchanged.

Over the last 2 years once again there has been a downward trend in the share of the cost of alcoholic beverages in the structure of household consumption expenditure. In 2015, this figure amounted to 2.3%, which is lower by 0.2% compared to the year 2014.

In the structure of the Republic of Belarus households consumption expenditures the largest share in 2015, took the expenditures on food - 41.9% (+0.3 percentage points compared to the year 2014). The share of expenditure on non-food products decreased by 1.8 percentage points and amounted to 33.9%. The share of the service charges amounted to 21.9% (+1.7 percentage points compared to the year 2014).

Structure of household consumption expenditure (% of total), 2015



Source: Belstat



## Alcoholic Beverage Market

### Market leaders

The main producers of alcoholic beverages in Belarus are local companies, most of which belong to the state. According to the "Belgospisheprom," the number of vodka and spirits producers has increased from 17 to 25 companies since 2005, 18 of them are controlled by the state in 2012. During this period, the production capacity increased 2 times. In early 2005 this figure was 13.6 million dal but at beginning of 2011 amounted to 26.1 million dal.

Belarusian producers of alcoholic products can be divided into two groups.

*The first one is represented by the holding company-producers of alcoholic beverages. Thus, in 2015 the decree №326 was signed on creation of the holding company for the production of alcoholic beverages. JSC "Minsk Kristall" became the managing company of company holding. This company is Belarus's largest producer of alcoholic beverages. The holding company includes JSC "Brest Alcoholic Beverages Factory "Belalco", JSC "Vitebsk Alcoholic Beverages Factory "Pridvin'e", JSC "Gomel Alcoholic Beverages Factory "Radamir", JSC "Grodno Alcoholic Beverages Factory", OJSC "Klimovichi Alcoholic Beverages Factory", JSC "Mozyr Alcoholic Beverages Factory" and JSC "Food Factory "Veselovo".* Need to create the production of alcoholic beverages holding company has appeared in connection with a possible expansion into the market of the Republic producers from other countries of the Eurasian Economic Union.

*The second group is private producers of spirits, which remained behind the holding frames. First of all it is worth noting "Malinovschiznenskiy Alcoholic Beverages Factory "Akvadiv", which is located near the Molodechno city. It is owned by the Belarusian businessman Vladimir Peftiev and JSC "Minsk Kristall". This public-private partnership provided "Akvadiv" with a place among the top five spirits producers. 6 June 2012 JLLC "Armenian Standard" (Minsk) was launched under the leadership of Alexander Khudoleeva. Company is engaged in bottling of Armenian cognac produced by OJSC "Yerevan Brandy-Wine-Vodka Factory" Ararat", which owns 69% of the shares. Winery "Dionis" is also based in the Minsk region, it was founded in 2003 by businessman Sergei Borok, who previously was engaged in the import of alcohol. The plant is located near the Zaslavl town. In 2013, the company name was changed to "Plant" Bulbash "in honor of an alcoholic beverage that defined the company's development strategy.*



АКВАДИВ





# Alcoholic Beverage Market

## Market leaders

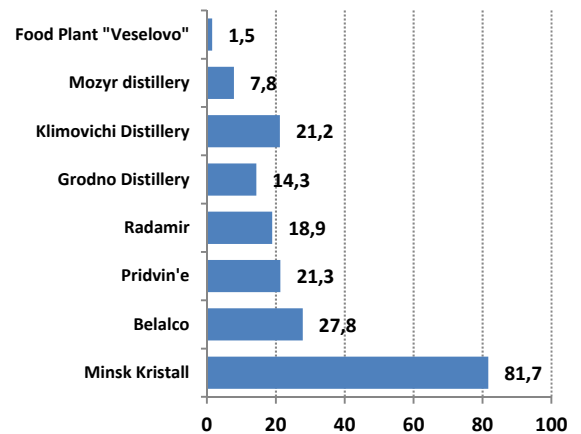
In 2015, the total revenue of the holding company for the production of alcoholic beverages amounted to USD 194.7 mln. The largest contribution to this figure made holding management company JSC "Minsk Kristall." - USD \$ 81.7 mln. On the 2nd and 3rd places with a large margin are JSC "Brest Alcoholic Beverages Factory" Belalco" with revenues of USD 27.8 mln and JSC "Vitebsk Alcoholic Beverages Factory "Pridvin'e" with revenues of USD 21.3 mln

Almost all enterprises of the holding are unprofitable, except for JSC "Minsk Kristall", which income was just \$ 40 thousand, and OJSC "Belalco" broken even in 2015. The largest losses has incurred JSC "Mozyr distillery" - USD 6.10 mln with total loss for the holding amounted to USD 18.230 mln. This is due to falling exports (low competitiveness) and domestic consumption (due to a significant reduction in the purchasing power of the population), as well as the growth of excise tax (in the last 3-4 years, the excise rate has increased approximately 6 times).

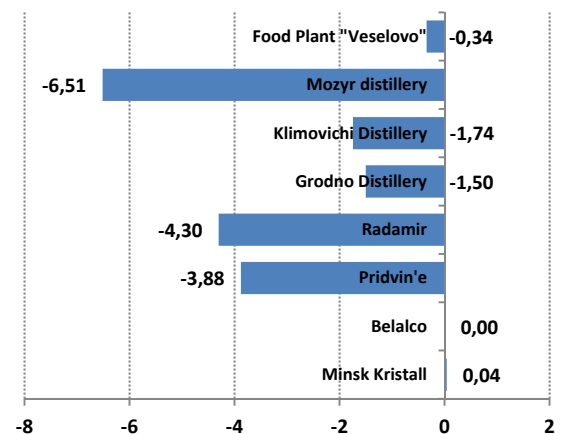
Revenue per employee is leading at "Minsk Kristall" - 51,4 thousand USD, an outsider is JSC "Plant Food" Veselovo "(16,5 thousand USD). The average for the holding amounted to 35.3 thousand USD per person per year.

Profitability by sold products of companies is generally above 10%, the leader is "Belalco" - 28.7%. Positive Net profit margin got only of "Minsk Kristall" with the index of 0.1%.

Revenue, mln. USD, 2015

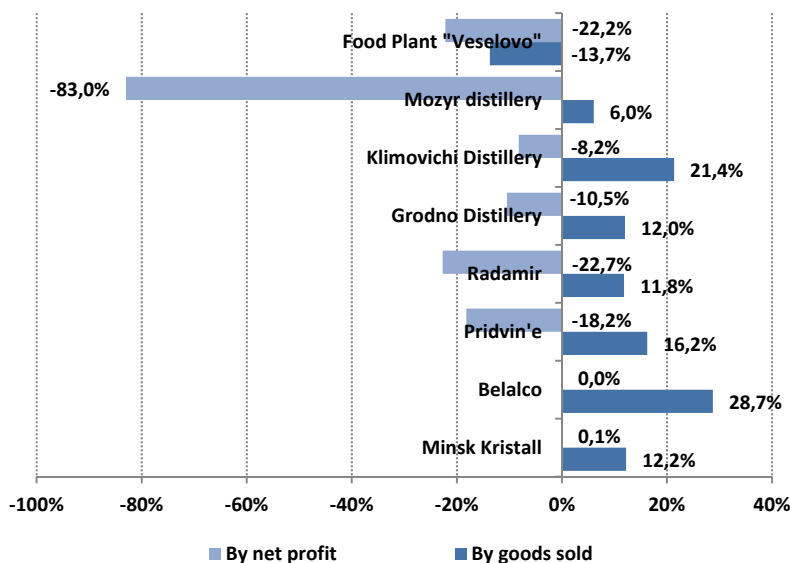


Net profit of JSC, mln. USD



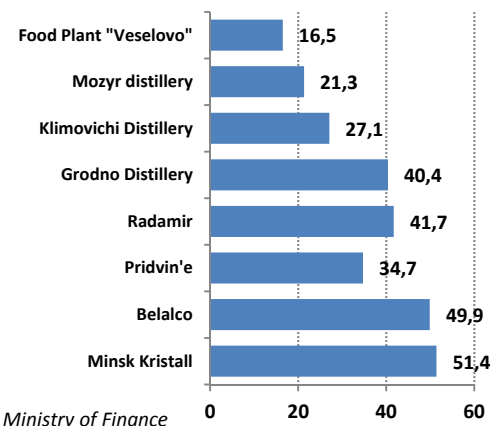
Source: Ministry of Finance

Profitability of enterprises, %



Source: UNITER

Revenue per employee, thousand USD per person



Source: Ministry of Finance



# Alcoholic Beverage Market

## Legal Environment

Alcoholic beverages market of Belarus is strictly regulated by the state. Production and sale of alcohol products are licensed activities. Additionally, the Council of Ministers establishes annually and, if necessary, adjusts the quotas for the production of alcoholic beverages by regions and Minsk City, as well as sectorial corporations.

Council of Ministers Resolution №1117 of December 30, 2015 sets the size of the quota for 2016. The quotas for the production of vodka and alcoholic beverages increased from 11.486 mln dal to 11.603 mln dal, fruit brandies - 35 mln liters to 55 mln liters, grape vodka - from 10 mln liters to 15 mln liters, rum - from 23 thousand dal up to 32 thousand dal, calvados - from 6 thousand dal to 11 thousand dal. In addition, the quotas for the production of fruit natural wines are increased by 133 thousand dal to 585 thousand dal, and of wine grape - by 2.5 thousand dal to 3.473 mln dal. The quotas for fruit fortified vintage wines with improved quality and special technology are decreased in comparison with 2015 (from 11.545 mln dal to 10.869 mln dal), cognac (from 494.5 thousand dal to 377 thousand dal), brandy (from 52 thousand dal to 45 thousand dal), fruit brandy (from 7 thousand dal to 6 thousand dal), whiskey (from 104 thousand dal to 103 thousand dal). The quotas are preserved for the Soviet champagne and other sparkling wines at the level of 2015 (1.7 million dal), tequila (20 thousand dal).

### Excise duties on alcoholic beverages from January 1, 2015

	Units	Bel. rub.
Alcoholic beverages with an alcohol content of more than 7%	1 l of abs. alcohol	138 300
Fruit wine fortified vintage, improved quality	1 l finished goods	119 700
Wines (cider), fruit and berry natural	1 l finished goods	1 050
Natural wines, including sparkling	1 l finished goods	6 400
Low alcohol natural beverages	1 l of abs. alcohol	85 200
Other low alcohol beverages	1 l of abs. alcohol	149 000
Cider	1 l finished goods	3 500
Beer and mixed beer beverages with alcohol content of up to 7%	1 l finished goods	3 500
Beer with an alcohol content of more than 7%	1 l finished goods	7 400

According to the Law "On Excise Tax" general rates operate throughout the country. Excise rates are established in Belarusian rubles per physical unit of volume of excisable goods. Excise rates are established by the President of the Republic of Belarus.

### Quotas for the production of alcoholic beverages, thousand dal

Name	2015	2016
Vodka, liqueurs and spirits	11 486	11 603
Fruit wine fortified vintage, improved quality and the special technology	11 545	10 869
Natural fruit wine	452	585
Soviet champagne and others. sparkling wine	1 700	1 700
Grape wine	3 470	3 473
Cognac	495	377
Brandy	52	45
Whiskey	104	103
Rum	23	32
Tequila	20	20
Calvados	6	11

Source: Resolution of the Council of Ministers of Belarus №1117 from 30.12.2015

Import of alcoholic beverages in Belarus is regulated by the state through special importers Institutes (operating since 2008), which includes the annual public tenders to identify the companies that provide the implementation of the exclusive right of the state on alcohol imports. In 2016, 29 public and private enterprises received that right (in 2015 there were 35 such entities).

### Import customs duty rates on alcoholic beverages

	TN VED code	Rate
Malt beer	2 203	0,203 EUR за 1 л
Wine of fresh grapes, including fortified wines; grape must	2 204	12,5%
Vermouth and natural wines with	2 205	14,0%
Other fermented beverages	2 206	14,4%
Undenatured ethyl alcohol with an alcohol concentration of 80% or more	2 207	100, но не менее 2 EUR за 1 л
Spirits, liqueurs and other spirituous beverages	2 208	1,5 EUR за 1 л

Source: Common Customs Tariff of the Customs Union



## Alcoholic Beverage Market

### Investment activity

Alcoholic market of Belarus is fully under the control of domestic producers. The share of alcoholic beverages produced in Belarus in the Alcoholic market of Belarus is 96.8%. Most of the alcohol industry companies are owned by the state.

One of the major events that occurred in 2011 was the **first national public offering of shares of JSC "Minsk Plant of Sparkling Wines"**. Open sale of shares of additional issue was held from 2 May to 15 June 2012 at the Belarusian Currency and Stock Exchange. Total 25% of the authorized capital of OJSC were sold **164,704 shares** worth **28.2 billion Br. rubles**, which is 68.63% of the planned volume of placement. Company "Traiple" purchased 12.5% of shares, and the total number of shareholders amounted to 712. On April 16, 2013 by the decision of the shareholders' meeting was held the 2nd stage of sale of shares - 16-17 April 2013 as a result of 62 trades were sold 57 582 shares worth 16.47 billion rubles. As a result of the two phases IPO authorized fund of company has reached a value of 229 billion rubles. The authorized fund is divided into 960,416 shares with a nominal value of 238 440 rubles per share. The government has retained 75.01% of shares, "Triple" has consolidated at least 15%. During the first half of this year, the company has deducted **10% of the profits** remaining at the disposal after taxes, duties, fees and other mandatory payments to the extra-budgetary Belgospisheprom centralized investment fund, the second half of the amount will be **5%**.

The main event in the investment field in 2015 was the signing of the decree on the establishment of the holding company with 8 Belarusian alcohol producers - **OJSC "Brest Alcoholic Beverages Factory "Belalco "**, **JSC "Vitebsk Alcoholic Beverages Factory "Pridvin'e"**, **JSC "Gomel Alcoholic Beverages Factory "Radamir"**, **JSC "Grodno Alcoholic Beverages Factory"**, **OJSC "Klimovichi Alcoholic Beverages Factory"**, **JSC " Mozyr Alcoholic Beverages Factory" and JSC "Food plant "Veselovo"**. Creation of a common market of alcoholic beverages in the EAEC will lead to increased competition for domestic producers of these products, so holding company acts as kind of a protective mechanism. Furthermore, creation of the holding company of alcohol producers should optimize management of the alcohol industry, including carry out coordinated financial, investment and industrial policy, which will free up funds for modernization of production, improve the quality of products, reduce production costs and etc.

Due to the fact that there is currently oversupply on the market of alcoholic production and for example production capacity of vodka exceeds consumption in 2.7 times, fruit wines - more than 2 times, cognac - by 1.7 times, which creates tension on the domestic alcohol market. The disposal of the Prime Minister has been accepted from 30/9/2015 number 332r "On measures to regulate production and turnover of alcohol products", which establishes the new approaches of development the alcohol industry in Belarus.

Since 1 October 2015 proposals for the design and creation of new and additional manufacturing facilities for the production of alcoholic beverages from the Ministry of Agriculture, "Belgospisheprom", Ministry of Health National Academy of Sciences, Belkoopsoyuz, regional executive committees and Minsk city executive committee, should be coordinated with the Deputy Prime Minister in charge of agribusiness issues. In this case, the business plans should be provided with the implementation of one of the following approaches:

export delivery of alcoholic products manufactured at the production facilities which are put into operation;

production of those products, which country's needs for the internal market are not provided in the existing production facilities of Belarus;

release alcoholic beverages which have **no analogues** in country, production organization, of which is not possible at the existing production facilities in Belarus.



# Alcoholic Beverage Market

## Market trends

### Market of alcoholic beverages in 2015 was characterized by the following trends:

**Reduction of alcohol consumption.** Official statistics recorded a drop in consumption. Actually, in the structure of consumption, quality Belarusian alcohol got replaced by cheap counterfeit products from neighboring countries. As a result, the industry in the country as a whole has worked with a reduction in all indicators.

- **Reduction** of population purchasing power which increased demand for products of low price segment.
- **Reduction** in sales in all segments, increase overstock in warehouses.
- **Reduction of profitability** of the industry as a result of ill-conceived tax policy - in the last 3-4 years, the excise rate is increased by six times approximately. Furthermore, the high excise rates have led to higher prices for alcohol and lower sales.
- **Unprofitability of the main alcohol producers.** For example, the plant "Vinreal" has been recognized bankrupt in the last year. Manufacturing, established in Vitebsk, was profitable at the time, but could not bear the heavy burden of debt on loans.
- **Oligopolization** of industry as the protection of the internal market - creation the holding company of the main producers of alcohol under the state control.
- **Overabundance of production capacity.**
- **The increase in counterfeit products.** In recent years, with the increase in excise tax and prices the volume of counterfeit goods imported into the country has grown. According to the MIA, for 2015 the amount of detected violations in this area increased by 4.5 times. During the year 4738 offenses of illegal turnover were revealed, seized 205 thousand liters alcohol-containing liquids, 459 thousand liters of alcoholic beverages, 49 thousand liters of wine - totaling nearly Br50 billion.

### Development prospects in 2016

- **Extension of export as a priority for producers.** Many producers in this regard petitioned to increase the time for completion of foreign trade operations. At the moment it is 90 days. However there are such markets as Latin America and Australia, where only the logistics takes 45-60 days.
- **Import substitution.** The production of previously imported drinks was commenced - rum, whiskey, tequila, etc.
- Search for additional marketing mechanisms within the country, such as **online trading.**
- **Development of anti-alcoholism program until 2020, which could lead to even stronger demand decline.**

### Program for the prevention and overcoming of alcoholism until 2020

In order to decrease alcoholism authorities intend to regulate the size of the excise tax on alcohol – "taking into account the rate of average wage growth, inflation parameters, growth of purchasing prices for grain and malt and other external factors."

Increase in excise duty will lead to alcohol cost rise, which contradicts the policy of the authorities.

The program intends to solve the dilemma "to save health of the nation, to prevent loss of the country's budget" planned **annual reduction in the domestic market volume of alcohol.** And to compensate for these losses, authorities want to **re-orient production of alcoholic beverages to export.**

Program also provides changes to the trade. The question on **banning the sale of alcoholic, low alcohol drinks and beer** in retail facilities located in close proximity to educational, health, cultural and sports facilities in a radius of 500 meters. This restriction will not affect public catering.

In **2017**, developers of the program will discuss the feasibility of introducing a normative number of shops that are selling alcoholic beverages, placing one for each 5 thousand people. In the same year it is planned to initiate legislative changes to prohibit the retail sale of alcoholic beverages in stores outside the isolated area departments in stores with total area more than 1500 square meters.

Another suggestion is a time limit for the sale of alcohol - from 9.00 to 22.00 - which is going to come into force in 2017-2018.

In 2018 it is planned to initiate a complete ban on advertising of low alcohol beverages and beer in the media.

Finally, the restructuring program is provided, which concerns the number of beds in hospitals and LTP. Innovation repair and modernization are Planned at the 8th medical building RSPC of mental health, where alcoholics are receiving treatment. Also, clinical center "Narcology" will be built in Minsk. The construction of this center, with no design and estimate documentation, planned **to be completed in 2020.**



# Alcoholic Beverage Market

## Statistical Appendix

### Key economic indicators

Index	Unit	2005	2006	2007	2008	2009	2010	2011	2012	2013
Nominal GDP	BYR trillion	65,07	79,27	97,17	129,79	137,44	164,48	297,16	527,39	636,784
Nominal GDP *	USD bn	30,2	37,0	45,3	60,8	49,2	55,2	50,9	63,1	71,5
Real GDP growth	% year/year	9,4	10,0	8,6	10,2	0,2	7,7	5,5	1,5	0,9
Manufacturing	% year/year	10,5	11,4	8,7	11,5	-2,0	12,0	9,1	5,7	-4,8
Agricultural production	% year/year	1,7	5,9	4,1	8,9	1,0	2,5	6,6	6,1	-4,0
CPI	% year/year s / n	10,4	7,0	8,4	14,8	13,0	7,7	52,3	67,5	18,5
CPI	% year/year k / n	8,0	6,6	12,1	13,3	10,1	9,9	108,7	21,8	16,5
Industrial producer price index	% year/year s / n	12,1	8,3	16,3	14,8	15,0	13,5	69,2	90,5	14,0
Industrial producer price index	% year/year k / n	11,0	9,0	22,2	15,4	11,3	18,9	149,6	21,0	10,7
Export of goods and services(USD)	% year/year	15,9	22,3	24,2	34,2	-32,9	20,3	54,2	-	-15,5
Import of goods and services (USD)	% year/year	3,8	33,2	28,0	37,0	-27,0	22,8	29,3	-	-6,7
Current account	USD mln	436	-1448	-3040	-4988	-6178	-8278	-5775	-	-
Current account*	% GDP	1,4	-3,9	-6,7	-8,2	-12,6	-15,0	-12,2	-	-
FDI (net)	USD mln	303	351	1790	2150	1782	1352	3928	-	-
International reserves	USD mln k / n	1297	1383	4182	3061	5653	5031	7916	8095	6651
State budget balance	% GDP	-0,7	1,4	0,4	1,4	-0,7	-2,6	2,4	-	0,2
Internal public debt	% GDP k / n	5,8	6,5	6,3	6,6	5,7	5,6	11,8	-	10,7
Gross external debt*	% GDP k / n	17,0	18,5	27,6	24,9	44,8	51,6	71,9	-	-
Monetary base	% year/year k / n	74	20	38	12	-12	50	84	62	13,4
Exchange rate (NBB official)**	BYR/USD s / n	2154	2145	2146	2136	2793	2978	4623	8336	8876
Exchange rate (NBB official)**	BYR/USD k / n	2152	2140	2150	2200	2863	3000	8350	8570	9510
Exchange rate (NBB official)**	BYR/EUR s / n	2681	2692	2937	3135	3885	3950	6432	10713	11782
Exchange rate (NBB official)**	BYR/EUR k / n	2546	2817	3167	3077	4106	3973	10800	11340	13080

Source: IPM Research Center

### Production of alcoholic beverages in the Republic of Belarus, mln. Dal.

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Vodka and drinking alcohol, mln. dal.	10,7	11,5	13,0	13,1	13,0	14,7	15,2	13,5	11,7	9,1
Grape wine, mln. dal.	1,2	2,0	2,6	2,1	2,5	2,6	2,6	2,8	3,0	2,9
Fruit wine, mln. dal.	20,8	22,0	20,7	19,1	20,1	18,4	12,7	12,0	11,2	8,8

Source: Belstat

### Export / import of alcoholic beverage products in the Republic of Belarus, mln. Dal.

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Export, mln. dal:										
Liqueurs and spirits	35,3	28,2	12,5	6,2	14,4	22,9	36,9	58,0	84,6	55,8
Vodka	17,5	13,3	5,5	4,3	7,3	13,2	19,2	34,9	48,4	28,4
Liqueurs and spirits, except vodka	17,8	14,9	7,0	1,9	7,1	9,7	17,7	23,1	36,2	27,4
Import, mln. dal:										
Liqueurs and spirits	37,4	27,5	21,5	29,8	26,6	33,7	38,5	54,9	75,1	51,4
Cognac	13,3	11,2	14,8	20,2	18,2	21,7	23,3	29,6	33,1	22,5
Liqueurs and spirits, except cognac	24,1	16,3	9,5	7,6	8,4	12,0	15,2	25,2	42,0	28,9

Source: Comtrade



# Alcoholic Beverage Market

## Statistical Appendix

### Structure of export and import of alcoholic beverage products, 2015

Export			Import		
Country	Mln dal	%	Country	Mln dal	%
Country is unknown	27,6	49,4%	Moldova	11,5	22,4%
Russia	13,7	24,5%	Great Britain	10,1	19,6%
Ukraine	5,3	9,5%	Armenia	4,4	8,5%
Latvia	2,9	5,2%	France	4,1	8,0%
Lithuania	2,5	4,4%	USA	3,5	6,8%
Kazakhstan	1,2	2,1%	Georgia	2,6	5,1%
Other	2,7	4,9%	Other	15,2	29,6%

Source: Comtrade

### Consumption of alcohol liters per capita, ranging from 15 years of age

	2000	2005	2010	2011	2012	2013	2014	2015 (exp)	2020 (f)	2025 (f)
Alcoholic Beverages	12,98	11,01	14,44	17,31	16,35	14,66	13,94	17,10	16,80	16,90

Source: WHO

### Morbidity alcoholism and alcoholic psychoses (for 100 thous. people of the population)

	2000	2005	2010	2011	2012	2013	2014	2015 (exp)
Morbidity of population	184,4	332,2	294,1	287,1	250,9	229,5	216,0	206,0

Source: Belstat

### Share the cost of alcoholic beverages in the structure of consumption expenditure of households %

	1995	2000	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Alcoholic Beverages, %	3,3	3,5	2,5	2,4	2,3	2,3	2,2	2,2	2,2	2,6	2,6	2,5	2,3

Source: Belstat

### Ranking of countries by the level of alcohol consumption 2015 in liters per capita

Country	Consumption, l
Moldova	17,4
Belarus	17,1
Lithuania	16,2
Russia	14,5
Czech Republic	14,1
Romania	12,9
Slovakia	12,5
Hungary	12,4
Ukraine	11,8
Andorra	9,1
Kazakhstan	8,2

Source: WHO

### Structure of alcohol consumption, 2015

	%
Vodka	46,2%
Fruit wine	19,0%
Beer	18,4%
Grape wine	6,7%
Liqueurs and spirits	4,5%
Cognac	2,4%
Champagne	2,1%
Low alcohol drinks	0,7%

Source: Belstat



# Alcoholic Beverage Market

## Statistical Appendix

Sales volume of alcoholic beverages, 2015 (2015/2014,%)

Alcoholic Beverages	Sales volume, 2014, ths. dal	Sales volume, 2015, ths. dal	2015 in % to 2014
Vodka	9 674,3	8 650,6	89,4%
Beer	35 978,9	34 482,1	95,8%
Grape wine	3 664,9	3 607,3	98,4%
Fruit wine	9 827,0	7 894,0	80,3%
Cognac, including brandy	505,5	450,4	89,1%
Sparkling wines, including champagne	1 534,3	1 412,5	92,1%
Low alcohol drinks	896,7	914,9	102,0%
Other alcoholic drinks	1 329,4	1 131,4	85,1%

Source: Belstat

Quotas for the production of alcoholic beverages, thousand dal.

	2015	2016
Vodka, liqueurs and spirits	11 486	11 603
Fruit wine fortified vintage, improved quality and special process	11 545	10 869
Natural fruit and berry wines	452	585
Soviet champagne and other sparkling wine	1 700	1 700
Grape wines	3 470	3 473
Cognac	495	377
Brandy	52	45
Whiskey	104	103
Rum	23	32
Tequila	20	20
Calvados	6	11

Source: Resolution of the Council of Ministers of Belarus №1117 of 30.12.2015

Excise duties on alcoholic beverages from January 1, 2015

	Unit of measure	Bel.roub
Alcoholic beverages with an alcohol content of more than 7%	1 l.	138 300
Fruit wine fortified vintage, improved quality	1 l.	119 700
Fruit and berry natural wines (cider),	1 l.	1 050
Natural wines, including sparkling	1 l.	6 400
Low alcoholic beverages	1 l.	85 200
Other alcoholic beverages	1 l.	149 000
Cider	1 l.	3 500
Beer and mixed beer beverages with alcohol content of up to 7%	1 l.	3 500
Beer with an alcohol content of more than 7%	1 l.	7 400

Source: Tax Code of the Republic of Belarus

Import duties on alcoholic beverages

	TN VED code	Rate
Malt beer	2 203	0,203 EUR за 1 л
Wine of fresh grapes, including fortified wines; grape must	2 204	12,5%
Vermouth and natural wines with	2 205	14,0%
Other fermented beverages	2 206	14,4%
Undernatured ethyl alcohol with an alcohol concentration of 80% or more	2 207	100, but not less than 2 EUR per 1 l.
Spirits, liqueurs and other spirituous beverages	2 208	1,5 EUR per 1 l.

Source: Common Customs Tariff of the Customs Union



# Alcoholic Beverage Market

## Statistical Appendix

### Financial performance of key players in the alcohol market

	Revenue, mln. USD.	Net profit, mln. USD.	Revenue per employee, thousand. USD. per person.
Minsk Kristall	81,67	0,04	51,43
Belalco	27,80	0,00	49,91
Pridvin'e	21,33	-3,88	34,74
Radamir	18,94	-4,30	41,73
Grodno Distillery	14,34	-1,50	40,40
Klimovichi Distillery	21,18	-1,74	27,09
Mozyr distillery	7,85	-6,51	21,32
Food Plant "Veselovo"	1,54	-0,34	16,51

Source : Belstat

### Profitability of the key players in the alcohol market

	By sales,%	By Net profit, %
Minsk Kristall	12,23%	0,05%
Belalco	28,73%	0,00%
Pridvin'e	16,23%	-18,18%
Radamir	11,84%	-22,70%
Grodno Distillery	12,00%	-10,45%
Klimovichi Distillery	21,36%	-8,23%
Mozyr distillery	6,05%	-82,99%
Food Plant "Veselovo"	-13,71%	-22,19%

Source: UNITER

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