

Customs Raise Prices for Imported Wines

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Cheap European wines could disappear from local shelves next month, industry experts warned, with the price for a bottle of wine from France, Italy, Spain or Germany set to rise 150 to 200 rubles (\$5 to \$7) because of new customs regulations.

The Federal Customs Service raised the minimum price on imported bottles of European wine on June 1, but Russian suppliers have kept quiet until now — their stock of cheap wine is running out.

Industry representatives estimate that a liter of European wine will now cost a minimum of 200 rubles. The customs service previously set the minimum price for a liter of French wine at \$10 but is now placing it at \$15. The cheapest Italian wine has gone up from \$4 to \$7 per liter.

In an official statement, customs service representatives claimed that the new measures are

not meant to increase the minimum price of wine, but to prevent importers from artificially lowering the stated value of their products. According to statistics from the European Union, some wine importers lowered their stated prices by 12 percent to 15 percent to avoid paying higher tariffs.

It is too soon to talk about an increase in wine prices, said Maxim Klyagin, an analyst at Finam Management. "There is no reason to worry if the situation keeps developing as it is now," he said.

But Vadim Drobiz, director of the Research Center for Federal and Regional Alcohol Markets, questioned why the wine in Russia is still more expensive than in Europe if Russian importers keep lowering the prices in their customs statements.

Prices for wine in Russia are five to six times higher than in Europe, Drobiz said. The lowest price for imported European wine is 200 rubles, but in the West the same wine can cost 1 euro (\$1.40).

Drobiz said some wine brands will no longer be cost-effective to import with the new regulations and will disappear from the stores entirely.

"A customer won't buy wine for 400 rubles if he knows that it really costs \$2," he said.

Experts predict that cheap brands from Chile and Argentina will fill the void left by European wines in the economy segment, where prices range from 130 to 150 rubles per bottle. Russian producers are also expected to benefit.

The new regulations only target bottled wine, said Mikhail Blinov, president of the Association of Wine Importers. The price of wine products that are delivered to Russian producers in tankers, processed and then bottled will not increase.

Eighty percent of Russian wine producers import such raw products, Blinov said. The problem is that producers usually look for products that are the cheapest and of the lowest quality.

"Quality wines can only be made from your own grapes," Blinov said. "As soon as you start to transport wine materials, the quality falls."

The Association of Wine Importers has no current plans to dispute the customs regulations.

"If the retailers say that it is fine to raise the price by 200 rubles and the demand will still exist, there won't be a problem," Blinov said.

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