

Russia's Baltika Suspends Beer Production at Urals Plant Over Shrinking Market

By [The Moscow Times](#)

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According to Baltika, the beer market dropped in Russia by 7 percent in the first half of this year alone.

Baltika, the Russian unit of Denmark's Carlsberg, has suspended beer production at one of its breweries due to declining demand, it said Monday.

"This is connected with the end of the high summer season and the onset of autumn, when demand for the products is on the decline," Mairbek Sageyev, director of Baltika's Chelyabinsk brewery, said in an e-mailed statement.

"In addition, this factor was bolstered by a significant drop in the total beer market."

The brewery, east of Russia's Urals mountains is one of Baltika's 10 breweries. It has a production capacity of 4.2 million hectoliters per year and produces the licensed Tuborg brand as well as domestic brands such as Baltika.

Sageyev said the brewery would resume full operation once the market improved.

According to Baltika, the beer market dropped in Russia by 24 percent between 2008 and 2013 and an additional 7 percent in the first half of this year alone.

"The main reasons for the fall come from excessive and unnecessary state regulation of the brewing industry and a deteriorating macroeconomic situation in which consumer sentiment and economic prospects are highly uncertain," Sageyev said.

As part of a drive to curb drinking and promote a healthy lifestyle, Russian President Vladimir Putin ordered a ban on beer sales from street kiosks and time restrictions on when beer can be bought.

The stagnating Russian economy, which is expected to grow by only 0.5 percent in gross domestic product terms this year, down from an earlier official forecast of up to 3 percent, has put pressure on consumers' wallets.

In August, Carlsberg cut its 2014 profit guidance and said its Russian beer sales had tumbled by one-fifth in the second quarter. The 167-year-old Danish brewer relies on Russia for more than a third of its operating profit.

Carlsberg has been forced to operate most of its Russian units at reduced capacity for several months, though the company vowed in June to keep its Russian breweries running.

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