

# Vodka to Stay Cheap as Russia Faces Recession

By [The Moscow Times](#)

December 04, 2014



Raising prices would also be a risky step because doing so would likely push down legal sales as consumers shift to the illegal vodka market.

Amid high inflation and shrinking salaries, Russia has decided against raising the minimum price for vodka in 2015, news agency RBC reported a government official as saying on Thursday.

Under the policy the cheapest half-liter legally available will continue to cost a minimum of 220 rubles (\$4).

The government has chosen to keep prices low in part because of a prior decision to freeze excise taxes on spirits at 100 rubles per half-liter through 2015, which leaves the state with little incentive to raise the price, said Igor Chuyan, chief of Russia's Federal Service for Alcohol Market Regulation.

Raising prices would also be a risky step because doing so would likely push down legal sales as consumers shift to the illegal vodka market to quench their thirst.

"We see a concrete connection between lower vodka sales and higher vodka prices," Chuyan said. Legal consumption of vodka has dropped by 14 percent so far this year, Chuyan said, adding that the decrease likely represents drinkers switching to illegal brews.

And with inflation set to reach 7.5 percent next year, according to Economic Development Ministry forecasts, raising prices is likely to be a touchy subject.

Still, according to RBC, some producers see the minimum price as unfair to their companies.

"Selling vodka and earning a profit at those prices is just impossible," said an executive of one of Russia's largest vodka producers who declined to be named.

The company's cheapest vodka currently costs 295 rubles (\$5), and they still have to account for excise taxes and sales taxes, as well as distributor and retail costs, pushing up costs far past the 220 ruble mark.

To that point, the Federal Service for Alcohol Market Regulation said the law was intended for local producers that are selling vodka to small markets and should be able to pay all necessary taxes and still make a profit from 220 ruble vodka.

Original url:

<https://www.themoscowtimes.com/2014/12/04/vodka-to-stay-cheap-as-russia-faces-recession-a41992>