MARKET DIAGNOSTICS AND PROSPECTIVE OF THE RUSSIAN BREWERY INDUSTRY

Agafonov Valeriy Petrovich[1],
Obolensky Nikolai Vasilievich[2]

Summary

Diagnostic rates of the Russian beer market are considered in the article. Basing on such rates brewery is qualified as one of a few industries in Russia, which are competitive in both domestic and world market, and doesn't inferior to the level of technology to the foreign competitors. After the excise tax increase the Russian brewery became an important industry in respect of filling the regional budgets.

Key words: brewery industry, development diagnostics, brewery production index, rate of development, beer excise, management.

Introduction

Agriculture complex represents a group of industries including: farming, industries involved in agriculture production and provide logistics, storage and processing of agriculture products and its distribution to the end-customer, supply of machines and fertilizers and concomitant services.

Russian brewery industry today – it is more than 250 brewery interprises of different capacities located in 73 regions of the Russian Federation, more than 1500 beer trademarks (including national brands and popular local brands), about 60 thousand people employed in the industry.

The brewery industry – is a complete sector of economic activity. Brewery connects with allied industries, whose success or failure depends

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[1] Ph.D. in Economics, Nizhny Novgorod state engineering-economic Institute, Knyaginino, Nizhny Novgorod region, Russia.

[2] Doctor of Engineering, Professor, Nizhny Novgorod state engineering-economic Institute, Knyaginino, Nizhny Novgorod region, Russia.

on stable work of brewers. One place of employment in brewery industry creates ten additional jobs in allied industries.

The brewery industry in Russia today – is one of the most dynamically developing market of non-commodity sector of the Russian economy. It is entirely carrying out of the tax obligations to the budgets of all levels. The industry has high investment capacity. Speaking of innovations, industry modernization it is to be said, that brewery could be considered as innovative, streamlined, and modern industry. Not least because brewery employs 3% of labour force of Russian food industry, but creates 20% of domestic product of food industry.

However, in 2010 according to the Russian Statistics Agency (hereinafter - Rosstat) the brewery production index had felt down to 94.1% comparing to 2009. Thus, recession of 2010 was more significant than in 2009, when production value stated 95.2% comparing to 2008. While many other industries, involved in beverage production had overcome the crisis on course of 2010, brewers had faced and obstacle of threefold excise increase. That caused price increase, which made beer less affordable to the consumers. Overall, three unfavorable years (from 2008 to 2010) had brought the industry to the production level of 2006.

In 2011 in Russia were officially registered 561 brewery companies. Among them: 40 large enterprises, 76 regional breweries, 263 mini-breweries/mini beer factories, 182 restaurant breweries.

The Russian brewery market demonstrated sustainable development in course of series of years. Thus, in 2000 beer production value was 554.5 million deciliter (hereinafter, daL), in 2010 – 1.03 billion daL. (see table 1).

Table 1 – Basic indicators of brewery industry, %

Production value	1029.3 billion daL
Production index in 2010	− 5,2 %
Employment in the industry	40 thousand people
Employment in the allied industries	about 600 thousand people
Tax deductions to the Russian budget; Included excise tax	More than 200 billion rubles; 84,6 billion rubles.
Overall world rating	3-d place

Russian brewery industry had been streamlined since 2000, that allowed to upgrade production up to new technology level. Beer production peak of the first 11 years of the century falls on 2007-2008. However, both influence of 2009 crises and 2010 excise increase caused negative influence on consumption dynamic. In 2009 production value was reduced on 4.8%

comparing to 2008. Correspondingly, in 2010 reduction was about 5.2% comparing to previous year. In the same time consumption reduced much more significant – by 2008 beer consumption has 5.3% fell comparing to 2007 (when consumption peak has been registered at the level of 81.3 liter per soul).

According to Rosstat, in 2011 beer production value in Russia had been reduced in 3.4% comparing to 2010 and constituted 981.4 million daL. According to experts, the main reason of that is a high base effect, when abnormally high temperatures occurred in many Russian regions. That influenced on beer consumption value. It is to be noticed, that in 2011 reduction of beer production had been observed in from April to November. Other words – even seasonal demand did not fix the situation.

Beer production utilizes 60% of overall capacities in Russia (average data in all-federal districts in 2010). Crisis stops expanding of production facilities – in 2009 growth of manufacturing capabilities fell in 2 times comparing to previous year. In 2010 reduce of facilities utilization were registered.

Beer consumption in Russia exceeds value of its production. Difference is balanced by import beer. Russia is one of top ten beer importers. More than 200 companies from all over the world import their products. At the same time Russia is also beer exporter – part of produced beer is been distributed overseas.

According to FAO UN, Russia was the 7-th country among those, who consume imported beer. Absolute leader is the USA, which import 10 times more beer, than Russia (more than half of the world import). About 3 times more than Russia imports the UK. Much ahead in respect of beer imports such counties, as Germany, Italy, France and Canada. In respect of import, value in terms of money Russia has 9-th place, passing in addition to mentioned countries Ireland and Australia. Resumption of economy growth, the strengthening and stabilization of the Ruble at the background of people's purchasing power growth in 2010 both has significantly changed the dynamics of import segments. There increased import values from far abroad and reduced import values of cheap Ukrainian beer. Thus, the structure of the Russian import changed for more expensive product.

Official summary of first five months of 2011 shows smooth dynamics of overall import – 2% growth was registered. However, import structure keeps on changing. Ukrainian beer realization come to stabilization from the recession (-2%), in the same time far abroad beer sales keeps going up (+17%).

There are two latest innovations forthcoming – regulation prohibiting beer (stronger than 5%) realization by booths and absolute prohibition of beer realization by booths. According to experts, both conditions should not touch the sector of import beer, as it mainly distributed by chain stores and HoReCa.

Advertising regulation

Toughening of advertising regulation, up to absolute prohibition of beer advertisement in key media will crucially affect Russian brands, especially licensed beer – as a general competitor of imported brands, as aggressive TV advertising would not be focused on consumer's attention.

The key role in the selection of the product will play its taste characteristics; the place of production; type of package; so imported beer could be more advantageous. However, the struggle for the shelf space, which causes marketing budgets increase, could have a negative impact on the distribution of imported beer sorts.

In addition to the "struggle for shelf" a significant impact on the market of imported beer in the coming years will provide such trends as:

- the development of import trends multinational brewing companies and the possible transition of imported brands in the category of license;
- promotion of independent importers of its own brands;
- expanding the range of imported beers by the Russian consumer is little-known varieties;
- government regulation of imports of beer in Russia.

Excise duty on beer in Russia today is higher than in EU countries, for instance Germany. According to experts of brewery market, a sharp increase of excise duties on beer in Russia puts the brewing industry in unequal condition with producers of strong alcohol - because strong drinks become considerably cheaper than the beer.

In 2010, in monetary terms, revenue from excise duty beer sales amounted to 84 601 billion ruble, which is 13% more than sales of strong beverages. Unlike distilled spirits and wine sales are seasonal factor has a much smaller effect, monthly receipts excise tax on beer increased in the period of maximum sales.

In the first quarter of 2011, Russia produced 195.6 million daL of Lager. This figure reflects a slight recovery after the recession of the industry (-19.7%), which was observed in the I quarter of 2010. In general, in I quarter of 2011, compared to the same period of 2009, production decreased by 11.4% compared to 2008 - by 16.7%. In some regions with developed brewing recession was deeper than in average in Russia.

Depression in the brewing industry had been caused by fiscal rather than purely economic factors. As evidenced by the performance indicators in other sectors that are not experienced times of increasing excise rates. Thus, the volume of vodka production in 2010 increased by 3.7%, wine - by 14.5%. Sales by wholesalers (excluding micro enterprises) in January-November 2010 to all types of alcoholic beverages are much higher than the previous year, and only beer sales fell to 70.1% from January-November 2009 (in physical terms).

Excise revenues from the turnover of beer (production and imports) in January-November 2010 amounted to 78.15 billion rubles and reached 270.8% compared to January-November 2009, the excise revenue from the turnover of beer (production and imports) in January - February 2011 amounted to 11.1 bln. rub., which is 69% more than in the same period of 2010.

The income from the excise connected with new increased excise rate in the new year (11.1%) and a relatively low values of January-February 2010, when there was a significant decline in the production of beer. At the end of the previous 2010, the proportion of beer in excise duties (production and imports) reached 47.5%. This figure in the current year, is likely to be exceeded, and the proportion of alcohol in beer excise significantly exceed 50%.

Value of the brewing industry for the regional budget

In this situation substantially increases the value of the brewing industry for the regional budgets, which are replenished excise duties on manufactured products, especially when you consider that the collection of excise duty on beer is characterized by stability.

At the end of 2010, despite a significant reduction of the beer market both in volume and in value terms, the fiscal burden on the brewing industry the set-gokratno increased.

On the one hand, this has a negative impact on the development of the industry and not allowed it in 2010, negotiated the surmounting recession. On the other hand, it significantly increased the importance of the industry to the consolidated budget of Russia, and especially - for regional budgets. The areas with the development of the brewing even more so than before, are interested in the prosperity of the industry and its support.

Despite the decline in the market, industry leaders continue to develop production capacity. The company “SAB Miller RUS” in late 2010 opened a brewery in Ulyanovsk. The plant has created more than 300 jobs for the region’s inhabitants. In Perm, opened for water “Czech brewers’ beer production which will take place on the traditional Czech technology of the original Czech raw materials.

In addition, industry leaders to modernize enterprise aimed at combating cost, efficiency, to improve the environmental characteristics of production. For instance, the Samara plant “Baltika” was completed environmental projects on the use of biogas as a fuel. That reduces the natural gas consumption by plant on 8-10%.

Economic situation and weather conditions in 2010 exacerbated the problem of raw material for the brewing industry. The harvest of barley in Russia in the reporting year amounted to only 8.4 million tons, which is 54% less than the previous year. According to experts, in 2011-2012 situation got worse due to the increase in world demand for food, malting barley in some countries will lose some acreage.

This makes the Russian Brewers intensify its efforts to co-operate with regional farmers to provide themselves with local raw materials of good quality and at reasonable targets. For example, “Baltika” is collaborating with 50 farms in different regions of Russia.

A significant bonus for farms is to provide the inventory of loan-for component of seed. Last year selhozpredpriya-ment under such agreements with “Baltika” received for malting barley 1 billion rubble.

It should be noted that Russia is developing not only the production of beer, the main raw material and packaging, but also the release of advanced equipment for the brewing industry. So, in December 2010. “Novosibirskpromdmash” opened a sales office PEGAS original Arrangetion bespennogo dispensing beer from kegs into glass bottles. This equipment is designed for small-ing breweries, bars and restaurants are of high quality and at the same time, winning is the price of foreign counterparts.

“Novosibirskprodmash” is a developer and manufacturer of devices for beer sale PEGAS, which allow to sale beer on-drought has 15 thousand shops and stores all over Russia.

These examples demonstrate that the brewing industry and related production facilities in Russia have significant potential in terms of modernization, and technological innovation. The company “Computer Technology 2000” (“CT: Alcohol”) would like to convey to all Russian producers of beer, for its part, can make a contribution to the development of the brewing industry.

The company “Computer technologies 2000” was founded in 1996 and is a developer of software for the automation of enterprises engaged in the production and marketing of alcoholic beverages. All these solutions are certified by “1C” and distributed through its partner network. Among a pool of software products for the alcohol industry, built on a platform of “1C: Enterprise 8” such as: “1C: Enterprise 8. Alcohol Production”; “1C: Enterprise 8. Distillery and Winery”; “1C: Enterprise 8. Integrated automation of trade in alcoholic products"; "1C: Enterprise 8. Management of trade in alcoholic products"; "1C: Enterprise 8. Beer and Beverage Plant." "1C: Enterprise 8. Beer-nonalcoholic factory, revision 1.3" was developed on the platform of "1C: Enterprise 8.2" and is designed for complex automation of the registration of enterprises engaged in the production and sale of beer, alcoholic and soft drinks, malt production. The product is available in conjunction with the company "1C", and allows you to automate various sections pivobezal-kogolnogo enterprises from accounting of materials to production planning. The software solution "1C: Enterprise 8. Beer-nonalcoholic factory, editors 1.3" supports the full functionality of a standard configuration "Manufacturing Enterprise Management" system "1C: Enterprise 8" based on which developed. To use configuration, you must install the platform "1C: Enterprise 8.2" on the required number of jobs. Basic functions-tsiionalnye configuration options.

Enterprise management - conclusions

The actions to be in use in order to effectively manage the brewery sector are as follows:

- Enterprise management (production planning, cost management and cost accounting, product data management), including consideration of the use of ethyl alcohol in the production of low-alcohol products, operations for the production of beer, malt.
- The excise: automatic calculation of the amounts of excise taxes in the formation of documents in accordance with the current settings of normative-reference subsystem; registration and monitoring of the amounts of excise taxes throughout the production cycle; the formation of a tax return for the excise.
- Accounting revolutions used alcohol products as a raw material: the classification of alcoholic beverages in the standard-reference subsystem in accordance with applicable law; registration receipt and tracking of alcoholic beverages. throughout the production cycle; Declaration on the formation of the turnover of alcohol.
- Unique subsystem control over the process of malt "malting Management" includes: preparatory work for the acceptance of a grain; Acceptance of grain; control storage of grain; malt; certification of produced malt. Asset Management and planning of repairs.
- Financial management, including budgeting; cash management; management of mutual settlements; accounting and tax accounting; the excise; IFRS accounting; the formation of the consolidated financial statements.

- Warehouse management (inventory), including record keeping in the context of the properties (including grade, expiration date); Accounting of finished products in the context of the properties (including type of packaging); record keeping in stock; keeping materials in production; the mechanism for calculating the amount of the planned orders for the materials; Accounting of finished products.
- Sales management, including control of residues and settlement in the shipment of goods on the orders; enhanced reporting of orders, payment orders, shipping orders and sales.
- Fleet Management.
- Procurement Management.
- Managing relationships with customers and suppliers: various maintenance-term contact information for the user; Calendar User; Mechanism event reminders. ABC analysis; analysis of the stages of relationships; performance management.
- Human Resource Management, including payroll.
- Monitoring and analysis of the performance of the company.
- Accounting for road transport: registration of applications for the use of vehicles; the formation of routes of cars on the basis of applications to calculate the volume of shipped products; calculation scheduled distance, time, and gasoline consumption in the formation of waybills; Check the actual distance, time and expense of gasoline at the time waybills; analysis of planned and actual performance of drivers and vehicles.

Brewery is one of few Russian industries, which are competitive both on domestic and international market. Also, it does not give way to foreign competitors in respect of technology level, and since excise tax had been raised – it became very important industry in the alcohol beverage market in aspect of budget replenishment.

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