

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Russian Federation

**Post:** Moscow ATO

### **ATO Moscow Secures Market Access for USD 48 million in U.S. Spirits**

**Report Categories:**

Export Accomplishments - Other

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**Report Highlights:**

ATO Moscow, together with U.S. Embassy Moscow Trade and Commercial Officers, spearheaded a multi-faceted campaign to secure fair and transparent application of Russia's alcohol licensing regulations that saved one key importer from losing its license on March 13, 2011. Exports of U.S. spirits to Russia have been increasing, reaching \$47.8 million in 2010 (including exports from Puerto Rico).

**Narrative:**

Late in the fall of 2010, ATO Moscow was briefed by local contacts about the difficulties alcohol importers, distributors and local producers were having obtaining and renewing their wholesale (a.k.a. “activity”) license, which is required in order to import and distribute alcohol in Russia. Activity licenses are regulated by the Federal Service for Regulation of the Alcohol Market (FSR). Moreover, the ATO discovered that FSR’s implementation of its regulations disproportionately affected importers of foreign-made alcohol because the activity license is the first key step required to import and any delays or rejections would have had a domino effect. The activity license is a prerequisite for obtaining an import license from the Ministry of Industry and Trade, for acquiring excise stamps from the Federal Customs Service, and for securing the bank guarantee necessary to obtain product. This entire process takes roughly 120 days to complete, if all goes smoothly.

By the end of 2010, it became clear to the ATO that the industry’s fears of being denied a license were imminently real. FSR declared that license holders were not allowed to apply for a license renewal earlier than 18 days prior to the license’s expiration date. In addition, FSR established an excessively burdensome set of technical regulations that made it virtually impossible to pass the warehouse inspection necessary in order to renew a license (attached at the end of this report). Once a license is revoked, all goods are seized by FSR.

Under the “18 day” rule, importers would be hit hardest because of the additional steps required to do business, as outlined above. One American alcohol importer estimated that even if they were granted the license within the 18 day window, they would experience business disruption of at least three months with a resulting loss of approximately \$12 million.

Working in concert orchestrated largely by the ATO Moscow, the USG made inquiries through key channels. If not for these efforts, the first warehouse license renewal would have likely been rejected, paving the way for several more to come. As a result of our interventions, nearly \$50 million in American spirits exports are on track to continue their sales and growth in Russia.

**Technical Conditions**  
**in the Sphere of Production and Turnover of Alcoholic and Spirits-Containing Production as regards Storage of Alcoholic and Spirits-Containing Production, Packed in Consumer Package**

1. The present Technical Conditions define specifications of turnover of alcoholic and spirits-containing production as regards storage of alcoholic and spirits-containing food production (hereinafter referred to as Production), packed in tare which, according to requirements of Technical Regulations and (or) National Standards, is used for packaging of Production to be sold to consumer (hereinafter referred to as Consumer Package), in premises of organizations, possessing a license on carrying out of activities in the sphere of production and turnover of Production (hereinafter referred to as Licensee), or organizations having applied to the licensing body for the purpose of obtaining a license on carrying out of activities in the sphere of production and turnover of Production (hereinafter referred to as Applicant for License).
2. Production shall be stored in stationary, constructively isolated facilities, intended solely for carrying out of acceptance, storage, distribution and stock-taking of Production (hereinafter referred to as Storage Facilities), which meet the following specifications:
  - 1) are located in buildings (constructions) which meet the requirements, prescribed by the Federal law as of December 30, 2009 #384-FZ “Technical Regulation on Safety of Buildings and Constructions” (Code of Laws of the Russian Federation, 2010, #1, art. 5);
  - 2) are isolated from rooms for staff, subsidiary or other facilities by main walls or temporary building constructions (partitions), the height of which equals the Storage Facilities from floor to ceiling;
  - 3) are equipped by influx-and-extract ventilation with automatic engaging;
  - 4) are provided for with central heating or equipped by individual heat-generators, possessing certificates of conformity with safety requirements and permit of an authorized federal executive state body to be used on the territory of the Russian Federation;
  - 5) are equipped with measuring devices for temperature and humidity conditions of storage of production control (hygrometers-thermometers, psychometric hygrometers, psychrometers, thermometers, other measuring devices allowing to provide temperature and humidity control in the Storage Facilities). Working order of such devices shall be confirmed by appropriate records on check-up of measuring devices in passports of the devices. In case Storage Facilities consist of adjoining premises, the said devices shall be there in all such premises;
  - 6) are equipped with shelves and (or) pallets not less than 15 centimeters high from the floor, being located not less than 1 meter away from heating services, water and sanitary drain pipes;
  - 7) are equipped with lamps, possessing protective plafonds to prevent damage of lamps’ bulbs;
  - 8) window openings (if there are such) are equipped with protective devices (jalousie, ledges, other

protective devices) for protection from irradiation of surfaces and spaces by direct solar rays;

9) possess building units' location which corresponds to project documentation on the building (construction);

10) possess fire alarm installation, particularly being equipped with fire alarm, primary firefighting means. In case Storage Facilities do not possess an internal fire pipe-line and automatic firefighting installations, or the Storage Facilities' building is located more than 100 meters away from external fire water-supply, the premises shall be equipped by a fire panel.

3. It cannot be allowed on the Storage facilities' area of the Licensee (Applicant for License), conformed within examination of the organization for compliance with presented documents, to:

1) store production, not being alcoholic and spirits-containing food production, packed in Consumer Package;

2) place different types of Production on one pallet;

3) place Production, not ensuring free gangway to the Production stored.

4. Storage of Production according to its types shall be held out subject to the following conditions:

1) Russian cognac and brandy – at the temperature from 5 °C to 25 °C and relative air moisture not higher than 85 %;

2) alcoholic drinks – at the temperature from 10 °C to 25 °C and relative air moisture not higher than 85 %;

3) vodkas and special vodkas – at the temperature from minus 15 °C to plus 30 °C and relative air moisture not higher than 85 %;

4) low-alcohol drinks – at the temperature from 0 °C to 20 °C and relative air moisture not higher than 85 %;

5) wines and natural wines – at the temperature from 5 °C to 20 °C and relative air moisture not higher than 85 %;

6) wine drinks – at the temperature from 5 °C to 20 °C and relative air moisture not higher than 85 %;

7) champagne, sparkling and carbonated wines – at the temperature from 5 °C to 20 °C and relative moisture not higher than 85 %;

8) “Soviet” champagne – at the temperature from 8 °C to 16 °C and relative air moisture not higher than 85 %;

9) wine cocktails – at the temperature from 0 °C to 20 °C and relative air moisture not higher than 85 %.