

In Russia, new anti-smoking law alarms tobacco giants

May 30 2014, by Anais Llobet

Tough new anti-smoking legislation that comes into force on Sunday in Russia has dismayed cigarette companies as they face the prospect of declining sales and tighter regulation of their industry.

Russia was once seen as a key emerging market for the tobacco industry with its high number of heavy smokers keen to switch to Western brands, but from June 1 there will be a blanket ban on smoking in restaurants, cafes and hotels.

In the first stage of the ban, Russia last year outlawed smoking on municipal transport as well as in public spaces such as schools, administrative buildings and hospitals.

The stringent new law also bans all forms of tobacco advertising and requires that packs of cigarettes be hidden from customers at the point of sale. Smokers will have to choose their brand using a catalogue without images or logos.

"This is some of the harshest anti-smoking legislation in the world," said Alexander Lyuty, the communications director in Russia of British American Tobacco (BAT).

According to the state statistics agency Rosstat, the number of smokers in Russia—40 million out of a population of around 143 million—has remained the same since 2010.

Every year, 400,000 Russians die from smoking-related illness.

But Russia's smokers are gradually cutting down. Only 19 percent of smokers get through more than a pack a day, half as many as seven years ago, according to state polling agency VTsIOM.

In 2013, the tobacco market in Russia contracted 7.5 percent, Lyuty said.

The reasons included rising prices for packs of cigarettes, which Russia is taxing more heavily.

"In the last five years, taxes on cigarettes have grown by 25 percent," said Lyuty. A pack that cost around 25 rubles in 2010 is now sold for 59 rubles (\$1.70/1.25 euros).

The price still seems derisory to Western Europeans, but Russians with their lower spending power are already seeking out cheaper alternatives.

Rise of counterfeit brands

"As a result, the demand for fake cigarettes is growing," said Lyuty.

Fake or counterfeit cigarettes are designed to resemble well-known brands but sold much more cheaply.

Their sales more than doubled in the third quarter last year, reaching almost 20 percent of sales in some Russian regions such as Dagestan in the North Caucasus, which borders Azerbaijan, according to Rosstat.

Others are buying cigarettes smuggled from Belarus and Kazakhstan—where their sale price is 30 to 50 percent cheaper than in Russia, Lyuty said.

But despite the steady growth of counterfeit cigarettes, some in the tobacco industry said that their impact should not be overestimated.

"We are mainly talking about a very convenient excuse to hide our falling sales," said an employee at one of the major tobacco companies, asking to remain anonymous.

"The main concern of the [tobacco industry](#) participants in Russia is more and more harsh regulation of what we do for publicity, which prevents us from recruiting new consumers and therefore reaching our targets," the source said.

"We are being forced into invisibility," said one official at the US tobacco giant Philip Morris, who declined to give his name.

New law targets youth

The average age when Russian children first try smoking is among the lowest in the world, with some puffing on [cigarettes](#) from the age of 10 or 12, according to the Russian Union of Paediatricians.

It is the young who are the most sensitive to price hikes and a ban on advertising, meaning that these measures have had a stronger effect on them than on older people, said Roman Grinchenko, an analyst at Investcafe.

"As a result of the rise in prices, the tightening of regulation and the measures that the government is using to fight the promotion of smoking, the number of minors who are smoking has fallen," Grinchenko said.

The new measures made no impression on long-term smoker Irina Stonyakina, 42, who has smoked heavily for 20 years.

"I prefer saving money on food to stopping smoking, even if the price of a pack goes up five times."

"This new law won't lead to anything, even under the Soviet Union we didn't stop lighting up," Stonyakina told AFP.

The new legislation may not become truly effective until the depths of winter when smokers find themselves forced to light up on pavements in freezing conditions outside cafes and restaurants, said Maxim Korolyov, an analyst at Russia Tobacco Media Group.

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