

# WINES OF ARMENIA: CURRENT STATUS AND FUTURE DEVELOPMENTS

## MOTIVATION AND OBJECTIVE

Armenia counts its history of producing wine not into centuries, but rather into millennia. After years of negligence, the wine industry in Armenia is currently experiencing a renaissance. Ever since 2007, when the Areni-I cave complex was discovered in the Vayots Dzor region of Armenia—bearing evidence that wine was made there as early as 6,200 years ago—Armenian wine is in the spotlight of not only local winemakers but now also renowned and prominent names in the world of wine. Over the last decade the wine industry has seen large investments and witnessed growth in terms of production, consumption and export.

Taking into account the renewed interest towards Armenian wines and the need for increasing their international awareness, the motivation for choosing this topic was to get more proactively involved in the research of the industry by analyzing the current state of the wine market in Armenia, evaluating its potential for export, and elaborating strategies for further development.

The objective of this paper is to:

- Identify the current progress and performance of the wine industry in Armenia, including existing barriers for competitiveness
- Using SWOT analysis, evaluate the potential for Armenian wines on export markets, which depend on many factors from choices in the vineyard to the point of sale
- Based on the analysis, elaborate strategies and recommendations for export for a premium wine producer in Armenia

## METHODOLOGY

The following research represents the synthesis of various sources of information. The statistics, current state, weaknesses and strengths of the Armenian wine sector emerge through an analysis of primary data from own sources as well as secondary data from the Armenian National Statistics Service, Customs Service of Armenia, UN Comtrade database, Vine and Wine Foundation of Armenia, and others. The opportunities and threats result from the analysis of the global wine scenario, obtained through an elaboration of the data from the OIV, FAO, Euromonitor, Wine Intelligence, and others. Use of the differentiation strategy is based on Porter's generic strategies. Industry updates, reports, books, reviews of Masters of Wine, articles in international wine magazines served as basis for the research analysis as well.

## CONTENT

**Section a):** Introduction: At first, an overview of Armenian wine industry is presented, including a brief overview of the history and progress made since the collapse of the Soviet Union.

**Section b):** Actual state of the industry: facts and figures. This section presents more in depth the actual state of the industry, the trade and consumption data, including import and export market analysis and local consumption statistics.

**Section c):** This section carries out the evaluation of the potential for Armenian wine on export markets, using a SWOT analysis.

**Section d):** On the basis of the SWOT analysis, this section deals with strategies and recommendations for a premium wine producer in Armenia looking to sell their wines on export markets.

**Section e):** Conclusion and personal commentary.

## **CONCLUSION**

As this research has shown, Armenian wines have several competitive advantages and opportunities that can develop its potential on export markets. In the saturated global wine market, Armenia could utilize the 6,200 year-old history of winemaking, the concept of terroir and high elevation vineyards, use of traditional *karases* and local oak barrels for niche product positioning. Growing worldwide demand for quality rather than quantity of wines opens a new window of opportunity for niche products.

Nevertheless, at the same time, the industry is facing many threats and challenges, which sum up to underdeveloped viticulture, high production costs, limited capacity of production, threat of phylloxera outbreak, which put it at risk for future growth.

In export terms, the industry needs export diversification. Of Armenia's total wine exports in 2019, 75% of volume and 68% of value came from trade with Russia. Economic situation of this country and the political risks in the region remain one of the main challenges for Armenian wine sector. Among strategically important markets USA, China, Belgium, Poland and Japan should be considered.

Strategic quality choices need to be made at both private wineries and government level. Wineries should concentrate on quality and engage in an on-going and consistent effort for successful development of international markets. At government level, there is a need to invest in the research and development and to finalize a policy to deal with the threat of phylloxera.

To conclude, it is undoubtedly an exciting time for wines of Armenia, and there is still much potential to unleash, but the industry has some strategic choices to make in order to guarantee future success.