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Armenia, Republic of

Product Brief

Wine Market

2004

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Report Highlights:

Armenian wine production is increasing in terms of quality and quantity. Still, demand exceeds supply, especially for high quality wine, and niche markets for imported wine can be developed through targeted marketing to those specific segments of the population with higher incomes and discerning tastes, and through restaurants and hotels.

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Section I. Summary

Wine is popular amongst nearly all Armenians, and most demand is met by the growing local industry. Output and quality are not yet sufficient to meet either the demand for volume or desire for quality, but there has been a rebirth of the industry following the relaxation of official government policies in the 1990s that restricted output and consumption, and a recognition of the cultural importance of this product and the role it can play in economic development. Further, new or expanding wineries are offering a wider range of products and paying a lot more attention to bringing their product up to international standards.

Imported US wine will find competition with the local industry and product brought in from neighboring countries (especially Georgia) is stiff, but a small segment of the market is expected to be willing and able to purchase high quality US wines. The linkages between the Armenian Diaspora located in the United States and local businesses could be a valuable tool in developing the market and consummating trade, too.

To date, US wine has been placed on the market in only very small quantities and limited varieties. There are several international hotels located in Yerevan that may also serve as an entry point for American wine, and the expanding supermarket sector and upper scale restaurants may offer additional opportunities. The international community, including expatriates and returning Diaspora, will also boost demand for high-quality imported wines.

Table 1. Advantages and Challenges in the Armenian Wine Market

Advantages	Challenges
The United States can export a high-quality product	Most wines on the local market are low price; US wines may only be purchased by a small segment of the population. Generally low per capita income
The United States has a wide variety of wine types	Local production, both for quantity and product range, is expanding, and quality is improving
Imports are only about three percent of the market, so there is room for expansion	Wine is usually purchased for special occasions
The United States can supply aged barrel wine, which Armenia can't yet produce effectively	The average price of a bottle of local wine is about three dollars

Section II. Regulations and Policies

According the Ministry of Trade and Economic Development, the government does not regulate the import of commodities into Armenia, except for normal customs clearance procedures, and any legal entity involved in commercial activities may import. Armenia does test imported products for quality; a sample of the product is sent to the State laboratory for testing and certification, which normally takes 1-2 days. This test is required even if the product has an international quality certificate.

Regarding taxes, wine importers must pay an excise duty of ten percent of the invoice cost of the commodity, but not less than 100 Armenian Drams (about 15 cents) per

liter. In addition, a VAT of the sum of customs duty, customs price, and excise duty, is also payable.

Section III. Consumption and Market Sectors

Armenian wine consumers prefer full-bodied reds and sweet wines, which are often purchased for home use and special occasions. Imported wines are considered by many to be exotic and their quality is believed to be more consistent than domestically produced wine. Although US wines are known for their quality, competition from Australian, French, Spanish, and Chilean wines is also present and strong. In addition to wine, imported product must also compete with vodka for consumer attention.

With tourism an important and emerging industry in Armenia, quality wines can also be found in the hotel and restaurant sectors. Consumers that frequent these establishments can be expected to be discerning and have higher income levels which opens up a niche market for American product.

Section IV. Promotional Activities

American companies have not developed or implemented marketing activities for wine in Armenia. To effectively promote US wine, experts recommend providing brochures and other point of sale information. Wine tasting would also be an effective activity. Given that restaurants and hotels would like to offer a wide selection of quality wines, working with these entities would also put American wines in front of consumers. Finally, Armenian wine producers have not consistently branded their product, which reduces sales for individual firms. American companies can take advantage of this situation by providing consistent name recognition.

Section V. Post Contacts and Further Information

The Foreign Agricultural Service, through its office in Moscow, will work with American exporters to identify market opportunities. Another entry point into the Armenian market would be to work with the American Chamber of Commerce in Yerevan. They can be contacted at the following web site: <http://www.amcham.am/>. The exporter should work closely with a knowledgeable importer, and coordinate with a reputable local representative, to successfully export wine to Armenia.

CONTACT INFORMATION FOR FAS OFFICES IN RUSSIA AND THE U.S.

U.S. Agricultural Trade Office (Covering Armenia, Belarus, Georgia, and Russia)
American Embassy
Bolshoy Devyatinskiy Pereulok 8
121099 Moscow, Russia
Tel: 7 (095) 728-5560; Fax: 7 (095) 728-5069
E-mail: atomoscow@usda.gov
Eric Wenberg, Director

For mail coming from the U.S.:

Agricultural Trade Office
PSC 77 AGR
APO, AE 09721

For international mail:

Agricultural Trade Office
U.S. Embassy - Box M
Itainen Puistortie 14
00140 Helsinki, Finland

USDA/FAS AND ATO PROGRAMS AND SERVICES

The Foreign Agricultural Service and the Agricultural Trade Office/Moscow offer a variety of programs, services, and information resources to help U.S. exporters of food, beverage, and agricultural products learn more about the Armenian market, establish initial contact with Armenian buyers, and promote their products in the local market. Following is a partial listing of programs and services:

Trade Leads are direct inquiries from Armenian buyers seeking U.S. sources for specific food, beverage, or agricultural products. U.S. companies can receive these Trade Leads by contacting the AgExport Services Division, FAS/USDA or by visiting the USDA/FAS Homepage (see contact information at the beginning of this section).

Buyer Alert is a bi-weekly publication providing information on specific food, beverage, and agricultural products offered by U.S. exporters. U.S. companies may place ads in Buyer Alert by contacting the AgExport Services Division, FAS/USDA (see contact information at the beginning of this section).

U.S. Supplier Lists are drawn from an extensive database of companies that can supply a wide range of U.S. food, beverage, and agricultural products. The ATO Moscow supplies these lists to Armenian importers on request. U.S. companies that wish to be included in this database should contact the AgExport Services Division, FAS/USDA (see contact information at the beginning of this section).

Foreign Buyer Lists are drawn from a database of Armenian importers dealing with a wide range of food, beverage, and agricultural products. U.S. companies can order these lists through the AgExport Services Division, FAS/USDA (see contact information at the beginning of this section).

ATO/Moscow also coordinates U.S. participation in local trade, sponsors supermarket and menu promotions, provides support for trade missions, and can help arrange appointments for first-time visitors to Armenia. For more detail on these and other programs or activities, please contact the ATO/Moscow (see contact information above).

The FAS website (www.fas.usda.gov) is an excellent source of information on other USDA/FAS export promotion/assistance programs, such as the Market Access Program (MAP) and Credit Guarantee Programs, as well as a wide range of information and reports on market opportunities for U.S. food, beverage, and agricultural exports world-wide.