

## Life is Too Short to Drink Bad Wine

Viticulture is indispensable part of Armenian agriculture and generally for economic growth.

Thousands of farmers are involved in viticulture; hence the government authorities put strong emphasis on the processes of purchasing and pricing grapes.

The yield of grape crops may vary from year to year. It can be abundant and of high quality for one or two years and then poor or low quality the next year. However, there are several other reasons, which irrespective of weather will continue to affect viticulture. One of such factors is the low level of competition in grape processing sector. Such a low level of competition negatively affects on grape price formulation for thousands of farmers leading to low income and poverty. That is why viticulture and small scale, family level boutique wine making has been in the front line US Government support programs in Armenia, including USDA technical and financial assistance projects for many years.

In countries which are famous for wine production, such as France, Australia, Argentine, or Napa Valley in the USA, one wine producer is allocated around 50-60 hectares of vineyards in average. Out of 1,798 wine producers in Australia, only 67 are processing more than 5,000 tons of grapes. More than half of them which comprises 996 small businesses are processing 20-50 tons of grapes every year. In Armenia, the ratio for a wine maker/vineyard is 500 hectares in average. However, if we look only at Vayots Dzor region, the average size of a vineyard per one registered wine producer is around 70 hectares. It should be mentioned that quite a few households in Areni, Rind, Aghavnadzor and Malishka villages in the region also make wine for their home consumption needs and selling it on the roadside markets.

Due to notable level of competition in the region of Vayots Dzor, price of grapes does not exceed 200 drams per kilogram, while some years ago the price was around 300-350 drams. It is noteworthy that in order to secure sustainable purchase of grapes, the winemakers of the region provide access to financing, fertilizers, diesel and pesticides for the farmers.

Competition between farmers in Vayots Dzor has been fostered through implementation of projects for establishment and development of small, family owned wine producing plants, carried out by US Department of Agriculture.

The level of wine consumption depends on various factors, such as household income, educational, cultural and national traditions of the population.

An important regressive factor for the development of viticulture and wine production in Armenia is the low wine consumption tradition. As it turns out, Armenians drink more vodka than wine. This might be one of the outcomes of Russian influence over the years. We are all fond of telling our foreign guests about Noah, traces of wine found in the ancient Erebuni pitchers, finding the first winemaking tools in the cave near Areni village etc and Soviet time achievements. And it is noteworthy to call attention to the fact that during Soviet period, anything that contained alcohol could be considered spirits in the inaccessible Soviet market.

Armenians /per capita/ drink not less vodka than many Nordic nations. Compared to countries situated on the 30-50° latitude like Armenia, which are wine producing countries of the Mediterranean and Black Sea region, we consume more vodka (which is around 10 liters per capita in Armenia), but drink significantly less wine. Wine consumption per capita in Armenia is equal to 1 liter, i.e. 10 times less than vodka, whereas in such famous wine producing countries as France and Italy wine consumption per capita comprises more than 60 liters. Countries with high living standards, for example Denmark, Holland, England and Belgium consume 20-30 liters, the USA and Canada around 10 liters and the neighboring Georgia around 20 liters of wine per capita.

This data shows that there are good perspectives for increasing wine consumption and subsequently foster its production in Armenia by two, four and even ten times (hopefully not due to the imported high quality wines).

However, the major prerequisite for implementing such plans is to produce quality wine and introduce the culture of wine drinking among Armenians.

Wine festivals and exhibitions should be organized in Yerevan and other major cities. Various wine tasting events and school of Sommelier needs to be operating year around. Multiple magazines on wine production, consumption, culture of wine drinking need to be translated and published. Furthermore numerous wine supermarkets and restaurant networks need to be established.

Due to the support of the US Department of Agriculture, various projects are implemented in Armenia as well, which are aimed at promoting wine consumption, such as festival of “Areni wine” in Areni village, which has become a traditional event. Experts invited from the region of Bordeaux, France, USA, California, have organized courses of wine tasting in restaurants and supermarkets. USDA has provided assistance with the establishment and operation of the first specialized shops for wine retailing, and the publication of the first monthly journal “Sommelier”.

There is another direction which needs to be developed in order to foster viticulture and wine exports. Consumption of wine in Russian market, which is easily accessible for Armenia, totals around 10,012 liters annually, and Russia is among the 10 top wine consuming countries of the world. In terms of wine imports Russia takes the 5th place in the world, after Germany, England, USA and France. However, all efforts taken by Armenian wine producers in the last 10 years with the view of having a market share have failed to have the expected results.

After Russia prohibited imports of Georgian and Moldavian wines, which annually totaled around 300 million bottles, it seemed that Armenian producers could use the opportunity to increase their exports to Russian market. However, other countries, such as Bulgaria, Romania, Czech Republic, as well as the remote Chile, Australia and South African Republic used this opportunity much better than we did. Suffice it to say that it costs around US\$ 4,000 million to transport one container of wine to Moscow from the Republic of South Africa, while transportation of the same volume of wine from Armenia costs more than US\$ 5,000 and this is

to say nothing of various problems which freight forwarders face on the border between Georgia and Russia.

Competition in Russian markets is rather strong, particularly given that our wines have lower quality and the exporters have smaller production capacities. In addition, there are only few companies that sell Armenian wines in Moscow. One of them, Areni CJSC, was founded and promoted in Moscow due to a significant support of the USDA Yerevan office, which financed the first 5 exporting lots. Areni CJSC were also supported to participate in various exhibitions and fairs in Moscow, to arrange wine tasting events in Moscow supermarkets as well as to do different promotional events.

Which are the possibilities for developing viticulture and wine production in Armenia? To our point of view, currently it is not feasible to compete in terms of producing large volumes of cheap and low quality wine. Given the scarcity of land resources available for the organization of wine production, it is necessary to encourage production and sale of high quality wines which may cost around 10-20 USD.

What should be done to produce such wines? According to UC Davis Department of Viticulture and Enology in California, 70% of the bottled wine quality is related to the quality of grapes, while the remaining 30% relates to the contribution of the producer, adequate equipment, technology, etc. In other words, in order to produce good quality wine, one should grow good quality grapes. And to succeed, several conditions should be met, such as choosing adequate land plots and grape varieties, set up the vineyard appropriately, treat crops with care and collect the harvest skillfully. In other words we should be able to pass from the traditional viticulture and to modern style production.

Perhaps, in the future it would be possible to produce high quality wines from the domestic grape varieties, however as the experience proves, there are not more than 5 or 6 varieties of grapes from which the most prominent wines are produced. Those are Cabernet Sauvignon, Merlot, Shiraz, Chardonnay and few others. That is why, while the majority of the Argentine and the USA wine producers have Italian roots, they do not grow Sanjiovelli or Nebioli grapes in their vineyards.

To fill this gap and increase the diversity of the market for farmers, winemakers and consumers, USDA established a small nursery in Taush region, not far from Ijevan and introduced US phylloxera free rootstocks as well as world famous grape varieties, such as Cabernet Sauvignon, Merlot, Shiraz, Pinot Noir, Chardonnay and Sauvignon Blank.

To arrange the overall process properly, skillful experts are needed. The world centers of viticulture and enology training are Bordeaux and Montpellier schools in France as well as Department of viticulture and winemaking at UC Davis in California. Those schools had a substantial contribution in the remarkable development of viticulture and enology throughout the world over the last 40-50 years. The huge scope of the existing scientific and educational literature is predominantly in foreign languages and therefore not accessible for many students and specialists. The issue of teaching students foreign languages properly in order they could get acquainted with such literature as well as to have trainings in Italy, France or the USA is very urgent.

Positive impact of viticulture on Armenian economy would be much stronger if a challenging strategy is designed and investments in this sector are promoted. The strategy should be based on the types of wines and the selection of the most suitable markets rather than the expected yield from a hectare of land as it was the case in late 90s. In order to produce good quality wine we *should not* prioritize the high yield. To control the level of crops the best producers perform “green harvest”.

The USA managed to register a breakthrough and noteworthy achievements in viticulture in a very short period of 50-60 years and became one of the world leaders in this area.

They were able to implement all their goals by creating a sound educational and scientific environment, as well as by promoting free competition and favorable business environment.

The first big winery in Napa valley of California was established as late as in 1966 by Robert Mondavi. Today, according to 2008 international statistics, the wine producing industry in the State of California ensures around US 61.5 billion revenue, while the whole turnover of the country on wine industry reaches up to 121.7 billion , enabling creation of 820,000 job places in the USA, of which 330,000 in California and 490,00 elsewhere throughout the country. Paid salaries total US 25.8 billion, of which 12.3 billion in California and US 13.5 billion elsewhere. Profit gains from viticulture tourism totals US 2.1 billion. This result is obtained from 190,000 hectares of vineyards and 2,843 wineries. The ratio per grape processor is around 65 hectares of vineyards in average.

These data shows how important grape production and wine making for the countries’ national economy is and why public institutions should create competitive environment and should invest in education.

Many wine producers in California contribute significantly into educational and research programs in the area. The charity funds of California wine producers totaled more than 101.5 million USD in 2008. Only Robert Mondavi donated more than 20 million USD to Viticulture and Enology School of UC Davis University.

Our wine and brandy producers should also be able to implement projects aimed at financing creation of viticulture and enology school and the research center, increasing public awareness and supporting overall export promotion which would have a significant positive impact over whole wine industry in Armenia.

Gagik Sardaryan

Director of CARD Foundation

MS in Ag Economics and Management Sciences

PhD in Agriculture