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"Influence of Foreign Direct Investment on the Armenian Wine Business"

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Affirmation/ Eidesstattliche Erklärung

Hiermit erkläre ich an Eides Statt, dass ich die vorliegende Bachelor-Thesis:

„Influence of Foreign Direct Investment on the Armenian Wine Business"

selbstständig und ohne fremde Hilfe angefertigt habe. Ich habe dabei nur die in der Arbeit angegeben Quellen und Hilfsmittel benutzt

Ort, Datum Unterschrift

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List of Abbreviations

CARD	Center For Agribusiness and Rural Development
CEEC	Central Eastern European Countries
CIS	Commonwealth of Independent States
GDP	Gross Domestic Product
FDI	Foreign Direct Investment
HL	Hectoliter
L	Liter
ICARE	International Center for Agribusiness Research and Education
TH	Thousand
VAT	Value Added Tax
VC	Vertical Coordination

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1. Introduction

1.1 Objective

Armenia, as a transition country, has undergone tremendous structural changes since its independence. The move from a planned economy towards privatization has affected every field of business.

State controlled prices, trade and value chains in agriculture and in other commodity chains were removed, so that a transformation in all economical sectors is noticeable. Due to that, business environments changed greatly since independence and strong influences on markets in terms of modernization and developments take place. The local economies, food markets as well as demographic structures were influenced by economic growth. It leads to a growth of wealth, new orientation of customers' needs (SWINNEN, 2006) and an increased inflow of investment within the country and from abroad.

Impacts are mirrored in a transformed production environment. Producers in Armenia face new challenges, as market needs change. Still, the overall importance of the agricultural sector in Armenia remains high, so does the importance of grape production and processing. It is distinguished by a traditionally large number of small scale grape growers; while parallel to that a growth of new market participants, from Armenia as well as from other countries, occurs and effects overall business environment. Such as direct investments from Argentina, which were the first to introduce big scale grape produce focusing on international varieties and using machineries - or from France, which were the first to introduce control contracts, providing trainings for the grape growers and emphasizing on quality produce. It is expected that the presence of these market participants will lead to spillover effects on the entire wine business.

The thesis expounds in what way the Armenian wine business is influenced by foreign direct investments and in what way its responds are shown - as a representative of a transition country.

1.2 Approach and Structure

To approach the influence of FDI on the Armenian wine business, the thesis is divided in four sections. The first section analyzes the business structures within transition countries, defines FDI and puts it in context. Based on this, Vertical Coordination is analyzed as it existed in the systems of planned economies. It nowadays emerges as a key driver of economic development, modernization and changes, as it interlinks the stages of production, processing, and marketing of a commodity and vertically manages it, so that "decisions about what to produce, and how much, are communicated as efficiently as possible" (IVERSON).

Following this a closer look on Armenia is set in the second section: A description of the wine market state, its production and marketing structure. Constraints, developments and trends are pointed out. Through this, the role and importance of contracting and its different forms is addressed.

The third part of the thesis is an empirical research under which the theoretical background is scrutinized and aspects are emphasized. The interviewees' choosen are people in direct contact with the industry. They are highly aware of current changes, that might not appear on statistics yet, and give extended insights.

Section four concludes results examined, identifies possible market trends and expounds in what way the Armenian wine business is influenced by foreign direct investments and in what way its responds are shown.

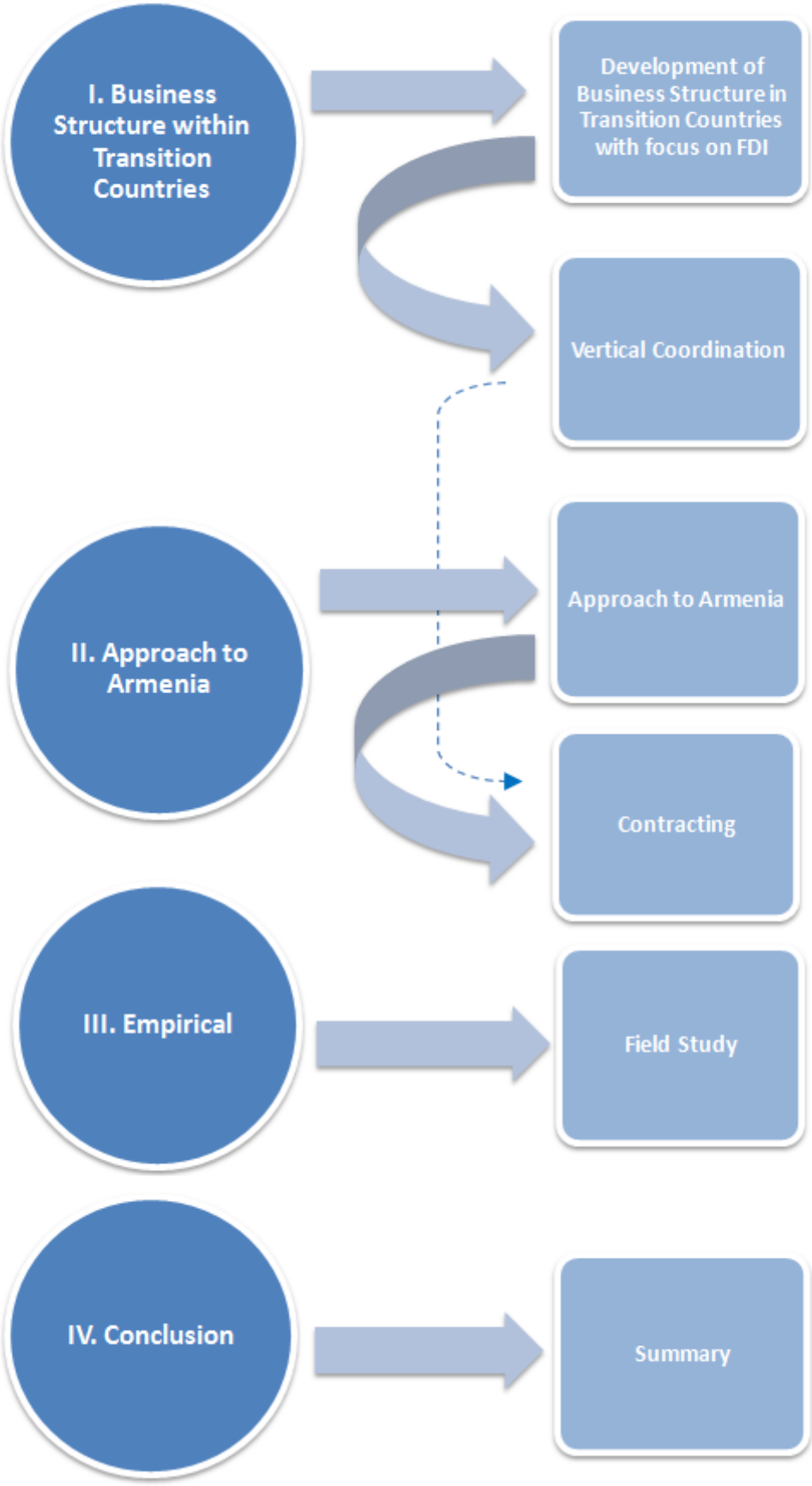

Figure 1 - Thesis Structure

2. Development of Business Structures in Transition Countries with focus on FDI

The Business Structures found within transition countries have undergone great changes since the fall of the Soviet Union. The move from a planned economy towards privatization has affected every field of business. To give a overview, section 2.1 shows the aspects of general business environment, structural changes and the surrounding conditions of Foreign Direct Investment (FDI) within transition countries, section 2.2 then defines FDI, its scope and puts it in context.

2.1 Surrounding Conditions of FDI within Transition Countries

Since begin of transformation, coming from a planned economy towards privatization, great changes took place in all economical sectors within the former Soviet Countries. State controlled prices, trade and value chains in agriculture and in other commodity chains were removed as well as the state controlled "vertical coordination in the chains", which left the region with an "economic vacuum". (GAGALYUK and HANF, 2009)

The local economies, food markets as well as demographic structures were influenced by economic growth. It leads to a growth of wealth, new orientation of customers' needs and urbanization. (SWINNEN, 2006)

Privatization and liberalization influenced not only business environment within the country, but also shows global effects so that the first steps of internationalization could take place- as the "newly opened markets" held attractiveness. (SWINNEN, 2006, p. 4 f.) Investments were decontrolled and the purchasing environment began a modernization process. The noted changes are rooted in various aspects that effected transition countries. DRIES ET AL. (2004, in GAGALYUK and HANF, 2009) notes four main aspects that are of great influence throughout the transition period. Firstly, trade liberalization: new trade partners are located, which not necessarily belong to former Soviet Union, which leads to a great overall new orientation within transformation countries. Secondly, liberalization of investment "regimes": The opening of investments paved the way for foreign businesses to enter the markets and to invest. This path is interlinked with actors along the distribution chains as new investment

models need to be supplied and supplies need to be produced. The rise in number of international retail chains in transition countries is a result from the influence of FDI within this field. Thirdly, the worldwide traded products undergo structural changes and fourthly, a growth of product demands takes place. A rise in quantity needs on one side and a rise in quality requirements on the other side occurred. It led to up new challenges for producers globally. Often quality standards are set by western markets, which influence producers worldwide. The resulting internationalization can be differentiated in either a basic import/export relation between foreign and local companies, the founding of an associated company or a strong linkage between both through cooperatives in form of joint ventures or similar contractual bindings. (STANGE, 2010)

Strong influences on markets in terms of modernization and developments take place. Either new companies are founded or international companies "export" already existing business models, which were successful in other operating countries, and try to implement their strategies in new target markets. These business models are adapted to a certain extend to new market needs, according to local demands on product categories and preferences of customers. As new models are implemented, food safety and quality requirements of international companies also are "exported". (HANF and PIENIADZ, 2007) Market developments and new market requirements bring major changes; according to DRIES ET AL (2004) to a move away from "store by store" towards national operating procurements and a regionalization of enforcement within a country takes place, to ease wide operating coordination for businesses. Also, wholesale dealers are preferable worked with instead of traditional sellers, which results in a favored "supplier system". This way it is easier to ensure the maintenance of grown quality and safety standards, too. Also, common problems as of unreliable delivery, often due to the lack of infrastructure found, and other difficulties occurring while purchasing directly from small producers, are avoided. In addition to that global functioning logistic firms are frequently reverted to overcome supply shortages or overall delivery problems.

So far, the adaptation of business requirements to international standards is not entirely developed yet. The approach of producers formerly was and in many cases still

is put rather on production of volume than on quality. As in “transition period, initial vertical ties did not aim to resolve this issues”. It was common that in order to reach full production capacities, farmers often are offered “commodity credits” (SWINNEN 2006 IN GAGALYUK and HANF, 2009, P. 113), which ensured the quantity of supplies from production side. It led to a “shortage of quality supplies” (GAGALYUK et al., 2010, P.6). Lacks of input and knowledge exist, too (GAGALYUK et al., 2010).

Within the retail sector, internationalization of transformation countries undergoes different stages, depending on the market environments. DRIES ET AL. (2004) speak of “three retail waves”. The first wave is characterized by countries that are strongly in the process of modernization and show the highest development of a modernized retail structure. Nations such as: Hungary, Poland and the Czech Republic belong to the first wave countries. In these nations supermarkets grew from a market share of 5% in the mid 90s to 40-50% in mid 2008. Nowadays the main actors are foreign companies. Quality standards are same to the ones found in western countries. Due to their price advantage, first wave countries function in supply of western companies, as far as they reach quality demands and requirements. This form of globalization, effects supply chain management, in terms of buyer-supplier coordination, greatly (GAGALYUK and HANF, 2009). Second wave countries are distinguished by a share of supermarkets between 20-30% in mid 2008, Bulgaria and Croatia count to them. SWINNEN ET AL. (2004) state that these countries are about 5-6 years behind the first wave countries. Although supermarkets are also found in rural areas, the greatest share is located in urban areas. Russia and the Ukraine belong to the third wave countries. There, supermarkets show the lowest level of market penetration by foreign companies and still remain a “luxury niche product” with a market share of 5%.

A lack of trust in business relations is another major issue many transition countries face. In transition period many farmers experienced that businesses were not able to pay, so they were forced to supply outside the networks, to reach better prices or prompt payments. Still, according to an interviewee “business environment is highly volatile and it can be difficult to find reliable partners. It still is common that small enterprises do not use contracts at all. (GAGALYUK and HANF, 2009)

Within transition countries, on the production side, traditionally two different levels of production structures are found. The business environment shows a combination of big companies and small private producers. The first group, big companies, emerges from former cooperative systems and state owned businesses. In Russia this group produces 2/3 of the entire production volume of the agri-food industry within the country with an average farmland size of 5.000ha and a primely vertically organized structure (See Chapter 2 - Vertical Coordination). The second group, private farmers form the biggest share of producers in Russia, with a comparable low level of farmland of 0.44 ha per average farm. (BELAYA AND HANF, 2010) Traditionally, these types of businesses in which production and households are strongly linked still exist as a result of the agricultural oriented planned economy. This partition, the co-existence of big and small producers, is referred to as a "dual agriculture". The share of small producers is very high in comparison to the small size of cultivation area. For example in 2005 in the Czech Republic: 10% of the existing big scale agricultural producers cultivated 88% of the countries agricultural acreage. (STANGE, 2010) Often they produce on local level, selling to private customers or local markets and have, due to well functioning private networks, cheap or free of cost access to input factors such as fertilizer and feed. A third group, the medium sized private producers emerges as a "new" group since the start of the transition period, because of new options of financing and land availability. Their average size of production area in Russia is 81 ha. The group of medium sized farmers in Russia shows a similar development and possibilities of financing within agricultural sectors in the Republic of Moldova. A reduction of state control in food markets, as a result of privatization, and an opening of markets for national and international investments is evident. "Agricultural Post Privatization programs" are implemented, such as the development of a "credit system for Agricultural Producers "or a "mortgage lending program". (IMF, 2007 IN GALINA, 2010) In terms of globalization this group of small and medium enterprises (SME) can contribute highly to new market developments. Either by functioning as a collection point for bigger producers or by producing directly for the markets, while obtaining new quality standards.

Overall it can be said that development of the agricultural sector in transition countries is distinguished by a structural change in different directions. In general a change is

implemented in order to expand the company. Following different development strategies are found: Horizontal expansion is the first kind. This type expansion takes place on the level of participants within the same stage of a value chain. Then, vertical expansions - as the second expansion strategy occurs, when a higher or lower-ranking stage in a value chain is added. The next level of expansion strategies is geographical, including FDI. The fourth form of an expansion strategy is not interlinked with the ones named above, as it is an independent level, a conglomerate that is added. (STANGE, 2010)

Globalization and international influences are of great importance in transition countries. Since, according to OECD (1996, P.7) "FDI has assumed a crucial role in the internationalization of economic activities", the next section analyses this factor and gives deeper insights.

2.2 Foreign Direct Investments

Internationalization in business environments gains more importance as globalization takes place. A wide range of different types of internationalization can be found reaching from cross-bordering trade to establishing a new business location within a foreign country. There are no strict crossovers; rather transitions of levels of internationalizations are fluent. It is also possible that in one company several forms of internationalization co-exist. Mainly the differentiation of these is measured by the extent of capital- and management input. Also external aspects such as branch and country specifics, which set the competitive environment and the legal framework within the country, are important for businesses to consider. The level of control that is objected is a main aspect of joint ventures and associated companies; mostly these result from Foreign Direct Investments (FDI). (STANGE, 2010)

Therefore, FDI plays a major role within business environments. Throughout the transformation process, the former Soviet Countries experienced a "large inflow of FDI in the region since the mid 1990s" (KONINGS, 2001). The following section firstly gives a general definition (2.2.1) then puts it in context of transition countries with focus on Armenia (2.2.2).

2.2.1 Definition and Scope

Defining investment, it can be differentiated in two types: Portfolio- and direct investments on national as well as on international level. Portfolio investments focus on investing capital in order to receive rates of return from economical success. Therefore, in portfolio investments no influence or control to manage assets takes place. Where else in direct investments the objective is put on taking influence on business management and economical decisions of the invested company. One speaks of FDI, if an investor based in one country undertakes investments in another country. The WTO (1996) describes FDI as following:

"…an investor based in one country (home country) acquires an asset in another country (the host country) with the interest to manage the asset. The management

dimension is what distinguishes FDI from portfolio investment in foreign stocks, bond and other financial instruments"

The OECD (1999) elucidates in its Benchmark Definition of Foreign Direct Investment, further that not only the interest in the focus on "significant" power over the business management, but also "the existence of a long-term relationship between the direct investor and the enterprise". Additionally, a direct investment enterprise either as a stock cooperation or a non-stock cooperation is referred to, if 10% or more are "owned by a foreign investor". Because at that level, investors are able to actively participate or influence in management activities. (OECD, 1999)

Foreign Direct Investments appears in two different types: In Greenfield-Investments or as Mergers and Acquisitions. Greenfield Investments are referred to, when already existing facilities are either expanded or new business units are erected. Mergers and Acquisitions take place, when assets of the local business are transferred to the foreign investor. (STANGE, 2010)

The reasons for foreign companies to set up a branch within the invested country are various. Though, two types are most common: either they invest in production units to supply foreign or local markets, or companies invest in order to establish new sales markets. (AHREND, 2000 in BELAYA and HANF, 2010)

2.2.2 Foreign Direct Investment in Transition Countries

FDI plays a key role of economical development, especially throughout the transformation process, when former Soviet Countries were integrated in globalized trades and investment markets (BELAYA and HANF, 2010). Although, theoretically FDI is not needed to successfully close contracts and supplier assistance programs, it "has been the most important driving factor behind these programs" (SWINNEN, p. 44, 2005). SWINNEN (2005) adds that it is the initiator of change and institutional innovations. Also, Vertical Coordination in agri-food supply chains is often fostered by FDI, as it helps to overcome market weaknesses, such as access to input factors. (SWINNEN and VANDEPLAS, 2007) In the beginning stages, when FDI flows in a country, strong differences between foreign companies and local companies exist. Though, spillover effects take place and

throughout the time local companies adapt and close the previous gap. (CUNGU and SWINNEN, 2003; SWINNEN, 2005)

Various factors influence companies, when it comes to the question whether to invest in a foreign country or not. Two driving forces are essential throughout this decision making process. KACKER (1985) refers to them as "push" and "pull" factors. Both essentially linked to location factors, mainly from where the investor originates and where investments flow to. On one side push factors are found, when originating markets are oversaturated and companies face high limitations in terms of price, and expansion factors and high running expenses. Sometimes, legal boundaries are also limiting. The local market then appears unattractive, so that businesses experience a *push* away - towards new markets. Pull factors on the other side, are found within attractive markets environments. Often countries of growing economy and high consumer acceptance appear *pulling* to new foreign investments. Transition countries are of high attractiveness, as the downfall of the Soviet Union and the transformation towards privatization had opened highly unsaturated markets that were ready to accommodate new forms of businesses in terms of foreign investments. The structures found in already existing big companies can be looked at as the ideal initial situation for investments.

The Central and Eastern European Countries (CEEC) vary greatly in the amount of FDI flown in the country since privatization. High investments are found in nations that were comparably fast in establishing reforms and easing liberalization. Hungary, Poland and the Czech Republic belong to this group. Where else in Russia and the Ukraine the process of Foreign Investments was relatively slow. In the Ukraine this was mainly the case, because especially within the agricultural sector investment barriers and difficulties in the legal systems hindered or caused mal experiences. (STANGE, 2010)

The ARMENIAN STATISTICAL YEARBOOK (2010) shows that in Armenia in the period from 2008 to 2009 the total gross inflow of foreign direct investment grew from 2.132 to 2.710 Million USD. In comparison to this shows UNCTAD contrary figures that reveal an inflow in 2008 of 3.521 Million USD and in 2009 of 3.628 Million USD. In both, it shows a growing trend of receiving FDI within Armenia. A comparison to the neighboring

countries shows that in 2009 inflows to Georgia are more than twice as high and in Azerbaijan inflows almost three times as much.

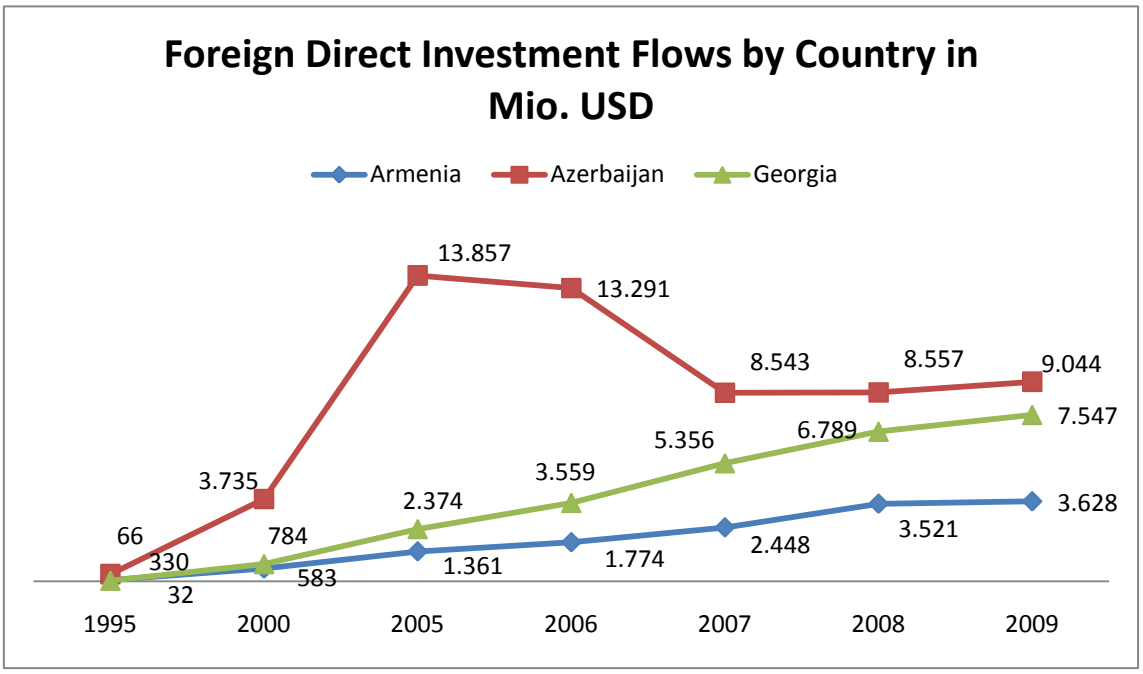

Figure 2 - Inflow of FDI by Countries (based upon UNCTAD)

The gross inflow of FDI in Armenia to the private sector took a share of 59% in 2008, though reduced to 35% in the following year. The share of "Agriculture, hunting and related services" took 1 % of Foreign Direct Investments gross inflows, in 2009 it reduced to 0.25%. (STATISTICAL YEARBOOK OF ARMENIA, 2010) According to estimidations of experts, the share of FDI within the wine and brandy sector takes a higher share, compared to the rest of agriculture and related services industry, and can come up to around 30-40% from foreigners, and about 4-10% through Diaspora Armenians. (BABAYAN, 2011) It leads to the conclusion that the wine and brandy sector holds greater attractiveness to foreign investors in comparison to other agricultural and agro-processing sectors.

THE STATISTICAL YEARBOOK OF ARMENIA (2010) also shows the inflow of FDI by countries. The gross inflow by 2009 was highest from Russia, with 399 Mio USD, followed by France with a share of 197 Mio USD and Argentina by 48 Mio USD, leaving fifth position for the United States with a gross inflow of 23 Mio USD in 2009. Therefore, Russia can be considered most important for the inflow of FDI from Russia to Armenia.

The big inflows from France, Argentina and the United States might be due to big Diaspora communities within the countries.

The value of net stocks in 2009 by countries shows the same ranking. Russia takes first position with 2.069 Mio USD, followed by France with 339 Mio USD, then Argentina with 224 Mio USD and the United States with 184 Mio USD. (STATISTICALYEARBOOKOFARMENIA, 2010)

3. Vertical Coordination

In many transition countries quality and quantity supply is considered as a scarce factor. Due to a growth of local and foreign investments Vertical Coordination (VC) is a tool of local and international players and a driving force to overcome these problems. VC interlinks the stages of production, processing, and marketing of a commodity and vertically manages it, so that "decisions about what to produce, and how much, are communicated as efficiently as possible". Nevertheless, VC was also a key factor in the former Soviet Union. (SWINNEN and MAERTENS, 2006; IVERSON) The following section shows the developments of VC in transition countries.

Although, varying from country to country, to a certain extent, the structure and aims of Vertical Coordination (VC) can be generalized. VC in socialistic countries is distinguished by a maximum control from the state or "central planning authorities" over all steps of value chains from businesses. The motives for VC vary, from political backgrounds, ensuring food security for local markets, creation and maintenance of jobs as well as the protection of rural people and the motivation of rural developments. Major difficulties appear in VC of planned economies due to central redistribution of production factors, which in many cases then lead to inefficiencies of processing and marketing of goods. The VC systems of the former Soviet Union collapsed as liberalization of prices and trade was introduced. Also, privatization of companies and farmers were a major cause for it. Existing value chains were no longer available and state controls did not exist or did not work properly, therefore a lack of production inputs occurred (such as feed, fertilizer and credits). Due to these factors, during transition, difficulties were faced on both sides for producers and suppliers. (SWINNEN and MAERTENS, 2006)

For now, many producers have problems in meeting quality standards and quantity demands, as quality management systems do not exist, or are in an immature stage. It is difficult for many to supply consistently, also out of season. A lack of financial and technical support, as well as a lack of well working infrastructure extends these difficulties. Most commonly a rise in quality and safety standards from businesses and a growth in demand from consumers are noticeable within the transition countries. (SWINNEN AND MAERTENS, 2006) A reason for this is mainly the growth in income that enables customers to extend demands.

This is the basis for Private VC, as a "new form of VC", which then entered the markets. According to SWINNEN and MAERTENS (2006, P.10) "Vertical Coordination is in fact a private institutional response to the above described market constraints". Also, due to a growth in investments, often also from foreign countries, the need for VC is on a rise. In order to keep up with demands, producers and suppliers need to focus on supply chain management at all stages. An development of such enables participants of the chain to improve. An additional challenge is the lack of trust. It is rooted in difficulties suppliers and contracting partners faced throughout the planned economy and during initial stages of transition, as contractual agreements were often broken or hold-ups ocurred. (GAGALYUK and HANF, 2009)

In general, VC is the "adjustment of availability and needed amount of goods in qualitative, temporarily and regional aspects". Therefore, three factors are essential for the coordination in the example of the food retail sector; firstly: price, secondly: contracts and thirdly: application. Also, consumer behaviour is essential for VC. (HANF and DRESCHER, 1994) The increase of retail chains in transition countries indicates the need of intensified VC. It changed greatly, therefore an adaptation of services must follow, to continue to meet demands. A growth and change of offers and product lines, influences purchasing behaviour and demands. Mostly a linkage between offer and demand exist through prices, therefore within contracts the terms and conditions in addition to the bond grade are regulated (see Chapter 5). The application then decides the usage of the VC goods and decision makings.

VC begins, when relations between business partners are extended, going further than spot contracts (Chapter 5.1) and business partners begin to coordinate, interlinking

processors and retailers. Also, multiple stages of vertical coordination are possible in which different levels of production linkages are coordinated. In the example of wine making it can include the stages in which rootstocks are grafted, then grape growing as well as wine processing. The most intense stage of VC can be the stage of full ownership, in which one company takes over a whole farm and incorporates it within the business. This maximum level of VC is also referred to as vertical integration. (SWINNEN, 2005)

In practice there is a lack of strictly organized and coordinated value chains, as well as a shortage of collaboration. Mostly traditional business relationships are still found. The grafic shows the main characteristics and differentiates between varying approaches between Value Chain Management and traditional business relation. The factor price and cost in addition to a supply push from the market side are the primary interests of the traditional approach, where else in the value chain the value and quality as well as an extensive information exchange and chain optimization of products are on focus. (LYASHENKO, 2010).

Characteristic	**Value Chain**	**Traditional**
Information sharing	Extensive	Little or none
Primary focus	Value/Quality	Cost/Price
Orientation	Differentiated product	Commodity
Market power relationship	Demand “pull”	Supply “push”
Organizational Structure	Interdependent	Independent
Philosophy	Chain optimization	Self optimization

Figure 3 - Comparison of Traditional and Value Chain Business Relationships

(based upon LYASHENKO, 2010, p.142)

The approach of Vertical Coordination depends upon the stage of transition the country is in. Firstly, it is important to overcome supply problems. In order to do so, prompt payments are a key factor. So that secondly, quality improvements can be addressed. (SWINNEN, 2005)

VC in transition countries often takes place at foreign and national companies. Due to globalization international players try to implement their strategies in target markets by “exporting successful business models”. (GAGALYUK and HANF, 2009). BELAYA and HANF (2010) add that this mostly occurs in colaboration with local suppliers. Often this happens when companies follow brand management strategies. It mainly effects the supply chain management, and therefore VC takes places in type of buyer supplier coordination. Internal key figures are in charge of the organization. (LYASHENKO, 2010) So far in transition countries basic requirements in terms of infractructure are considered as another great hurdle. Global retailers often focus on foods. Quality and food safety therefore are the main issues that are considered in this field. Companies, when adapting Value Chain Managements, face high initial costs to establish and reconstruct distribution systems and operational sequences in current market situations, as already existing business models need to be adapted to target markets. Studies show great effects of international players that put immense efforts in improving difficulties, which often leads to extensions of production facilities and mostly a growth in mechanisation of processes. These changes do not only effect partners involved in the coordination process, but also the entire markets. Many local companies try to adapt this type of Value Chain Managements and VC, which is another stimulus of its growing importance. Another stimulus for local supplier to put additional effort in the work with international partners is their partners abilitiy to close gaps in supply chains easily by internationally working networks, and exclude unreliable associates. Therefore the motivation not to loose profitable sales channels is high. (GAGALYUK and HANF, 2009)

SWINNEN and MAERTENS (2006) note that there is no possiblity to measure the direct efficiency effects of VC, but several parameters are influenced indirectly by it. Such as a better access of inputs and on time payments. New investments are another feature that indicates efficient VC and leads to improvement of productivity, because outputs and product quality are emphasised and improved. In addition to that they state that overall “vertical coordination can be an engine of economic growth, rural development and poverty reduction” (p.11). A competitive environment is a major aspect of a successful development as it intensivies motivation to develop and increase productivity and innovation. Due to a growth of competition producers eventually

profit, as a raise in prices and services occur. Nevertheless, a too intense growth of challanges might also lead to an imbalance of power and an abuse of short term profit maximization.

The coordination of value chains can either be based upon trust or upon contracts, depending on the reliability of existing structures (LYASHENKO, 2010). In VC, Private Sector Contracting is of great importance in transformation countires. In CIS coutries the share of contractual basis working partnerships grew from 1/3 in 1997 up to ¾ in 2003. (SWINNEN AND MAERTENS, 2006) In addition to that a growth of farm ownerwhip is noticeable from 6% to 26%, which is connected to growth of vertical ownership. Also, assistance programs are on a rise, such as physical inputs, monetary credits or prompt payments. In 2003 over 40% of producers offered farmers a type of credit support and 36% offered inputs. (SWINNEN, 2005)

VC is mainly needed to overcome "transition-specific problems". As far as markets develop further, the need for VC decreases. Three developments are possible in the future. Systems that were formerly vertically integrated in the times of the Soviet Union and were then privatized are either led backwards to full vertical integration (A) or, as far as contract enforcement, market actors and factor markets work better, vertical integration will retreat (C). A third option is a middle course (B). (SWINNEN, 2005)

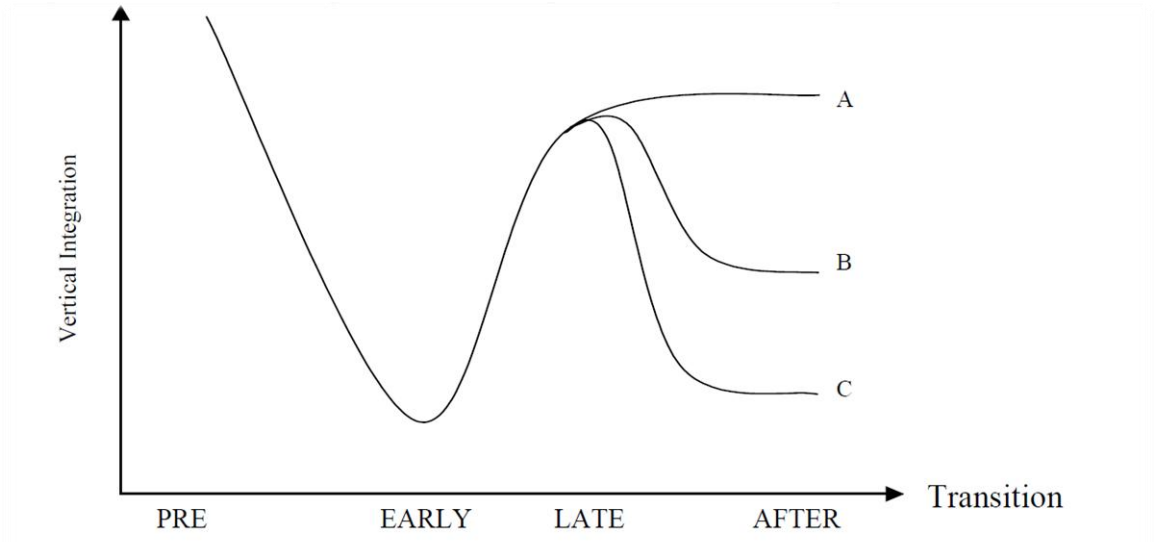

Figure 4 - Vertical Integration in the Agri-food Chain during Transition

(based upon SWINNEN, 2005, p.52)

In the following a closer look at the Armenian business environment and from there on, an approach on the importance of contractual relations will be discussed. (Chapter 4, 5).

4. Armenia

Wine growing and grape production has a long history within the entire caucasus region. It "is among the most developed areas of Armenian agriculture and among principle sources generating significant trade incomes from export" (FRUITFULLARMENIA, 2008). This way it also defines the attractiveness for FDI. Section 4.1 firstly gives a general introduction on the wine country Armenia in which the transformation process and the current state of agriculture are analyzed, section 4.2 then describes its production and section 4.3 focusses on the marketing structures in Armenia.

4.1 Wine Country Armenia

Armenia is a country of variety and one of the oldest wine growing countries of the world. It is distinguished by a wide diversity of climatic conditions and various soil types. (AMBROSI, 2002) Intense variations of topographic and climatic condition are also mirrored in the varying accasibility to water and fertility of soils, which directly effects the often fluctuating harvests (SCANNELL ET AL., 2002). Armenia is located on the same latitudes as Barcelona and Naples. Mainly viticulture takes place in the southern parts of the country, often on high mountainous regions. (AMBROSI, 2002). The climate reaches from very dry desert and semi-desert to mediterranean and dry-sub-tropic conditions. Also, cool alpine vegetation zones can be found within the country. (HARUTYUNYAN, 2010) Temperature variations between summer and winter are huge (FRUITFULLARMENIA, 2008). Armenia has five wine growing regions: the Ararat Valley, in which the majority of viticultural activities take place (73.4%), followed by the foothills of the Ararat Valley with 11.6%, the North-East of Armenia produces 8.3% of wines, followed by Vayots dzor region with 5.6% and Syunik with 1.1%. (HARUTYUNYAN, 2010) (Figure shown in Attachment 1 -

Armenia's Wine Productivity by Region

(based upon HARTUTYUNYA, 2010)p. 78)

Researchers found proof of the wild wine variety Vitis Vinifera silvestries, which is the archetype of Vitis Vinifera in the slopes of the old Armenia. The old Armenia reached over wide parts of eastern Turkey, parts of Azerbaijan and Georgia. Vines were planted mainly in the slopes of valleys. In the south-west of Yerevan during archaeological research evidence of irrigation channels, wine cellars and production tools such as clay pots were found, that date back to the 10th century B.C. (ROBINSON, 1999). Another source refers to archaeological findings of the 7th century B.C. that discovered evidence of sulfur, which proofs the high level of development and also popularity wine production had in these early years. Wine was used for consumption as well as for religious purposes, it was given as offers in form of grapes and wine, and for medical purposes. (KALATARAYAN AND HARUTYUNYAN, 2005) Recently evidence for bigger scale wine production 3.000 years ago was found through archaeological excarvations in Erebuni, near Yereavan. Throughout this, wine storage facilities and corks were discovered. (ARAMYAN, 2011) Wine growing in Armenia also experienced several downturns due to wars and invasions from Arabs and Persians. Further developments are discussed in Chapter 3.2.1.

4.1.1 The Transformation Process

In times of the planned economy Armenia distributed most manufactured goods, such as: chemical products, textiles and others to the markets of the Soviet Union. Also great amounts of fruits and especially grapes were sold, fresh as well as dried for further processing purposes. In exchange Armenia received energy resources and raw materials as well as agricultural and food products. (KHACHATRYAN and OPPEN, 1999).

The private enterprise development and creation began in 1985 still during Soviet times with the Perestroika reforms. At that time cooperatives were the only type of private business that was allowed, they were created by 1987. Authorities showed strong resistance in the upcoming of such businesses throughout the entire Soviet Union, contrary to society. Mainly cooperatives were active in the field of trade, textile and also food processing. At that point Armenia was very successful in private sector

development. Within four years 16.000 cooperatives were founded, 25% of them in the field of manufacturing. (SCANNELL ET AL., 2002)

During Soviet time focus was put on brandy production, where else in Georgia and Moldova wine production was emphasized. 80-90% of all grapes produced were used for brandy production, still figures show same shares. (ARAMYAN, 2011)

With the collapse of the USSR and independence of the country in 1991 the Armenian economy experienced tremendous changes. Difficulties occurred as former markets and trading ties did no longer exist. Civil disturbances in Georgia and the Nagorno-Karabakh conflict influenced almost all branches of industries negatively. (KHACHATRYAN and OPPEN , 1999).

Especially in the early years of independence radical economic reform, cut downs of substantial commodities, cuts in social services and the decrease of incomes were major issues Armenians had to face. The transformation process and the comprehensive privatization of land, done by Armenia as one of the first countries of the former Soviet Union, was completed until 1991. (SCANNELL ET AL., 2002) From 1991-92 the land redistribution and farming structures were seperated, so that members of cooperatives had the chance to either maintain existing structure, or to start individual farming. The majority of members decided on individual farming and most state farms and collectives were dismantled. (AGHAMIAN, 1997 p.15 in SCANNELL et al., 2002)

State owned land was downsized and redistributed to individuals from 600 collective farms (IFAD).The WORLD BANK (2006) even refers to a fragmentation of 900 state owned farms. Before privatization 66% of the gross agricultural output originated from big state owned agricultural enterprises, the rest was produced by small individual farmers. It led to over 330.000 small size granges, of about 1.4-1.7 ha of arable land. By the end of 1993 of the former state owned land, 69% of the entire plainland, 79% of the perennial plantations and 44.1% of hayfields were privatized. (EMBASSY 1997 in SCANNELL et al., 2002) It was partially scattered and located in hard accessible mountaineous regions so that peasants faced difficulties in work, lack of financial support, access to good quality seeds and irrigation systems. Shortly after land

privatization also the privatization of lifestock and agricultural equipment was introduced. Many farmers were lacking technical skills and knowledge and most tools still originated from Soviet times, not made for small scales farming and out dated. (IFAD) The collapse of the market infrastructure was unavoidable (WORLDBANK, 2006). In the beginning of the transformation and after privatization several problems appeared. Farmers faced difficulties in the use of land capacities to the fullest, so that average yields remained quite low. Within the processing industry and in sectors that are aligned with agricultural production, difficulties in privatization occurred. Main parts of the supply, storage, processing and marketing facilities remained unter state control. In the year 1994 privatization began in this sector also. Therefore, the implementation of structures for processing and sales was an issue. (SCANNELL ET AL., 2002) The value supply chains did no longer exist, the stream of inputs and goods from producers to endconsumers to the physical market and the value addition along this chain had to be reconstructured. Also, the management style that was used in the former Soviet Union was “adapted”, that means a non consideration of procurements of goods and the extensiveness of produce. As in Soviet times offers and requests were state controlled so were prices and payments. In the free market environment this was not the case so that not all goods were sold and payments were not met. (WORLDBANK, 2006)

Within this time a very high inflation and a decrease of productivity was a major difficulty of Armenia. People faced a lack of income and agriculture gained importance (WORLDBANK, 2006) and took the position of a “safety net” to ensure food security (IFAD). Also, high deficits in the national budget were an issue. Since the mid 90s due to several reforms and international supports the issues are adressed and improvements are noted, which is also shown in the rise of the GDP, although a high unequal division of wealth is found. (SCANNELL et al., 2002)

4.1.2. State of Agriculture

The Armenian agriculture is still of great importance for the country and its people. According to USAID (2010) effects of financial crisis are high throughout all areas of

businesses, “food processors, retail stores, and consequently, agricultural producers” by a minus of around 20%.

The share of agriculture to the GDP (17,27 million USD in 2010) fluctuates throughout the years (because of seasonal variations of crops). Importance of the sector for jobs and income security is still. In rural areas agriculture is an essential factor, as other sources on earnings lack. Figures from 2003 reveal that 46% of employees worked in the agricultural sector, which created 52% of the total rural income. (WORLDBANK, 2006)

The current structural stage of the Armenian farm sector is according to USAID (2010) a major constraint. A total of 1.4 mio. ha is used for agricultural land. The farmers, after privatization, remain mostly small to medium size subsistence oriented producers, that form the majority of producers. An average of 350.000 household cultivate around 1.4ha, divided in three to four plots. Also, a new group of farmers, commercially oriented emerged. They are well equipped and often in a contractual relation to their partners, like a marketing agent or processor. Their machinery is financed through leasing and therefore they are well equipped with modern technical tools and facilities, often use green houses and irrigation systems, to name only a few examples. This first group is very visible on the markets, but so far only contribute with a share of 4% to Armenias Gross Agricultural Output (2003). The first group of farmers mainly emerged throughout the beginning of the transformation process and continue subsidence farming and small scale production. Mostly they are located in rural areas and have very little access to modern input factors like machineries and tool. Their output is limited due to this limited factors. Also, the second group of peasants faces difficulties in reaching market needs in terms of quality and quantity demands. There are very little, weak extension programs and machinery services are highly expensive. Most farmers of the second group remain in their position of subsidency production, reducing the risk of losses and food insecurity. In poorest rural households over 57% of the incomes originates from primary agriculture. (WORLDBANK, 2006 AND USAID, 2010)

Most fertile and arable land is located mainly in the area of the Ararat Valley, from where most agricultural outputs come from, too. Common planted crops are grains, potatoes, vegetables and sugar beets and most popular fruits are grapes and citrus. (SCANNELL et al., 2002) Grape output shows up and downturns, where else fruit and

berry production strong growth rates are shown. The importance of potatoe, cereal crops and vegetable crops rose tremendously since independence, though shows slight downturns (figure 4). (AVETISYAN, 2010)

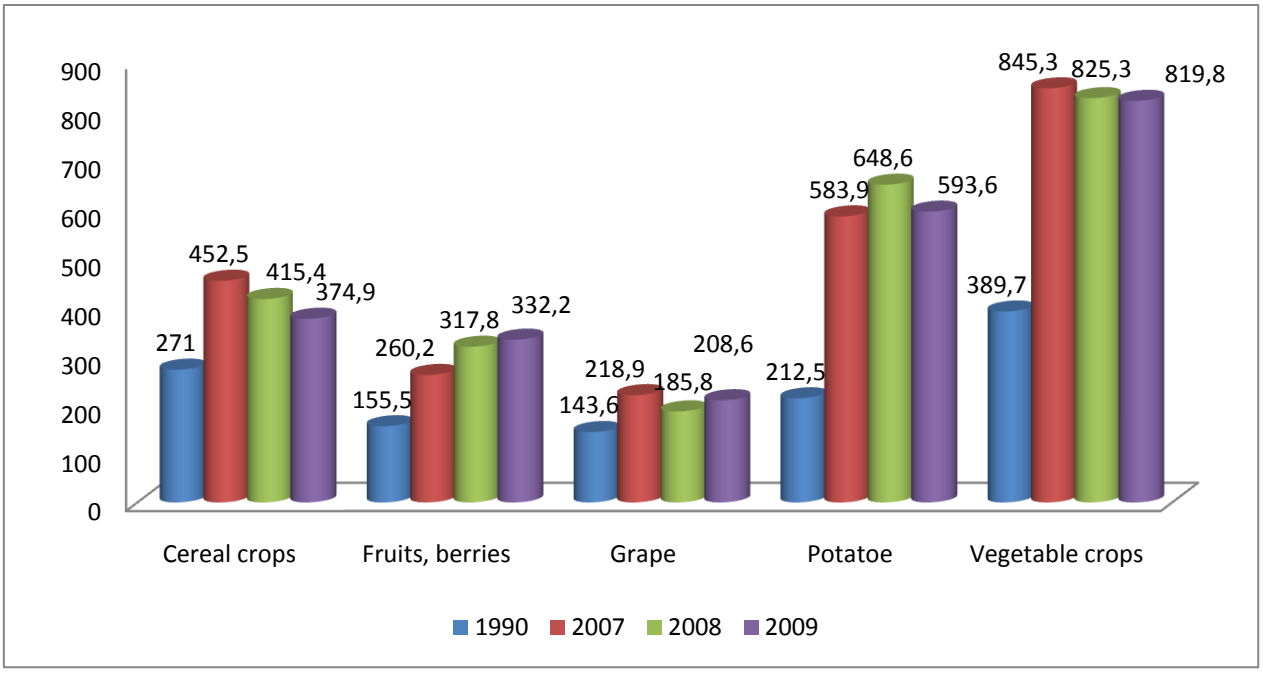

Figure 5 - Gross crop output in thousand tons (based upon Avetisyan, 2010)

The plantation sizes of crop production shows the importance of cereal production, though a reduction of almost 30.000 ha from 2003 to 2007 is noted. Within the production of fruits and berries, slight increases in ha are noted since 2003, the plantation sizes of grapes as well as potatoes and vegetables remained stable. (AVETISYAN, 2010)

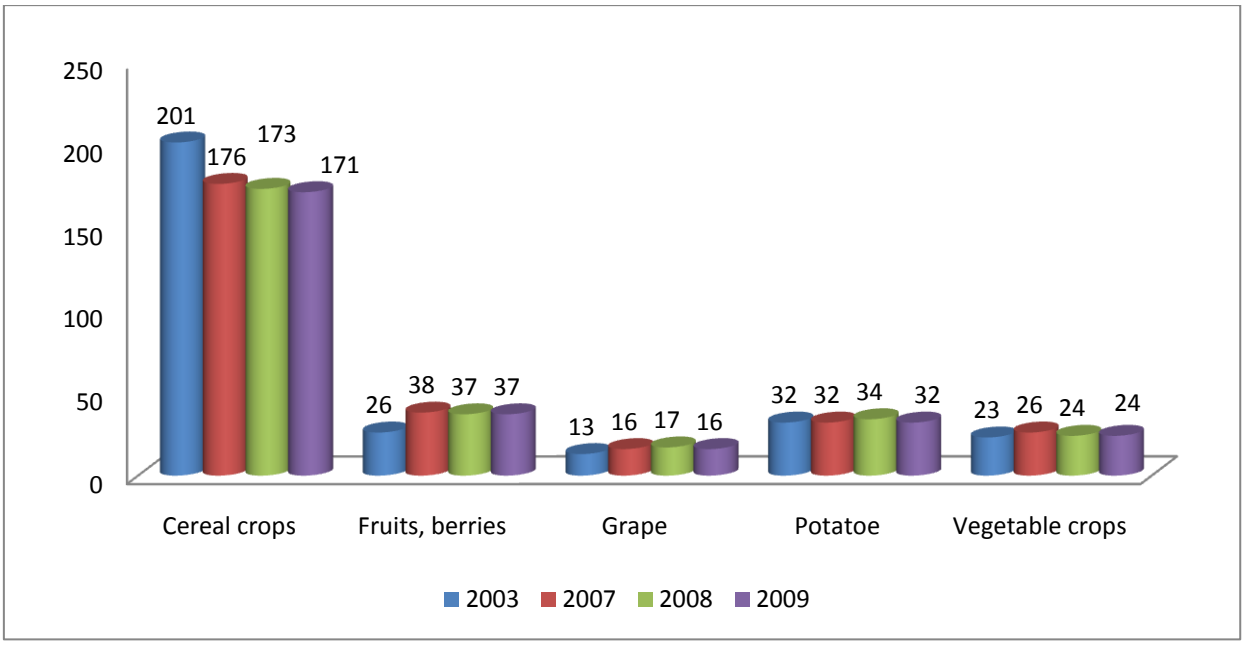

Figure 6 - plantation sizes in thousand ha (based upon Avetisyan, 2010)

In the period from 1987-2003 three times as many people than before transformation are employed in the agricultural sector. Although again, not necessary a linkage between growth of workforce and profitability exists, as acoording to the WORLDBANK (2010) the average returns of farming are lower than in other economic sectors. Since the year 2000 expansions of planted areas, which lead to a growth of crops output and partwise expansion of livestock production is found.

The economical crisis affected the wine and brandy sector greatly. According to (ICARE, 2009), since economical crisis reached Armenia a strange change of production structures is found. Previous, favourable economic conditions allowed entrepreneurs to enter the brandy and wine production sector. As economical and financial crisis reached Armenia, they had to deal with lacks of demands of their produce and faced great financing problems. Many ended up bankrupted. Also, big scale producers were effected and faced financial hurdles, though they have a bigger financial back bone.

MKRTCHYAN (2011) adds that throughout this period, the prices for grapes were very low, or demand did not exist at all. It even led to broken contracts between producers and processors. Overall these matters led the industry a step backwards. MKRTCHYAN (2011) believes that for now the Armenian wine industry is at a turning point, and it would have reached even earlier, if the financial crisis had not occurred.

Apart from effects of financial and economical crisis, overall constraints can be overcome through, a better cooperation by establishing cooperatives to improve supply chains, set standards (for quality and quantity) as well as support peasants to get access to limited resources like fertilizer and equipment. Though the bad experiences, farmers made with cooperative systems are still present in mind and influence decision making. Also the development of non rural enterprises is important to rural growth, as both sectors are linked. Especially Small and Medium Enterprises (SMEs) play an important role within the sector of primary production as well as agricultural services and agro-processing. (WORLDBANK, 2006) The processing of agricultural goods and foods has a long tradition within the country. Already in Soviet times, Armenia was one of the main suppliers of "agro-processed goods", although former markets collapsed, as well as many value chains, the interlinkage as a value chain between agriculture and food proscessing remains. Especially by considering the importance of the agricultural sector for Armenia and its share to the total GDP. (USAID, 2010) Within the export agro-processed goods take a high share. Alcoholic beverages such as wine and brandy are part of this sector and 95% of the exports earnings originate from spirits and alcoholic beverages. (WORLDBANK, 2006) Further developments will be discussed in section 3.3.

4.2 Approach to the Armenian Production

Production environment and business environments changed greatly since independence. Producers in Armenia face new challenges. Old transportation routes no longer exist or were interrupted, a lack of financial access and the loss of traditional markets are some of them (EMBASSY, 1997 in SCANNELL et al., 2002). Still, the importance of agriculture is high in Armenia (Chapter 2), so is the importance of grape growing.

4.2.1. Viticulture

Armenia has a wide range of grape varieties. According to SCANNELL ET AL. (2002) around 40 varieties are commonly planted, mainly in the Ararat Valley. JANCIS ROBINSON (1999) refers to 48 varieties, of which 30 are used commercially. Another report reveals that

originally around 800 indigeous and foreign varieties existed in Armenia. Though due to historical reasons (anti-alcohol campaign and privatization) many vanished. The widely planted white Mashali grape is used for brandy production. In addition to that white varieties like Voskeat and Garan Dmak are grown and used for wine produce. The most common red varieties for wine production are Areni (widely spread especially in the Areni region) and Kahet. (GASPARYAN, 2003) The Oxford dictionary (ROBINSON, 1999) mentions that only 10% of planted grapes are used for table grape production.

Due to climatic conditions, vinestocks are in danger of frost in late harvest and spring time. The technique of “earthing up”, building up soil around the stems, is used widely (around 80%) to protect roots and stocks from cold temperatures.

Different training systems are found, depending on the region grown. In many cases materials are outdated. Cement poles are common and vineyards are rarely set in order to mechanically harvest the grapes. (ESTEVA, 2011) The majority of vines is grown by a “4-wired vertical trellies” with high trunks (75%), followed by 10% that are trained in a “hedge system” and a around 10% that are trained in a “middle stemmed fan system” with a stem hight of around 50-60cm. 90% of the vines are self-rooted, leaving the rest for grafted vines that are mostly located in the North-Eastern growing regions. The soil types of most vineyards are stony. (GASPARYAN, 2003, P.54).

These factors show, that the production costs of grape produce in Armenia are quite high, according to the FAO they are almost on the same level as Europe. This is mainly due to high costs of irrigation, different types of landscapes found and land preparation costs. The FAO estimates costs of planting for 1 ha of vineyards, including all maintenance costs for the first four years in Europe between 28.000-35.000 USD, in Armenia between 28.000-32.000 and in Georgia by 7.800-10.000 USD. (FAO, 2009)

4.2.2 Development of Grape Production and Processing in Armenia

Overall effects of tranformation and land privatization are tremendous in the field of grape production. The purity of many vineyards was lost and old plantations vanished. Also, a reduction of wild growing grapes occurred, though little knowldege on the allocation of wild varieties exists. (GASPARYAN, 2003).

Since the end of the 19th century several rises and falls in grape growing and production appear in the records. From 1920 on private farms were dissolved and integrated in the big "Ararat Wine Trust". Later this trust established within Russia and the Ukraine a net of wine processing firms. The changes resulted in a growth of viticultural area to 16.300ha in 1940, 104.800hl of wine and 6.600hl of brandy were made at that time. (ROBINSON, 1999) The growth continued after the Second World War as vines were planted on fallow land and specialized collective farms were founded. In times of the Soviet Union Armenia had around 35.000ha of vineyards. During 1985 in Moscow, Mikhail Gorbachev started an anti-alcohol-campaign, which lead to wide destruction of vineyards (also fruit plantations that were used for spirit production) (SCANNELL, 2002). Also, a rise of cost for vine plantations and a wide disappearance of the "bulk purchasing system" were cause to the decrease. (GASPARYAN, 2003). At the time, when the Soviet Union fell, producers faced difficulties in adapting to privatization and newly emerged markets. Many vineyards were replanted with wheats, many wine growers as well as wineries completely stopped production processes. This development in the wine growing sector is mirrored in the total plantation size of vineyards and the output of processed brandy and wine.

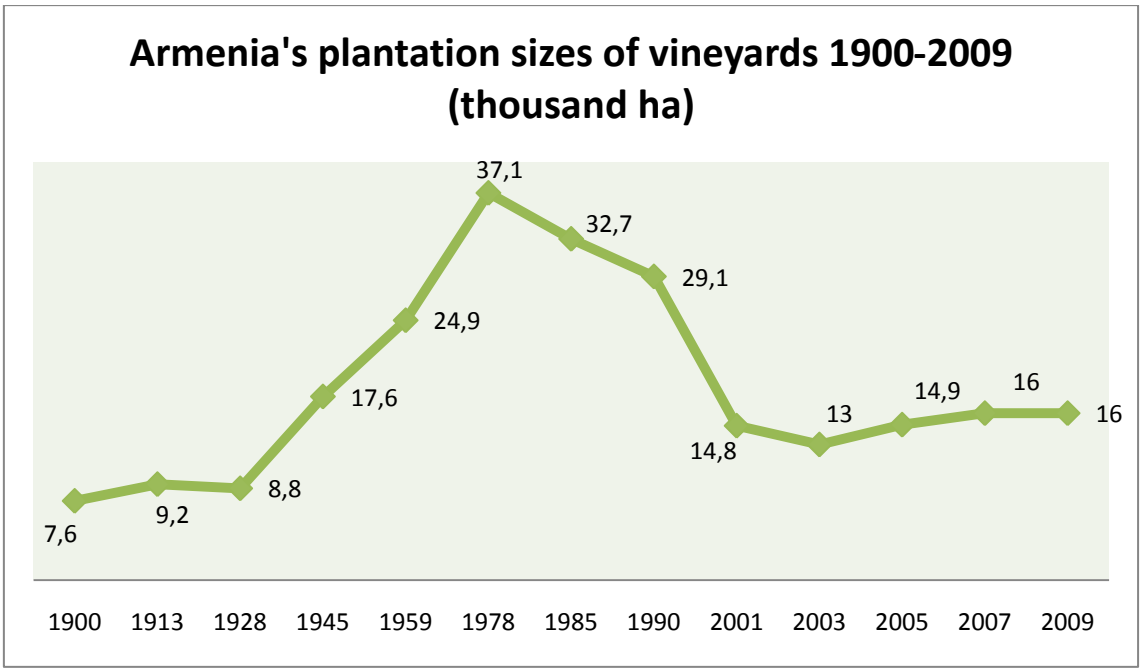

Figure 7 - Armenia's plantation sizes of vineyards

(based upon ARMENIANWINEPRODUCERSASSOCIATION, 2011)

The change within agriculture can also be seen as a reply to the overall market situation of the country. The low income of people, reduced the demand for grapes and other products, which in return again affected economic situation of farmers negatively. (SCANNELL ET AL., 2002). Since few years plantation sizes of vineyards are stabilized and in 2009 were set by 16.000ha, mostly cultivated by small-scale farmers (95%), leaving a share of 5% to big producers. The trends, according to HARUTYUNYAN A. (2010) are fluctuating, especially within wine production, 508.000hl were produced in 2010.(Attachment 2: developments of wine and brandy production, p. 78) It is questionable in how far the wine production data refers to primary goods, planted within the country, or also includes imported grapes or must that are further processed.

Data in the field of Armenian brandy production shows fluctuations as well. It experienced a continuous rise from 2001 (50.000hl), reaching a peak of 141.000hl in 2007, then dropping again to 99.000hl in 2009 (ARMENIANWINEPRODUCERSASSOCIATION, 2011). (see Attachment 3 - Armenia's Brandy Production from 1900-2009, p.79) Though, it is said that it stabilized by 2011 (MKRTCHYAN, 2011).

A close look at the productivity of the diverse wine growing regions, proofs the overall increase of vineyard`s gross production since 2003. It more than doubled in the period from 2003 to 2009 and reached 182.200 tons. (HARUTYUNYAN , 2010). (further developments of Armenian Vineyards Gross Output Production by Region in Attachment 4 - Armenian Vineyards Cross Output Production, p. 79)

Prior to economical crisis processors experienced favourable production conditions, which was also mirrored in the growing number of producers (see Chapter 4.1.2) and a growth of demand locally as well as internationally. After economical and financial crisis it decreased. On farmer side, farmers also experience lower demand. In addition to that prices are low, too and prices for input factors are on a rise as well. (ICARE, 2009)

4.2.3 Production Structures

Armenia has a well developed wine and brandy sector. The developments of grape production (Chapter 3.2.2.) is mirrored in the development of production structures and a rise and fall in the number of wineries on the market. (developments shown in Attachment 5 - Average Number of Wineries in Armenia, p. 80)

A strong linkage between products, production capacity and primary agriculture exists. Around 90% of the grapes produced in Armenia are processed to brandy. The Armenian brandy is of world wide high reputation and has great shares of the exports that make 80% of the “processed exports”. (USAID, 2010) According to ARAMYAN (2011) for now, around 30 wine factories exist in Armenia in addition to many small home made producers.

4.2.4. Difficulties in the Business

Throughout the research, several issues, short and long term, still exist in Armenian grape production and processing of agricultural products and within other fields of businesses. Some matters were marked above. This section gives an overall impression

of difficulties found and points out influences on market attractiveness for foreign investors, too.

Several factors are still limiting Armenian agriculture and grape production, such as a limited access to production knowledge and poorly trained workers (WORLDBANK, 2006 AND USAID, 2010). According to MKRTCHYAN (2011), the difficulties within Armenia are located in several areas. Education as a key element still struggles with outdated books, little practical experiences and is distinguished by very theoretical approaches. Improvements within research facilities and the education sector overall can boost the overall situation. Trainings not only on school level, but also for producers and consumers are needed, so that importance of good technological equipment can be submitted and knowledge of markets can be transferred. Another issue is that for now focus is put on existing wine growing regions, though other regions of Armenia still hold potential, too; Such as Karabakh, but proper research needs to be undertaken. Further issues that can be considered as basic problems are located in the field of micro-credits, which do exist, but with very high interest rates.

Also, problems in agriculture appear as a remain of former economical systems and the transition to the new one. Rural development is not as fast as urban development, which leads to further issues. Also financial access is limited within rural areas. Especially in Armenia`s village the infrastructure, such as poor road conditions, deteriorated telecommunincation and run down water and canal systems are basic issues. Irrigation is detoriated, too. It has great effects on overall outputs, so investments in this field are highly necessary to improve productivity. The WORLD BANK (2006, P.17) refers to the state of the Armenian irrigation system as “the sector is characterized by wasteful practises and a high rate of water losses at the level of conveyance infrastructure”. Also mentioned in Chapter 3.1.2 importance of subsitence oriented farming makes it difficult to react to potential shortages in supplies. THE WORLD BANK (2006) points out the still heavy existing dependency of donor supports and the need to improve productivity and efficiency. Unfavourable financial and pricing situations and high levels of loan interests make access to financial support very difficult. In the field of grape production, cost competition for export markets is not possible, too. Armenia is on the same production-cost level as other New World

Countries like Chile, still qualities are much lower. (USAID, 2010) In addition to that MKRTCHYAN (2011) mentions that in many cases farmers sold their goods, without paying notice to input prices and ended up with profits lower than input costs. Quality wine production faces difficulties. It is a big issue that needs to be overcome on local markets as well as in terms of trade. Often it is rooted at farmer side, as focus still is put on high yields. (HARUTYUNYAN, 2011; KEUSHGUERIAN, 2011; SAMVELYAN, 2011) Another reason for this is that most of the grapes are purchased from farmers; therefore it is more difficult to set standards and to control them. (KEUSHGUERIAN, 2011) (see Chapter 5)

The lack of quality production is also described by MKRTCHYAN (2011), while she speaks about former USDA projects in the field of wine production. Especially in the beginning of the transformation the quality of grapes and wine were so poor, that whole batches had to be removed. Although wine of poor quality still finds a number of purchasers, as customers are adapted to taste and its consumption has become a habit, also the price is an issue that leads consumers towards low cost products. Within Armenia emphasize was put on brandy production, where else in its neighboring country Georgia quality wine production was put on focus.

Therefore, most of the grapes grown are used for brandy produce. Viticulture is not set for wine grape growing, strong investments are needed in this sector. Wine production often is based upon a “cheaper grape”, which does not interest brandy makers. Also, because brandy sales are more profitable, producers are financially stronger and can pay higher prices. (ARAMYAN, 2011) In fact, many companies are distinguished by a diversified production, often keeping spirit production to ensure incomes and to be able to afford wine production as a sideline. (ALEXANYAN, 2011; MANASERYAN, 2011)

Producers face difficulties in adapting changes on demand and prices throughout the season. Distribution to partners is troubled due to a badly developed or poor maintenance of exisisting infrastructure (EMBASSY, 1997 IN SCANNELL N. J. ET AL., 2002). The difficulty in productivity is emphasised by limited access to quality seeds and new varieties. (WORLDBANK, 2006) Wine production is effected as many other products. In addition, the equipment for winemaking is outdated, on average about 50 years old.

Many wineries face difficulties to properly control the bottling process, often different wines happen to be unwantedly blended together. (ARAMYAN, 2011)

“Poor business sophistications” is another aspect. Market access, modernization, innovation, limited professional business services and difficulties in market and technology access are named by USAID (2010) as major problems. Further statements underline these difficulties of limited knowledge on export markets as well as difficulties in start-up periods, such as brand development, because marketing knowledge lacks, too. (MANASERYAN, 2011; SIMONYAN, 2011) The WORLDBANK (2006) adds overall marketing challenges, limited supply chain development and production outlets, to it. A rise in modern style businesses is recognized, also a growth in developments of networks within and between firms is a step towards new development strategies. The tendencies might lead to a new development and value addition of markets. Though, still productivity is low and rather domesic-foccussed or foccussed, to a certain extend, on former Soviet markets. (USAID, 2010)

A rise of demands of primary goods is noted, though it is difficult, also in the field of wine production, to meet the needs. Direct purchases from producers, and the set up of purchasing networks or other contractual relations might help to improve qualities of primary goods and overall production procedures. Also an improvement of standardization will be of positive influence for the agro-processing industry. (WORLDBANK, 2006) Food safety and certification need to be addressed, especially when aiming for international markets. Within the agro-processing sector export markets are gaining greater importance, and “become a growing force in the expansion of the agricultural sector, at least for the commercialized and higher value segment of the farm production”(WORLDBANK, 2006, p.8). According to a World Bank Enterprise Survey 5.7% of companies had “production certification” according to international standards. In comparison to neighbouring countries, it is a very low figure. Azerbaijan hat a total of 10.3%, Turkey of 12.6% and Georgia even 16%. In addition to that facilities for quality testings, like HACCP and ISO, exist very limited. Also, very few inspections and tests from governmental side are procured so far. (USAID, 2010)

Major constraints are widely spread. They are located in the field of knowledge or methods and markets and equipment. In addition to that are certain production

methods needed to overcome environmental difficulties and small scale structures issues that increase overall production costs.

Also, shadow economy is still an issue within the Armenian business sector. Therefore official figures are not reliable and overall development is slowed down since a free market economy cannot act fully. (BABAYAN, 2011; ESTEVA, 2011; HARUTYUNYAN, 2011)

USAID (2010, p.13) summed up the issues of the Armenian wine industry and stated that its only hope is “to complete an overhaul from top to bottom”. As far as producers attitudes and will to implement changes exist, a period of 10-15 years to reach competiteveness is estimated.

The WORLDBANK(2006) states that investments can be a driving force to implement changes. This can take place through an improvement of Vertical Coordination, ensurance of well working services to farmers and producers and enhancement of technological use to strengthen productivity and eventually extend markets. Also food safety and quality need to adressed.

4.3. Approach to the Armenian Marketing structure

The following section describes the Armenian market conditions, points out changes and then explores national as well as export markets.

4.3.1. the Armenian market

The trade sector of Armenia is on a rise. The entire retail turnover of Armenia grew by over 20% from 2005-2009 and is now by around 2.883,2 Mio USD compared to 2.289,9 Mio USD. Success is even more present in the wholesale sector that shows a growth of over 60% within 2005-2009. Per capita the total volume of the retail trade is set by 888.605 USD in comparison to a per capita retail trade volume of 711.728 USD. As consumption of alcoholic beverages grows, within the retail sector their share of total retail sales grow, too. In 2005 they had a share of 3.2% and more than doubled within 4 years to 6.6%. (STATISTICAL YEARBOOK OF ARMENIA, 2010)

Within the Armenian retail sector, a shift from farms to supermarkets and therefore growing importance of value chains is noticeable. Many retail chains, like the Star supermarket set up their own value chains, and prefer to invest in their own chains rather than than outsourcing. They establish own cooling and storage facilities to overcome overall market problems. Also they assist their local suppliers in technological development, which in return effects their offered product qualities positively. Though still product quality is a major issue. In the example of the Star supermarkets 20-30% of goods are returned, due to low quality. It has to be noted that existing quality standards are still below export standards.

The trends towards supermarkets effect overall business environment in Armenia positively and works like a *pull* factor. Still there is only little market share in local supermarkets of Armenian goods, around 30%, though tendencies are rising. Food processors mainly distribute to local markets, with an export share of around 10-15% (mainly to CIS countries). The little amounts they produce make them strongly vulnerable to external effects, such as the financial crisis. (USAID, 2010) Within Armenia a rise in resellers and intermediaries as well as processors is also noticeable,

therefore a growth in commercialized agriculture emerges. 95% of the wholesale is sold to resellers, an emerging development is noticed. (WORLDBANK, 2006).

The Economical Crisis affected the wine and brandy sector greatly. Decrease of brandy sales, nationally as well as internationally by minus 70% took place. Though, Armenian wine sales experienced an increase of 53% within these times. In addition, throughout this period, the prices for grapes were very low, or demand did not exist at all. Though, the brandy market recovered by now, consumer preferences towards wine was influenced sustainably. Within this time producers recognized the importance of diversified production, therefore investments currently take place in machinery and equipment. (HARUTYUNYAN, 2011; MKRTCHYAN, 2011)

Within the type of shops found on the Armenian market, little variation of market shares are noticed throughout the years and also throughout financial crisis. The attachment shows the development of the retail trade by trade unit (Attachment 6 - Share of Retail Trade in Armenia by Trade Unit, p. 80). Overall it can be said that Yerevan, as it holds 80% of the entire retail chains, is most important for this sector.

4.3.2 Consumption and purchasing behaviour

The consumption of alcoholic beverages and the intake of pure alcohol is increasing within Armenia. A report of the WHO (2011) shows a total consumption of 11.4 liters in average from the year 2003-2005 of adults over 15 years. 1.3 liters are considered as unrecorded, including home brewed or distilled beverages that do not appear on records. Males drink comparably more, with 24.42 liters of pure alcohol compared to females with an intake of 12.05 liters.

This growth of overall alcoholic intake is mirrored in the growth of wine and vodka&brandy consumption. In 2011 the per capita consumption of wine is 1.5l, a rise of 26% in comparison to 2000. The vodka&brandy consumption in 2010 is as high as 8.3l per capita, 3.3 liters more than in the year 2000. The higher demand is reflected in an increase of production as well as imports of goods. Also the exports are on a rise (see Chapter 3.3.3.). (ARARATYAN V., 2011)

Preferences on the Armenian market are put on red wines in a fruity, semi-dry category (ALEXANYAN, 2011). A great share of Armenian wines is sold on local markets, leaving only around 9-10% of imports. Those are mostly found to be more expensive. Mainly the imports originate from Georgia, Italy and France and are mainly found in supermarket chains, as small shops do not find it profitable to sell them. (ARAMYAN, 2011)

A storecheck undertaken on 28th of April, 2011 of six different supermarket chains located in the city center of Yerevan showed that Armenian wines are found to be mainly in the lowest price segment, mostly around 700-2.000 Dram (about 1,8 to 5 USD). Only few reach a "premium level" and cost around 4.000-5.000 Dram (about 10-14 USD). Many chains also offer Georgian wine, which has a higher entry level, mainly in the price range of new world wines. New world wines seem to fill a gap between Armenian and European Wines and are set between 2.000-3.000 Dram (around 5 to 8 USD). European wines are the most expensive and have an entry level of around 2.500 Dram (6,7 USD), dominated by French and Italien produce. Especially higher priced supermarkets have premium wines and champagnes in their portfolio, in most cases set on the shelf right next to other wine offers. (Attachment 12 - Storecheck, p.84)

The wines sold in supermarkets face high competition from wines of homemade produce, which are mostly sold in the marzes along roadsides or farmers markets. They have good reputation on local markets and are much cheaper than factory produce, costing about 1.000 Dram per liter (around 2,5 USD). Producers are able to keep prices low, because they recycle plastic containers, in which wines are sold several times and do not pay tax. (ARAMYAN, 2011)

4.3.3. Policies

Alcohol policies are of high influence on consumers' market behaviour and are of great interest for market participants as well as future investors and competitors. The WHO (2004, 2011) summed up major policies and shows the rather loose handling in Armenia with the topic alcohol from governmental side.

For beer, wine and spirits there is no existence of a monopoly structure in production or sales, but for both licenses are needed. Some restrictions for alcoholic beverage sales do also exist. Alcohol is not allowed to be sold everywhere and limits are on "special events", though there is no limitation in the time of sales. Within the sales there are no legally binding regulations on sales promotions or sponsorship, also non for product placements. The only regulations exists are limitations in the field of advertisements. Also a maximum blood alcohol concentration exists when driving a vehicle it is set by 0.04 vol. %. Up to now no minimum drinking age is set. (WHO, 2011)

4.3.4. Trade

Trade in Armenia plays an important role. Especially the agro-processing sector is, according to the WORLD BANK (2006) "becoming a growing force in the expansion of the agricultural sector, at least for the commercialized and higher value segment of the farm production". In general export potential for Armenian Agricultural and Agro-processed goods is high, especially for certain product goods the demand is on a rise. From the period of 2000-2003 an overall export increase was noted, though often trade takes places on "unoffical basis", therefore not all traded goods appear on statistics and it is difficult to evaluate the actual figures. In the entire trade sector countries from the former Soviet Union, play an important role, but new partners for imports and export are emerging. (Share of Imports and Exports to CIS and other Countries shown in Attachment 7, p. 81 and Attachment 8, p. 81)

Imports from Russia are still the most important for Armenia, followed by newly emerged China. Ukraine and Turkey also play an important role. Germany is placed on fifth position for main import partners. For main export partners it even reached first position, pushing Russia to the second place. USA is on third position, followed by Bulgaria. (STATISTICAL YEARBOOK, 2010) (Armenia's main Import and Export Partners by Country shown in Attachment 9, p. 82 and Attachment 10, p. 82)

The value of imports of „alcoholic and non alcoholic beverages and vinegar" remained quite even throughout the periods of 2007-2009, and balanced on an average of 12% of total exports. The importance of the CIS countries in this field is visible, taking a

share of around 70%. The value of exports showed a drop from 2008-2009, most likely due to overall effects of global economic crisis (STATISTICAL YEARBOOK OF ARMENIA, 2010). Also, Armenia was effected strongly by the crisis, so that a "sharp drop in economic activity" took place (WTO, TRADE POLICY REVIEW: ARMENIA, 2010). This is mirrored in the export of brandy, too. A drop of 70% from the period of 2003-2009 is noted (HARUTYUNYAN, 2010; USAID, 2010). USAID (2010) states that brandy is categorized as a "higher-end niche product", the development shows the move of buyers towards higher quality products and a the drive away from low quality goods. Since transition brandy export experienced several ups and downs. Brandy remains the most important agro-processed export goods, with a value share of 80% of total agro-processed export goods (USAID, 2010). Vodka and liquor export are in 2010 set by 96.000 liter. (further developments in Attachment 11 - Armenia's Export Development of Alcoholic Beverages, p. 83)

The vodka and liquor sector had strong increases from 1996 to 2000, from 106 th l , to 177 th l, then experienced a downturn and reached its lowest in 2005 with 97 th l. Though, recovered in 2006 and 2007, it came down again to 96 th l in 2010. (ARMENIAN WINE PRODUCERS ASSOCIATION, 2011)

Data of wine exports in the years 1996-2000 show an overall rise from 374 th l to 414 th l, with up and downturns in between, to 2005 when sales were down to 290 th l. In the following years a strong decrease took place, but since 2010 exports seem to recover and are no at 924 th l. Downturn may be because of overall negative effects of financial crisis. (ARMENIAN WINE PRODUCERS ASSOCIATION, 2011)

Several aspects hinder Armenias trade, especially the trade of alcoholic beverages as wine and brandy and influences business attractiveness for future as well as present market actors. As shown in Chapter 3.3.4. Armenians' main focus for trade is put on markets of the former Soviet Union. These products are bought mostly because of their origin. According to USAID (2010) in the case of wine it is only a limited market, that gives a stimulous to the sellers to implement and develop a new market strategy to compete on cost/quality prices. Also some of the export routes for Armenian alcoholic products are difficult. Mainly as Armenia is a landlocked country export needs either to be undertaken by air, which is costly, or long routes through land.

There are still serious difficulties to export through the Turkish territory which is a major constraint. (ARAMYAN, 2011)

According to HARUTYUNYAN, A. (2010) poor quality of wine is a main issue that effects local markets as well as exports markets. (see Chapter 4.2.4.) The difficulties of Armenias' position even in its biggest export market Russia was shown throughout 2006. Russia banned Georgian and Moldovian wines from the market, which took a share of around 300 million bottles per year. It could have been the opportunity for Armenia to sell their wines within this gap. Though, other countries such as Bulgaria, Romania, Czech Republic as well as competition from the new world (Chile, Australia and South Africa) proofed to be more competitive and took over the gap instead. (SARDARYAN, 2010) A reason for this might be the fact that most producers are small to medium sized companies. They face difficulties to meet high amounts of orders. Also, they lack marketing strategies apart from the ones designed for the Armenian market. In many cases they are found "waiting to be approached" instead of taking the initiative themselves. (ARAMYAN, 2011)

5. Contracting

The changes since transformation created a new market environment, therefore new models focussed on market based points of views and concepts for successful strategies were needed, in contradiction to traditional methods. According to SHANOYAN ET AL. (2010), "new Agri-Food Systems require new models of governance structures and channel coordination and therefore need new models of facilitation of marketing linkages between producers and processors". Section 5.1 defines and differentiates the types of contracts and gives a theoretical approach, section 5.2 puts contracts in the context of transition.

These constraints of input accessibility and trade can be overcome by Agricultural Contracting. In general it is a form of agreement between the farmers and the processing industries on quality, quantity and time of delivery. A variety of different forms of contracts are found, ranging from mouth to mouth agreements to written; short to long term. Depending on the increase of influences of the buyer on farmers produce, the intensity of Vertical Coordination increases. Therefore, all contractual agreements, right after the spot contract, are referred to as VC. The most "intense" form of a relation between a producer and a buyer is referred to as Vertical Integration, in which all steps of production and processing are integrated within the leadership of one company. (DRESCHER, 1993).

5.1 Types of Contracts

In order to classify the different types one can place them within a coordinate system. It applies when two companies, located on different economical positions, agree ex ante on binding conditions. (GROSSEKETTLER ET AL., 2008) The adjustment and placement is categorized in three dimensions:

1) "the level of awareness"
2) "the level of binding"
3) "the level of centralization"

The level of awareness refers to the fact that within market coordination, in many cases participants are not aware of their participation and their coordination of actions. Nevertheless, the value of awareness in order to differentiate the contractual relations is rather low. Therefore, *the level of binding* and the *level of centralization* are used as terms of differentiation. *The level of binding* is referred to as the contractual duration. It increases when areas of action are coordinated by conjointly planning and by decreasing flexiblity. (DRESCHER, 1993) notes, that duration of binding is not necessarily the duration of the contract. It rather refers to the time in which the contract can not be broken withouth losses*. The level of centralization* refers to the presettings of the contractual partner on the methods and ways of production, whether they are fixed or left upon the producer. It increases when the produce has less rights to participate and receives more instructions. (DRESCHER, 1993)

Then, one can locate the varieties of contractual bindings and centralization within a coordinate system (figure 17). The point MP, with the coordinates (0/0) refers to a situation in which the coordination is distinguished by pure market processes, CD (1/0) shows a maximum level of centralized decisions, distinguished by maximum level of decisions through a central unit, CC (1/1) marks the maximum level of decision in which central units set and choose the framework of long term binding contracts. The point MC (0/1) marks the contracts, which are pure cooperation contracts with the lowest level of centralization and the highest level of binding. GROSSEKETTLER (1981 IN DRESCHER, 1993) then draws the line between the coordinates A and B, distinguishing by A<0,5/A>0,5 and B<0,5/B>0,5. Showing the ranges in which different types of contracts are located: Spot Contract, Marketing Contract, Production Contract and Control Contract - as so called “elementary contracts”. In practise a combination of these four different contractual types is commonly found. (GROSSEKETTLER 1981 in DRESCHER, 1993)

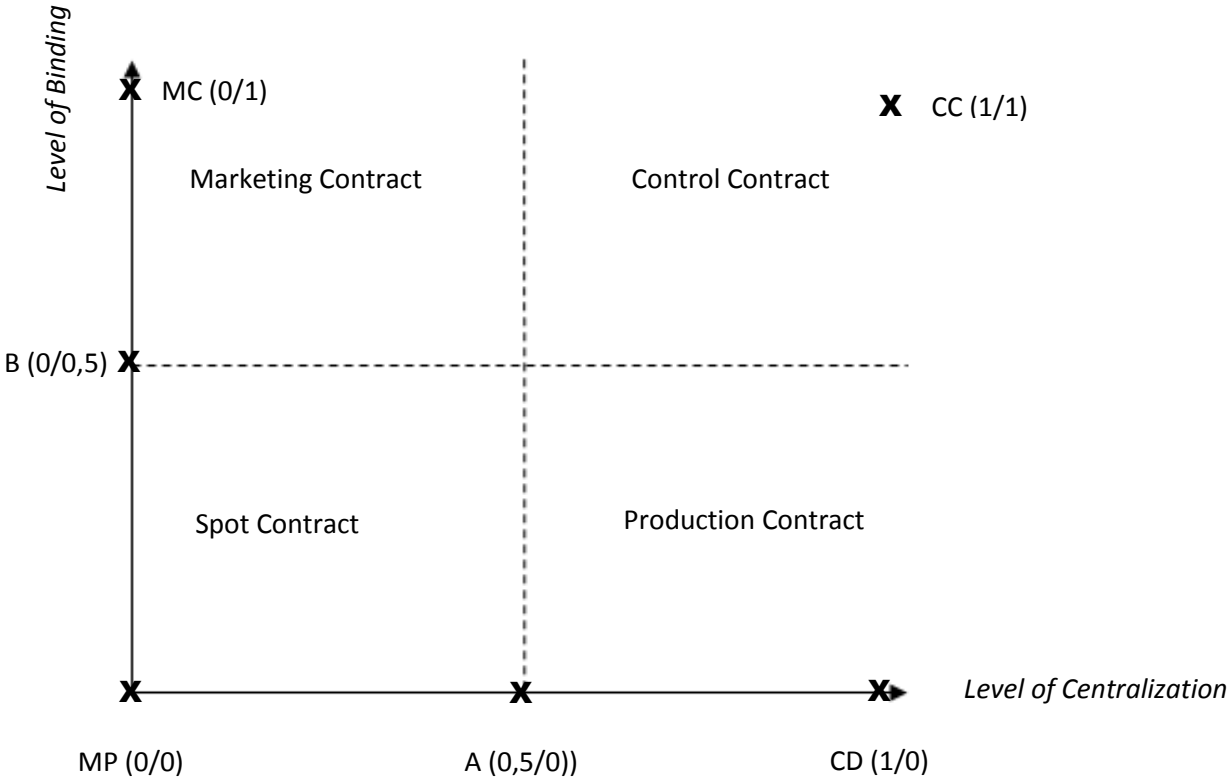

Figure 8 - Types of Contracts

(based upon Grossekettler et al., 2008 and Grossekettler 1983 in Drescher 1993)

5.1.2 Definition of the four elementary contracts

The Spot Contract is distinguished by a very low duration of binding and centralization. Production decisions are completely free (in production, capital goods, harvest and sales). Usually, a Spot Contract is a delivery contract in which a fixed date of delivery, quantity and quality are set. A high level of anonymity between contractual partners exists. An extension of a Spot Contract is a long term delivery relation, based on long term cooperation.

The Marketing Contract has a medium to long term level of binding, with a low level of centralization. Often, the amounts of productions are set and the producer is independent in terms of production techniques and ways. The capacity utilization on the side of the buyer can be calculated. The contractual binding exists on absorption of goods.

Within a Production Contract the production methods and the overall framework of production are set. The freedom for the farmer in production is strongly limited.

The Control Contract has the highest level of binding and centralization. It binds the producers for long term and has the strongest level of VC. The farmer acts on "operative level", following preset (from contractual partner) steps of production. Within transition countries the exchange of knowledge, in order to meet required quality standards is given in return as well as finacial support, etc.

A further technique, based on this, was developed in order to measure the intensity of vertical contractual bindings, also incorporating the factor of financial involvement. It can be found in DRESCHER (1993).

5.1.3 Contract Breaches and Hold-Up Problems

Often contractual breaches occure, when the benefit for breaching is higher than the capital costs for maintaining the contractual agreement (CUNGU AND SWINNEN, 2003). Also, a change of surrounding conditions can cause breaches, otherwise rational acting partners would have not agreed upon a contract at all. Especially a weak institutional system creates additional challenges for business partners to establish a relation. A combination of factors makes enforcement through courts unattractive, such as the fact that through court enforcement the only potential suitable trading partner might be lost, contractual laws are found ineffective or the verfiability of the third party is considered poor. (SWINNEN, 2005) Though, the higher the private capital is involved, the lesser likely it is for a contractor to breach the contract (CUNGU AND SWINNEN, 2003).

The difficulties in contracts lead to a high hold-up risk, in form of payment delays or delivery delays. It often ocurrs on processor side, after investments from farm side to supply processer took place. At that point the trading position for farmer is weaker, and the processor tries to rebargain the contract. The danger of hold-ups increases, when there is a smaller market for farm produce, this from of relation between farmer and producer is referred to as "relationship-specific". Hold-ups are more likely to occure on products that are ment for processing than for storage, such as grains. For the same reasons the availability of competitors within the processing sector is

smaller, therefore the risk of hold-ups is higher. Hold-ups can also occure from farmer side, when processors depend on a minimum amount of input to make production profitable. (SWINNEN, 2005)

5.1.4. Contract Enforcement

A different set of key elements is therefore necessary to give contracts a sustainability and a basis for good cooperation. Often so called “self-enforcing contracts” are found, in which both partners have no reasons for contractual breaches. This is the case, when costs of a contract breach exceed its gains. These forms of contracts need to be highly flexible, as a quickly changing environment, often requires adjustments of agreements. (SWINNEN, 2005)

Though it has to be noted that a great amount of reliance towards business partners was lost within transition period, as negative experiences took place. Many contractual relations are based upon trust. (SWINNEN, 2005)

KLEIN (1996) discusses the difficulties of hold-ups and the influence of private capital involved, to ensure enforcement. His model shows a self-enforcing range, to which though market condition change, no hold-ups occure. The factor of private enforcement capital is highly important in this case, as the amount involved influences the losses that occure, when contract breaches take place. Therefore, the involvement of private capital can help to enforce contracts on private level.

A study by SIMON ET AL. (1999) analyzes the formal and informal meachanisms of contractual enforcement. The level of trust towards courts varies even within a country. This is due to a ranging accessability of courts, and the point of view on usefullness of courts. Disputes between trade partners are often dissolved without court interference and loyalitly within partners is a key component of relations. Also, the cooperation is mostly based upon the ability of partners to punish the other party. SIMON ET AL. (1999) defines majore aspects of “informal punishment”.

Firstly it can be pursued by quitting future trade relations. This form is considered effective as current win is lower than future loss that occurs due to none cooperation, it depends highly upon intensity and amount of trade relation.

Secondly, the danger of risking trade relation, as it is costly or difficult to reestablish new ones.

Thirdly, the flow of information. This factor depends upon the businesses competiteve position, and the position within social-, business networks or trade associations. Within these, the trade partners' sanctions can be extended to other businesses the counterpart is involved in and negatively influence the businesses reputation to other businesses located in the same "line".

5.2. Agro-Contracts in Transition Countries

Producers and farmers often face difficulties to access input factors for production and processing. Also, within "high-value commodity chains". Contracts are a useful tool to overcome market hurdles. Producers and processors are bound thgrough contractual agreements and in the ideal case, all contractual partners receive benefits from it.

5.2.1. Developments of Contracts in Transition Countries

In the process of transition the relation between producers and processors as well as output markets were disrupted (SWINNEN, 2005; CUNGU AND SWINNNEN, 2003). Formally verticalized chains were broken into single, privatized companies. The formally existing "Central Planning Authority" could not longer guarantee contractual abidance, which led to a badly or non existing legal system. In the beginning stages of transformation many producers continued with production as in times before independence, not considering market demands or needs (which back then were centrally planned, too). Previous subsidies were no longer available and due to overall economical changes prices changed as well (and were no longer fixed). The combination of these mal factors brought companies in a bad economical position. Companies were undergoing transition shocks, no longer able to maintain contractual agreements, which then lead

to hold-up problems in terms of delivery delays and payment problems. (CUNGU AND SWINNEN, 2003; SWINNEN, 2005) Establishing well working value chain linkages is the key to overcome transition problems, due to this contractual agreements and enforcements are highly important to overcome difficutlies.

5.2.1. Contractual Agreements in Armenia[1]

Often, companies find themselves cooperating with a huge number of small scale producers, since average sizes of grape producing units are still low. This complicates coordination between producers and grape growers strongly. The importance of cooperatives is very low. Cooperatives in the fruit growing sector and wine growing sector exist. They started to purchase inputs together, too. Though, economical crisis set their development on a hold. Apart from this cooperatives are lacking. ESTEVA (2011) states, that Tierras de Armenia (as the first big scale grape producer) approached processing companies and offered collaboration. Since small scale farming is a main source of rural income so not to neglect political pressure on small producers in this field is high. Also, they experienced unwillingness of producers to enter compulsive contractual relations, not even for one year. (MKRTCHYAN, 2011)

The market up to now is determined by grape purchases. Prices are set shortly before harvest by the two biggest companies acting on the wine market of Armenia: Vedi Alco and Armenia. Quality is not considered in this case, as focus is put on volumes. There is no existence of extra payments for high quality produce. In his opinion this is the foundation of the issue, as long as there is not rise in demand of high quality grapes and varieties, no change will occur. (KEUSHGUERIAN, 2011)

The effects of FDI on contractual agreements in the grape producing and processing sector are discussed in Chapter 6.3.3.

[1] This Chapter is based upon the interviews taken throughout the empirical research, see ATTACHMENT

6. Empirical

The previous Chapters firstly, set an overview of transition countries` development and discuss FDI, secondly, describe the issue of verticalization, thirdly, approached Armenia as a wine country and fourthly, unfold the issue of contracting. The previous Chapters are based upon secondary data available. In order to scrutinize findings and emphasizes aspects the empirical research was undertaken.

The interviews were conducted throughout a field research in Armenia from 18th of April to 2nd of May 2011. The methodology is based upon GAGALYUK AND HANF (2009).

Support was given through the International Center for Agribusiness and Education (ICARE) in Yerevan, Armenia. They were carried out in Armenian, and then translated into English and German, as well as in English and German directly. All results are in the attachment. To ensure a fast note-taking, they were written down in German.

6.1. Objective

Objective of the empirical research is to scrutinize theoretical findings. Available data give an overall image of the market environment and development that takes place. Nevertheless, in order to show the current situation of the market it is necessary to include personal opinions from different target groups. Interviewees that are in direct contact with the industry are highly aware of current changes, that might not appear on statistics yet. In addition to that, questions were asked to link results of previous Chapters to interviewees' statements.

6.2. Approach and Structure

In order to ensure a wide range of opinions and perspectives interviewees were chosen from different branches of the wine and brandy industry. Three sections of interviewees can be divided:

- Medium sized producers

Two medium sized producers interviewed are located in the country side near Yerevan, they focus on wine and brandy production. Both businesses are set within a village community and are distinguished by close work with village farmers.

- Big Scale Producers

Six big scale producers were interviewed. Two of the interviewees work for the biggest brandy producers of Armenia, the other four work within companies that diversified their production, not only focus on wine, brandy and sparkling wine production but also are active in other agro processing sectors. Their statements mirror the perspective of capital intensive investments.

- Experts

Five Experts were interviewed. They work in the field of consultancy, associations and international organizations that have experiences within the field of wine production and marketing.

The interviews were conducted mainly within Yerevan, as many producing companies as well as experts are located in the center town. In addition to that interviews with the medium scale producers and two big scale producers were conducted in the regions around the capital, too.

The interviewees were asked a set of open questions. Depending on their profession and the field of work, focus was put on different aspects, to gain deeper insights within the subject. The questions were set in different sections:

1. interviewees were questioned, whether they notice changes within the plantation of varieties planted and about their opinion on international varieties.
2. they were asked to describe contractual agreements and lately developments of contracutal relations.
3. focus was put on the role of external and internal facilities to overcome overall constraints within the sector.
4. they were questioned to describe the importance of traditional markets and asked about interest to enter new markets.
5. interviewees were queried about the role of competition within the sector.
6. based upon the previous section this set of questions emphasizes whether further influences of the changing market conditions are found in know-how.
7. they were asked about the role of FDI and its influences on the wine and brandy sector.

6.3 Results

The questions' results are shown separately, by their set of issues addressed and asked. The results of the interviews are summarized within each group of questions. Chapter 6.4 concludes the overall results.

6.3.2. Grape Varieties

For now, Armenia's wine production is distinguished by autochthon, varieties (Chapter 4.2.1.). Armenia's markets are developing and besides traditional import and export partners from the former Soviet Union, new trade partners enter, too. Because of that, interviewees were asked whether these changes are mirrored within the plantation of varieties planted and about their opinion on international varieties.

MANASERYAN (2011) stated that within his company only autochthon varieties are planted. Though, he refers to one of their white varieties, which is also called Muscat and is described with similar attributes as the European Muscat - still, known to be pure Armenian origin.

SAMVELYAN (2011) went further and emphasized, that in his opinion the future of Armenian wine is rooted in local varieties; especially because international varieties are found all around the world and are well established within global markets. He does not believe that Armenia has a chance to keep up with these developments, therefore should focus on current trends: the interest of customers in tradition and tradition varieties. He believes that also within the desert wine sector a niche is located.

HARUTYUNYAN (2011) approves this by underlining that these "spiritual values" are a trend. Especially because of latest findings, that proof that Armenia is the birthplace of wine. Nevertheless the danger is located within neighbouring countries, as many of them claim the same. He believes that whoever manages to use this best will win the markets. Also, within former Soviet markets the traditional varieties are of great importance, as they are well established and recognized. Still, he agrees that within quality orientation of customers, international varieties do gain importance.

MKRTCHYAN (2011) sees exactly in this matter a difficulty. On one side she believes that the importance of local varieties is high and also does not see the ability of Armenia to compete with international varieties on global markets. Though according to her there is great need on “proper research” on high quality varieties, since so far only little try outs were planted to analyze potential. Therefore, in her point of view the focus shall be put on local varieties.

On the other hand KEUSHGUERIAN (2011) reports that within the last year international varieties were successfully planted.

ALEXANYAN (2011) describes the dilemma, as so far international varieties are not of great interest for most farmers, but of great interest for companies. So far, prices are high on this produce, but try outs were successfully undertaken already. To overcome this matter they plan to introduce contracts, to promote cultivation of international varieties.

Tierras de Armenia even started tryouts of 26 international varieties in addition to local ones and brandy varieties. In order to do so, they received a special permit, at the point of introduction these were not registered yet. Though, currently Tierras de Armenia works to get permission and so far registered six varieties already. For the future they plan to reduce the amount of international varieties to three to four ones that proof to give best results and emphasized on them rather than local ones. Quality production and plant quality is their aim and therefore french varieties turned out to be very successful. A reason for this is also the negative experiences they had with local varieties. Throughout cultivation the purchased varieties varied by 30% and turned out to be a different variety than purchased. The fact that mostly mixed fields of different varieties still exist might be a cause for that. (ESTEVA, 2011)

During the interview ESTEVA (2011) also mentioned another major issue of local varieties: There is a non-existence of local varieties with grafted rootstocks, as there is nobody available to do so within Armenia. The non existence of phyloxera resistant rootstocks is a subject that places Armenia behind other countries, even in Russia and Georgia one can find grafted plants. This lack, according to him, is rooted in overall out-dated, old fashioned technologies of Armenian wine making, and the lack of

knowledge and certain stubbornness, towards new methods and techniques among people.

This leads to the conclusion that: The answers are quite contradicting and show the two sided bearings on that topic. On one side producers believe in the chances of international varieties to grow successfully in Armenia and open new markets as well as to meet the needs of Armenian wine drinkers, too. On the other side producers and experts believe that Armenia`s chances are rooted in traditional varieties. They believe that these fill a niche, as Armenia would not be able to compete internationally with new world countries on quality and price level. Nevertheless, phyloxera is a present danger as Armenia`s varieties are non grafted, so producers need to address this fact, when focusing on local varieties.

6.3.3. Contracting

The next questions are based upon the fact that grape purchases within Armenian wine and brandy making are very important (Chapter 5.2.1.). Interviewees were asked to describe the agreements between grape growers and processing companies. Further on, they were questioned whether they notice any changes within these agreements, if so in which way, and how far the presence of FDI has any influence.

Interviewees report a consistent contact with grape growers. Trainings are not common, but financial assistance is given in many cases. Also, checks in vineyards are undertaken right before harvest. Many producers report that they are satisfied with the grapes quality, so they do not see any need for further improvements or additional trainings. On the other hand, some report that trainings and controls are an essential tool; as well organized and done work eases the work load throughout harvest time and reduces basic problems. (MANASERYAN, 2011; SAMVELYAN, 2011)

According to KEUSHGUERIAN (2011) as far as most companies refer to contracting, it is all artificial and proper, contractual agreements hardly exist. The only exception is Yerevan Brandy Company (owned by Pernod Ricard).

MELKOYAN (2011) states that Yerevan Brandy Company works with 5.200 contracted farmers. The contractual agreements are control contracts. Contracted farmers are offered inputs for free; they themselves have to follow set standards, for pesticide use etc. Also, time of harvest is set by them, especially to organize the time of grape delivery, so that only little waiting time for further processing takes place. The quality of the delivery is controlled, by taking samples. If standards are not met, or farmers are found cheating all grapes are returned to them. He adds that vineyards are controlled regularly from consultants, located in the different wine growing regions of Armenia. In addition to that, farmers are trained and advised by experts who received their knowledge abroad. As an additional appeal, annually the most successful farmers (10-15 people) receive a price, usually a tour to the cognac region of France. The overall influence of Pernod Ricards is shown firstly in the ten times value growth, since the procurement. Secondly in the fact that they were the first to set standards in business

collaboration, thirdly in the effect that competitors try to copy their models and entice partners away.

Also, Yerevan Champagne Wine Factory works with contractual agreements and provides farmers with prepayments after the contracts are signed, in order to support them financially in purchasing new inputs. They undertake controls of sugar content and color, when purchasing grapes. Grapes are procured directly from farmers and are processed at processing branches, located around main grape growing areas of Armenia. Prices are not set prior to harvest. If the grapes do not meet the standards, they are sent back as well. In order to ensure fully ripened grapes, technologists are sent to the vineyards upon the ripening process. The contractual agreements are set annually and MARTIROSJAN (2011) believes that the knowledge the farmers have about grape growing is already very high, so there is no need for additional trainings.

Yerevan Ararat Wine Factory uses contractual agreements, too. Since they do not have own vineyards, throughout contracts they can ensure the delivery. Contracts are reset annually. Also in this case contracts are not written, though farmers can be ensured (trust-based) that their produce is procured, as long as quality standards are met. Financial aid is given to farmers in order to improve production methods, but no special trainings are given through an agro-manager or a similar position. KHACHATRYAN (2011) underlines, that in case quality standards are not met, the produce is returned to the farmer. Farmers are paid directly, without time delay.

Still, most agreements between farmers and producers are, long time established and trust based (MANASERYAN, 2011; SAMVELYAN, 2011).

The issues of not obeyed contracts are also found in Armenia. Previously written contracts were set, but were not followed. Due to this great mistrust was built upon farmers. At the end of the Soviet Union new producers entered the market. The issue of quality, especially for many start-up companies was a big problem. Nowadays, the issue is about to be overcome and few companies, like the Yerevan Champagne Company, set positive examples for the industry. He sees in this form of contractual relation an overall positive effect on producers and from the total production, other companies try to adapt the methods. (BABAYAN, 2011)

Another factor that was overcome because of the support of foreign market participants was within grape purchasing, as prices are a major issue, too. MKRTCHYAN (2011) reports of cases, when farmers lacked market knowledge, so they ended up selling their prices at prices that covered production costs only or even lower. In this case foreign market participants helped, as they rose prices. This way they ensure that contractual relations with farmers can be set on long term basis, without ruining them and loosing contractual partners in the long run.

This leads to the conclusion that: Trust based contracts are still most common in Armenia. Though, examples show the development towards more intense types of contractual cooperation between grape growers and processors. The market entry of Pernord Ricard, through Yerevan Brandy Company, can be considered as a stepping stone that introduced strong contractual relations to the country. They set standards and are the first to introduce trainings for farmers, emphasizing in quality produce. Other contractual agreements found, can be considered to a certain extent, as a result of this.

6.3.4. The Role of External and Internal Facilities

Chapter 4.2.4 describes that the overall constraints of Armenian wine, quality is one of the major issues that needs to be addressed. Due to this, interviewees were asked about the role of external as well as internal facilities to overcome this problem.

The legal framework, in its current existence, does not really have an influence on quality of the wines. It does exist, but is hardly followed in reality. KEUSHGUERIAN (2011) believes that quality insurance can more likely be maintained by forming private associations, which inner organs are in charge of quality controls. The role of certification is similar difficult to the role of the legal framework, as certifications exist, but can easily be falsified.

MANASERYAN (2011) emphasizes the importance of maintaining quality insurance internally, especially because his company has set as a family business. He himself or his father are personally present throughout all steps of production to control maintenance of hygiene. Also, wine quality is tested within the company, as they own a laboratory. In addition to that quality controls are undertaken right before harvest in the fields, to check whether grapes are ripe yet.

Armenia Wine even has own distribution networks, to overcome difficulties. In addition to that storage facilities are set at the company ground as well as in bigger cities, from where villages can be accessed more easily. (ALEXANYAN, 2011)

Yerevan Champagne Wine Factory follows ISO standards and has certified production lines. Internal labs exist for local markets, but to ensure neutrality external labs are used as well. Within the internal quality controls, also experts check the vineyards the quality and ripening grad of grapes, before harvest. Generally, states GAGIK (2011) almost all processes are undertaken within the company. Already negative experience (within distribution), price saving, efficiency and the fact that it is easier to control are the reason for that. (MARTIROSJAN, 2011)

KHACHATRYAN (2011) from Yerevan Ararat Wine Factory adds in addition to the fact that they also have their own laboratory that new workers undergo several trainings in different departments of the company, as their own training method.

SIMONYAN (2011) from Areni mentions that government visits the winery annually, in order to keep up assurance of compliance. Other than that, everything is done by the owner's individual responsibility. He emphasizes that through the state, the "Certificate of Origin" is given, which is of importance to export to Russia.

Other than that SAMVELYAN (2011) adds, that in comparison to Georgia, where the states interest is put on wine production, in Armenia, the state focuses on brandy produce. Currently the state only controls certain amounts of production, though the greater control and quality control needs to be undertaken internally. In his opinion state controls are rather a side effect. Also, associations exists, but up to now are not of great importance. They still need to develop further.

BABAYAN (2011) points out that there are no real controls through the state on wine production. Controls only take place, when there is a complaint. Currently these controls only exist in written form, but through this corruption can easily be overcome. Another issue is the fact that many inspectors are poorly trained and lack knowledge. He sums up the issue of external services. Overall distribution and logistics is difficult and often, when company is in its initial stages to start up production, at the same time they try to include a logistic unit. This is, because external companies exist rarely or are costly. In addition to that it is very common that big producers of beverages also have their own integrated lab, as again external ones are costly, time consuming or not very reliable.

This leads to the conclusion that: The external facilitations and services available in Armenia appear overall poor. Controls through state exist, but do not play an essential role in quality assurance. Therefore, in order to ensure smooth quality controls as well as distribution, companies are forced to introduce internal facilities or vertically integrate existing systems (such as logistics) within their company.

6.3.5. Markets

Though markets change, Armenia's most important trade partner is Russia (Chapter 4.3.4). The interviewees were asked whether overall changes and presence of national as well as international market participants also mirrored in companies' market approach, or whether future focus will remain in traditional markets.

HARUTYUNYAN (2011) states that still, most of Armenian produce is sold on local markets. Though, tendencies towards exports increase.

SIMONYAN (2011) supports this as he states that many of their sales go to local markets and 1/3 to Moscow. Though he notes the overall interest in extending exports, he states that bad experiences from others, such as payment delays within other countries of the former Soviet Union and an overall lack of market knowledge limits them to do so.

MKRTCHYAN (2011) describes the changes of the market, as up to now vodka and brandy consumption is still highest within Armenia; she believes that this is a reluctant of the time of the Soviet Union. Though, she notes that wine consumption is on a rise. Also the interest of Diaspora and foreigners on Armenian wine exists, but the quality is still an issue. Though, she believes that Armenian wine currently is at a turning point. Overall, MKRTCHYAN (2011) says, that the main focus is still put on the Russian market, which holds some dangers. She asks, what will happen if Russia closes the borders, as it did with Armenian cheese production, that lead into a disaster. She believes that the key is to maintain current markets and also focus on ethnic stores and other niche markets apart from Russia to diversify sales. Also, Russian markets change towards more quality wines, which proofed the fact that when Georgian wines were excluded from Russian market it should have been Armenian wines to take their position, but due to poor quality it were new world wines instead.

MARTIROSJAN (2011) underlines this, as their main market is also Russia. They even have storage facilities in Moscow, to ease distribution and work together with Russian

partners. He adds that further approaches are towards Europe and USA, too. Especially countries with a high number of Diaspora communities are the target.

MELKOYAN (2011) describes the marketing strategy of Yerevan Brandy Company and underlines the advice given by MKRTCHYAN (2011). Though, they do not show any interest in wine making and focus on brandy production only, market strategies are similar. Traditional markets are still the backbone of their company and they just recently invested in a product re-launch which was developed by an English and Dutch company. At the same time they try to spread their produce on new markets, such as Australia, Europe as well as more exotic countries like Uruguay and Vietnam. He describes also, that through ethnic stores, in the example of Germany, they entered the market and from their got the access to other chains, such as REWE and EDEKA.

KHACHATRYAN (2011) from Yerevan Ararat Wine Factory on the other hand states that still over 90% of the produce is sold to Russia, followed by the local markets. Overall he says that especially within the former Soviet Union interest of their produce exists. Other markets such as Europe and USA exist as well but only take a small share. The new focus is set on China.

On the other hand, ESTEVA (2011) tells about the strategy of Tierras de Armenia. He sees a strong contradiction between the generally poor quality of local produce and high quality wines. A problem lies in the fact that generally it is best for a country to firstly develop itself as a brand and from there on to enter the markets. The fact that this is not the case in Armenia, troubles overall marketing approach, as quality improves but customers are not aware of it. As Tierras de Armenia's sister company is located in Argentina, the marketing entrance is eased for them. They can attend international fairs with them and appear as an international brand, rather than "only" an Armenian brand. Therefore, Tierras de Armenia's focus is put on international markets and local markets are planned to be kept as a sideline.

This leads to the conclusion that: Armenian wine is mostly sold locally; the biggest export market still is Russia. For Brandy, Russia is the biggest market as well. Though, current events of the import ban of Georgian wine proofed that Russians preferences

are changing and up to now Armenian wines are not adapted well enough. Improvement in this sector is necessary to maintain their position. In addition to that, a diversification to other niche markets, mainly to countries with a great share of Diaspora Armenians will help to strengthen Armenia's export success sustainably.

6.3.6. Competition

Market data show, that since the economical and financial crisis took place, wine consumption and production is on a rise (Chapter 4.2.2. and 4.3.2.). Interviewees were asked in how far changes within the sector are noticeable and in what way they were introduced through national as well as international competitors.

MARTIROSJAN (2011) states that since independence not only an overall market growth is recognizable, also competition is changing. This directly effects goods positively as well as prices.

ALEXANYAN (2011) adds: the positive effects come through the rise in competitions. Firstly, quality insurances and secondly, the improved prices for farmers. He describes another effect of competition, as they are the first to undertake investments in these dimensions they expect to have great effect on overall business. Firstly he believes that many will try to copy and adapt business models, secondly they hope to influence Armenian wine culture and peoples' wine awareness in general positively.

Also, new producers bring new technologies in the markets, which spread the knowledge on new production techniques. SAMVELYAN (2011) sees competition as a positive signal that market grows.

MKRTCHYAN (2011) names an example of a pioneer work of a single medium scale winery. Its owner was willing to introduce changes and accessed new technologies. The first steps were undertaken by him personally, then with the support of USDA. He started to introduce western standards and firstly began to produce consistent quality of goods and systematically improved further steps of production. She then recognized that other companies, that firstly showed resistance towards changes, started to realize positive effects and adapt certain methods themselves.

MKRTCHYAN (2011) describes the overall interest on the Armenian wine market as existing, though it could be bigger, but it exists. Armenians as well as international actors show interest, such as Italians that started investments and Americans that plan to do so. Also she names Pernod Ricard. The overall growth in interest from Diaspora, locals and foreigners on the wine sector is also shown in the grow demand recognized at CARD Agro Service, that provides services in the field of agriculture.

KEUSHGUERIAN (2011) describes recent changes in the wine market of Armenia. As in the brandy sector, new investments were already undertaken, in wine this is a different "story". Due to the growth of wine demand and its position in the markets as a luxury good, local as well as international demand is on a rise. Within the surrounding competition of Armenia until 2009, when Armenia started the big investments, Vedi Alco was the biggest player and experienced no competition pressure. Then Armenia entered the market, immediately did great investments, aggressive marketing and took over around half the market share of Vedi Alco. In return, Vedi Alco was forced to keep up competition to invest in equipment, which up to then was outdated.

MKRTCHYAN (2011) sums up this statement by saying that Vedi Alco, up to the point of Armenia's market entrance was lazy and did not invest in new technologies or methods to improve quality. As a reason the new competitor Armenia could easily take over great parts of their market share.

BABAYAN (2011) describes the effects of competition on the market are shown when looking at the example of Yerevan Ararat Wine Factory and Yerevan Brandy Company. As Yerevan Brandy Company is the biggest competitor of Yerevan Ararat Wine Factory and the only way to win over them is to compete on markets. Therefore, Yerevan Ararat Wine Factory began to invest in 2002 as a response to the purchase of Yerevan Brandy Company in 1999 by Pernod Ricard. Main competition takes place on the Russian market as it is the biggest market outlet for Armenian brandy. In addition to that he names changes in the market of juices that can be exemplified to a certain extend to other goods as well. The juice market had undergone tremendous changes as a grown import rate increased competition. Competitors often were lower in price, had better quality, flavor and design. Armenian producers reacted towards market demands. They started to redesign bottles, even patent-registered them, extended

their portfolio from locally grown fruits to other fruits also and adapted the price. Now different price ranges from cheap to high price are available, often within one company under different brands. BABAYAN (2011) sees similar changes already in the wine and brandy sector and believes further changes are about to happen.

Another aspect of change was described by KHACHATRYAN (2011): They have vineyards in several wine growing regions. These collection points to buy grapes right in the regions from farmers are set within these areas. Similar to the way their competitor set their collection points. This modern set up is ideal, because they are easily accessible for farmers and they do not have to undertake the trip to Yerevan but can sell their goods within their region. A difference to YBC is that they do not press or distill at the collection points, all steps of processing are still undertaken in Yerevan.

KEUSHGUERIAN (2011) states that the issue of quality is still present but can easily be overcome. He describes that quality grape produce has direct effects of overall wine market, as Tierras de Armenia notes a grown interest of wineries that are willing to purchase grapes. Indirect effects are also present as competitors start to rethink about production methods and try to copy and imitate in order to improve their own produce. Overall, KEUSHGUERIAN (2011) believes that the issue of quality can be overcome; it all is a matter whether investments are accessible.

This leads to the conclusion that: Examples proof that the rise of competition affects entire market conditions positively. Due to more competitor producers are forced to rethink their market approaches and to improve quality as well as prices.

Changes in the market environment are taking place, mostly driven by investments local as well as foreign. Positive effects are expected to be noticed on quality and overall market approaches.

6.3.7 Know-How

The previous section (6.3.6.) shows that competition on the Armenian market is on a rise and changes within the whole sector take place. Therefore, this set of questions emphasizes whether further influences of the changing market conditions are found in know-how. 6.3.7.1 focuses on the transfer of know-how through procurement of machinery, where else in 6.3.7.2. Interviewees were asked about other forms of know-how transfer.

6.3.7.1. Through Procurement of Machinery

SIMONYAN (2011) says that changes are mainly taking place within the cellar and with machinery, as he does not have any interest in new, international varieties.

KEUSHGUERIAN (2011) believes that equipment is a key factor for quality wine production. Internationalization also takes place here. He says that most of the new quality equipment found in Armenia originates from Italy.

Also Armenia Wine's equipment originates from Europe, though not only Italy. He notes that the wine bottle design was made in Italy, but the design for their vodka produce was developed in Armenia. Their brandy facilities are important from France and most of the tanks and machinery come from Germany. With the purchase of equipment part of the contractual agreements is that distributors are bound to come for two weeks of the first machinery usage, to train the staff and ensure the correct handling. (ALEXANYAN, 2011)

Also Yerevan Champagne Wine Factory receives their machinery from Italy and Germany and underlines the statement of Armenia Wine (MARTIROSJAN, 2011), that they also receive trainings along with the purchase. He underlines the growth that Yerevan Champagne Wine Factory experienced since independence. New machines from Europe were bought and a new processing line for spirits was introduced. Also, since then an own bottle production unit was introduced. (MARTIROSJAN, 2011)

On the other hand MANASERYAN (2011) adds that the equipment they use for their lab to do internal testing originates from Armenia.

HARUTYUNYAN (2011) sums up that still 80% of the machinery used still originates from the time of the Soviet Union. A reason for this is that wine makers often do not have the same amount of financial access as brandy makers and therefore are not able to finance machineries. Though he notes the changes currently taking place and underlines that with purchase of machinery knowledge exchange is purchased along with it. Therefore he believes that within five years this issue of out dated equipment will be overcome.

This leads to the conclusion that: Although a great share of equipment still originates from Soviet times, changes in the sector are visible. Many companies procure technologies from abroad, mostly originating from Europe. Companies receive trainings on machineries along with the purchase, that way knowledge is transferred as well.

6.3.7.2 Transfer of Know-How through other Forms

KEUSHGUERIAN (2011) states that nowadays know-how is easily accessible, in times of flying winemakers: Michel Rolland, Paul Hobbs and others already visited Armenia. He believes that this interest already is a good indicator that the country holds potential. There are no barriers to overcome the issues of knowledge. In addition to that input factors are accessible. He sees another aspect within programs that are sponsored by donor organizations and are undertaken by seminars on field work or processes in cellar as well as through support on presentation on markets and fairs.

ESTEVA (2011) adds that the work in the vineyards of Tierras de Armenia, owned by an Argentinean Eduardo Eurnekian, is undertaken upon the advice and knowledge of Argentinean agronomists and winemakers. Mainly trainings are procured within Armenia, but even few Armenians were sent to Argentina to experience on farm teaching, too.

The technologist of Armenia Wine has studied in France and completed internships in the field of wine and brandy production there. (ALEXANYAN, 2011)

Also, SIMONYAN (2011), owner of Areni, reports that he participated in an excursion to Italy, to visit Italian wine producers. Organized by the Ministry of Foreign Affairs, and initiated by an Italian professor set contacts. In return Italian wine producers also visited Armenia to exchange knowledge and experiences.

International donor organizations are and were active in the wine production sector as well. MKRTCHYAN (2011) reports from former USDA programs that started in 1996 and supported through projects first wineries. The aim of these projects was to focus on entire value chains, starting from production of grapes, to wine production and marketing nationally and internationally. Also, international experts were invited to share their knowledge in the field of wine making.

She also speaks of other projects in the field of agro-tourism and within the hospitality sector, in which producers are taught how to professionally taste their produce and submit that knowledge. Though, since five years USDA changed to CARD and restructurings took place, which led to lesser resources available in the winemaking field and focus is now put on dairy production. She states that luckily this year fundings are available to support trainings of processors in the field of marketing and packaging.

This leads to the conclusion that: Know-how is transferred through knowledge of key figures in the fields that received their education or trainings abroad and implement know-how within Armenia. Also trainings and monetary support is given through international donor organizations. Influences are widely noticeable throughout all levels within the value chain of wine and brandy making.

6.3.8. FDI in the Sector

The inflow of FDI in the wine and brandy sector is, according to estimations, much higher than in other agricultural and agro-processing fields (Chapter 2.2.). This share leads to the expectation that influences must be recognizable within Armenia. Interviewees therefore were asked about local and international driving forces within the wine and brandy sector.

In general, BABAYAN (2011) sees only few examples of the influence of FDI on the entire agricultural sector - mainly in the processing sector, such as juice, wine and brandy. Many Diaspora are located in Russia and from there invest in Armenian businesses. A main reason for this sees BABAYAN (2011) in the good reputation of Armenian goods and the high prices they get, especially on the Russian market. Overall the level of FDI on Agro-businesses and the wine/brandy sector are difficult to measure. According to BABAYAN (2011) there are many ways to reallocate money. Especially when a company is founded through FDI, there is an option to repay VAT later on. Therefore, many Armenians are interested to invest and try to make use of this tool, by channelling investments through other countries, such as Russia, and from there sending money back to Armenia.

MELKOYAN (2011) from Yerevan Brandy Company divides the influences from FDI in two sections. According to him investments from Russia and Diaspora Armenians are comparable to investments of Armenians in the country, as business methods are similar and overall there are only little differences. Investments from other countries, such as from Tierras de Armenia or Pernod Ricard exist but take only a small share in comparison to overall investments.

BABAYAN (2011) estimates the share overall share of foreign investors lower than the share of investments through Diaspora Armenians. Though, expects it to be higher in the wine and brandy sector.

KEUSHGUERIAN (2011) underlines this, as he states that a great share of investments within Armenia is done by Armenian, either Diaspora or wealthy local ones or foreign

development organizations. Armenians have a strong affinity to their country and their investments are often distinguished by emotional binding and the interest in receiving high reputations within the community. He believes that the most important Foreign Direct Investment was done by Tierras de Armenia, through Eduardo Eurnekian, whose family originates from Armenia. ESTEVA (2011) adds that they were the first to introduce big scale grape growing, introducing new standards, such as setting up vineyards that meet requirements in order to accomplish a mechanical harvest.

Apart from that a great share of foreign money comes from Russia. KEUSHGUERIAN (2011) also names the example of Pernod Ricards investment from France to the Yerevan Brandy Company.

The investments through Armenian businessmen are also found in the example of Armenia Wine and Yerevan Ararat Wine Factory. Though, both owners have in addition to the beverage industry other businesses ranges of sectors. In case of Yerevan Brandy Company, the owner also owns a Brandy factory in France (BABAYAN, 2011). Also, Yerevan Ararat Wine Factory is 100% owned by an Armenian oligarch. Armenia Wine is the first company that started with such high investments in that field of wine making. Their overall goal is to make wine according to european style and quality. (ALEXANYAN, 2011; KHACHATRYAN, 2011)

MKRTCHYAN (2011) sees high potential in these investments to overcome overall problems of the wine sector. Especially from Diaspora, since they bring an understanding of the language and the culture as well as financial aids to support a fast development.

A constraint for investments sees KEUSHGUERIAN (2011) in the high production costs that Armenian wine production has. The temperatures, cold in winter and hot and dry in summer require additional technical support on top of the lack of infrastructure within the country as well as high transportation costs to send goods abroad make it difficult to raise interest of international Investors.

MKRTCHYAN (2011) describes the overall reaction of Armenians towards foreign investors as very positive. She believes this is because of the general focus on successful business making Armenians have. Another aspect, according to her, is the

fact that positive experiences with foreign investors, such as Pernod Ricard, are widely known. Pernod's work can be looked at as a "model project". This supports the positive attitude of locals towards them. MKRTCHYAN states that generally Armenians might be "stubborn" towards something new and modern, but throughout generations this issue is overcome.

This leads to the conclusion that: Most of the inflow of FDI originates from Diaspora Armenians or from investors with personal linkages to Armenia. Also, due to the reason that companies can pay VAT later on, when founded through FDI, it is most likely that great amounts of it are channeled through Russia, too.

The overall effect of FDI is considered positive, within society and for overall developments. Constraints still exist, but examples show that interest of investors exists and function like a role model, introducing new standards and helping to overcome existing difficulties in the long run.

6.4. Conclusion of Empirical

Summing up the results of the interviews, it shows that the attitude of grape growers and producers towards international varieties varies greatly. Some believe the plantation will help to open new markets, others see Armenia's chances within traditional varieties.

Within the field of grape procurements, trust based contracts are still most common in Armenia. Though, examples show the development towards more intense types of contractual cooperation between grape growers and processors.

In terms of quality controls and other aspects through which, external facilities can be used, the interviewees underlined, that external facilitations and services available in Armenia appear overall poor. Therefore, in order to set standards and to a have well functioning distribution, companies either introduce internal facilities or vertically integrate existing systems (such as logistics) within their company.

Armenian wines are sold mostly locally as well as in Russia. In addition to that many producers show interest to diversify markets, too.

The market developments in terms of a growth of national as well as international competitors appear overall positively. This results in a steady improvement of machinery, which mostly originates from Europe. With the procurement of equipment, knowledge is purchased as well. Also, know-how is accessed through locals who are trained abroad and then transfer their knowledge. International donor organizations play an important role, too by providing training, supports throughout the entire value chain and giving monetary aid.

Most of the inflow of FDI originates from Diaspora Armenians or from investors with personal linkages towards Armenia, but other international investors are present, too. Also, it is likely that great amounts of FDI originate from Armenians, but is channeled through Russia, in order to pay VAT later on.

The overall effect of FDI is considered positive, within society and for overall developments. Constraints still exist, but examples show that interest of investors exists and difficulties can be overcome.

7.1 Conclusion

International influences are of great importance in transition countries as they move from a planned economy towards privatization. Challenges emerge, but also offer new chances for former market participants to overhaul previous economic activities as well as for foreign investors to enter new markets. Major constraints are widely spread within the Armenian wine and brandy sector; nevertheless it is at a turning point.

Many grape growers and wine producers still struggle to meet constant quality and quantity demands. Often it is rooted at farmer side, as focus still is put on high yields, as overall production costs are quite high. From consumer side prices are still an issue, too that increases the demand on low cost products. Also, standards are not existent or hardly maintained. Processors find themselves cooperating with a huge number of small scale producers, since average sizes of grape producing units are still low. This complicates coordination between producers and grape growers strongly and adds up to production costs. Nevertheless, Tierras de Armenia as a foreign owned company, by Eduardo Eurnekian, is the first to introduce big scale grape production, focusing on the use of machinery and growing international varieties. Though, quiet new to the market, they are expected to affect production environment greatly.

Overall, arrangements between farmers and producers are mostly based upon volume agreements, often not including quality criteria. Mainly they are trust based, but few contractual relations exist, too. Pernod Ricard, through Yerevan Brandy Company, was the first to introduce control contracts. They set standards and introduce trainings for farmers, emphasizing on quality produce. Other contractual agreements found, can be considered to a certain extent, as a result of this. It is expected that further spillover effects will take place.

Also, the Armenian wine and brandy sector was greatly affected by the economical and financial crisis. Many newly entered market participants ended up bankruped, also, big scale producers were effected and faced financial hurdles. This resulted in an overall lower demand of grapes, which put developments for grape growers, as well as processors on a hold. Within consumption, changes took place, too as customers preferences turned towards wine rather than brandy. Though, the brandy market

recovered by now, consumer preferences towards wine was influenced sustainably, so chances for new market participants of the wine business appear positively.

Armenias' main focus for trade still is put on markets of the former Soviet Union. These products are bought mostly because of their origin. Though, in the case of wine it is only a limited market. This fact can function as a stimulous to the sellers to implement and develop a new market strategy to compete on cost/quality level. Also, the import ban of Georgian wine by Russia proofed that preferences of traditional customers are changing and up to now Armenian wines are not adapted well enough. They were not able to fill the gap and others sold their produce more successfully. Improvements in this sector are highly necessary to extent the position of Armenian wines. In order to gain greater market power it is essential for Armenia to extend the markets, too. Especially a focus on ethnic stores in countries with a big Diaspora community will help to step into new outlets initially.

Overall, international influences are present. The share of FDI within the wine and grape sector is much higher, compared to other agro-processing fields. Lately, investors (often Diaspora or investors with personal linkages to the country) set up new production plants and grape growing facility, according to international standards and overhaul old ones. In addition to direct influences, indirect effects are noticed, too: such as improvements and acquisition of equipment through which knowledge is purchased. Also, trainings through international donor organizations take place.

Developments are noticed in the fields of the wine and brandy sector. Investments from Diaspora and foreigners, but also from Armenians exist and are expected to grow further. They work as model projects, so that spillover effects are already present and will spread more, as markets continue to develop. This combination of Armenian and foreign investments can be considered a driving force behind the Armenian wine and brandy sector.

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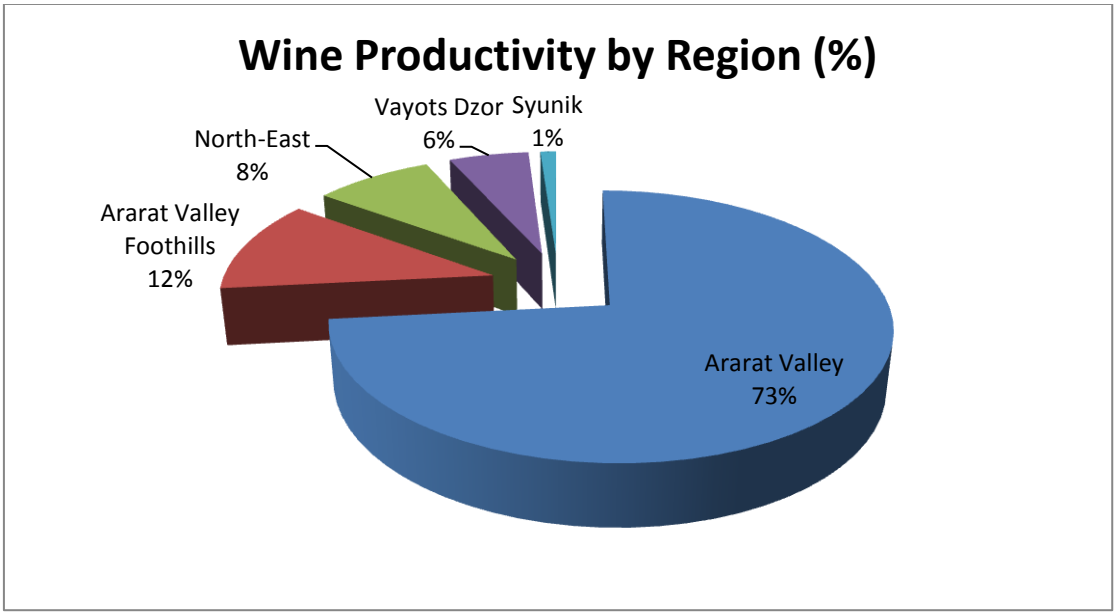
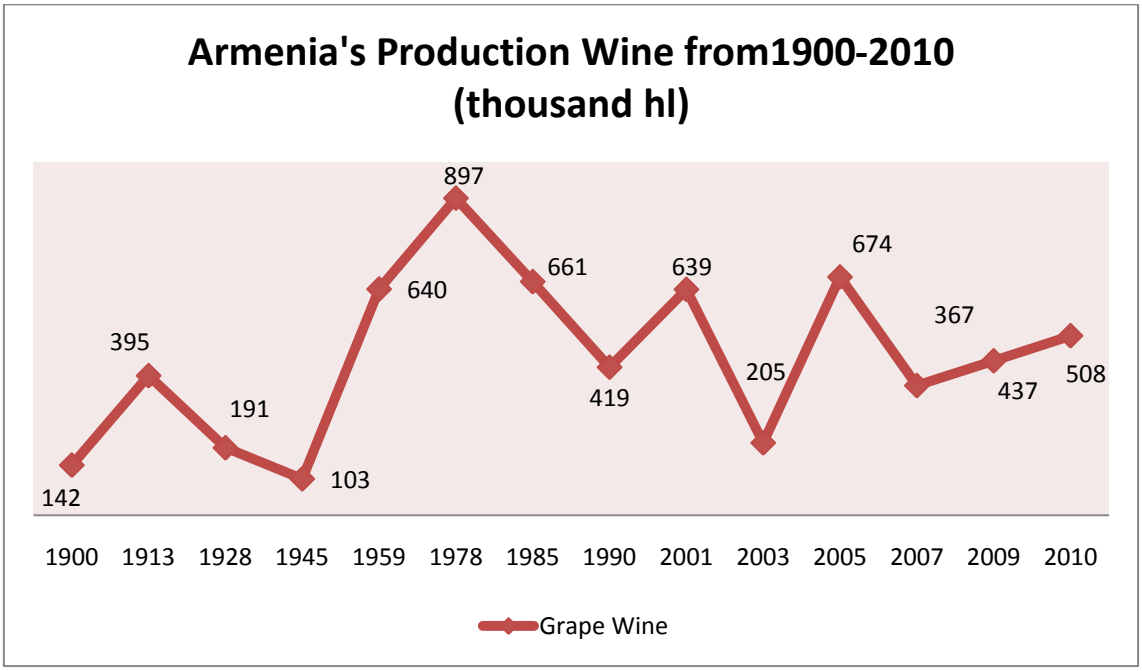


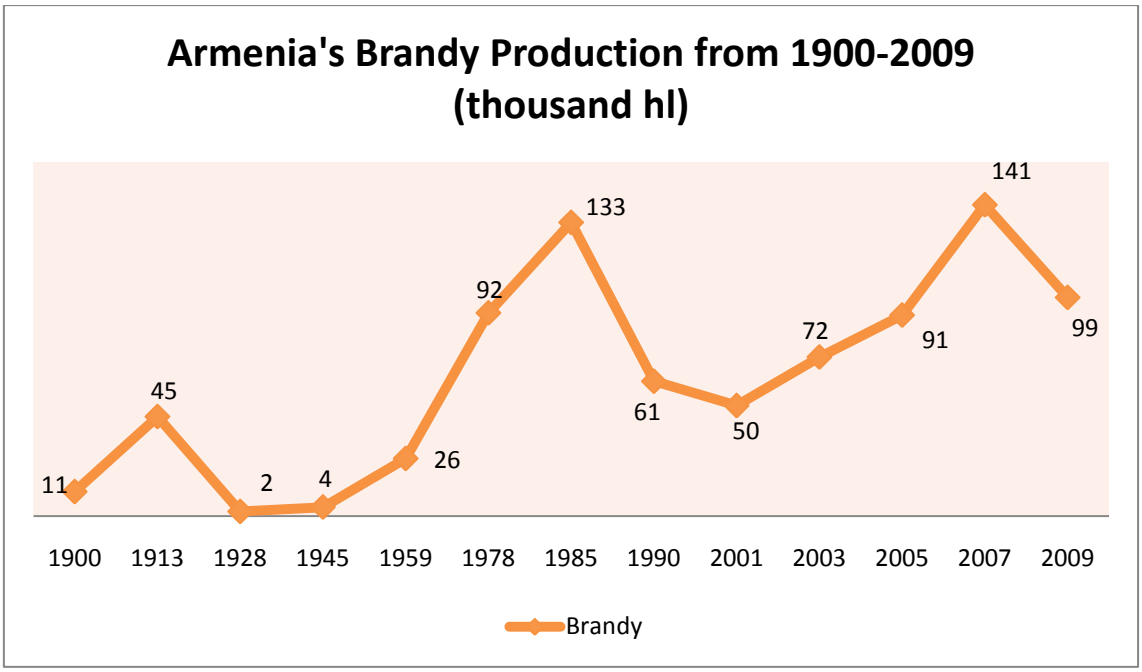
Attachment 1 -
Armenia's Wine Productivity by Region

(based upon HARTUTYUNYA, 2010)



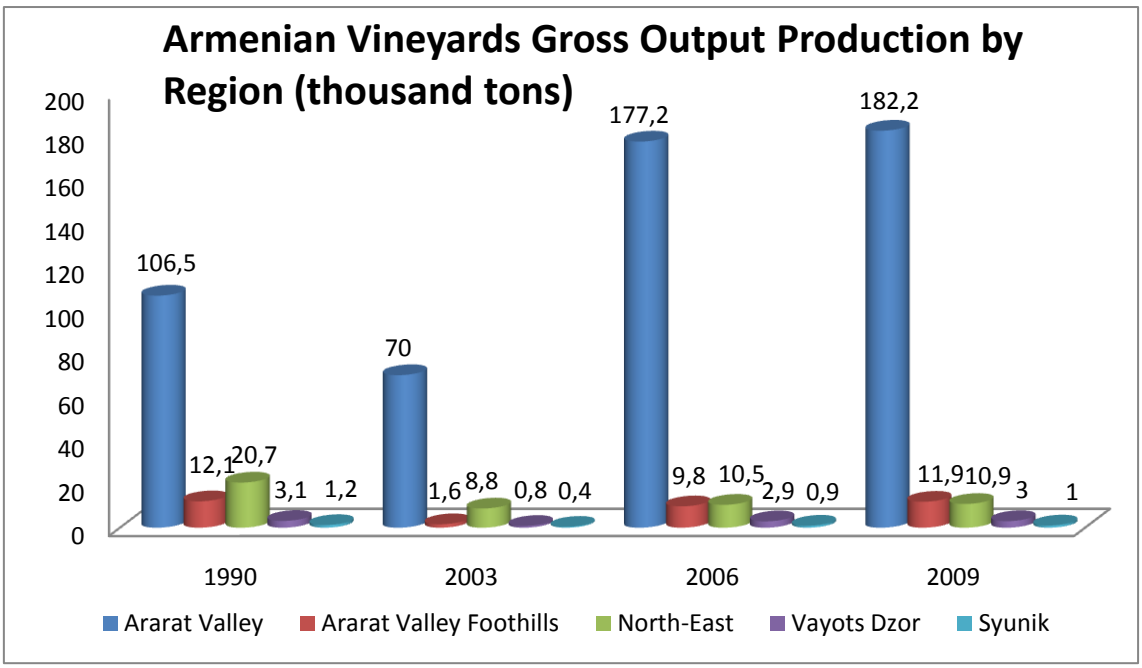
Attachment 2 -
Armenia's Wine Production from 1900-2010

(based upon ARMENIANWINEPRODUCERSASSOCIATION, 2011)



Attachment 3 -
Armenia's Brandy Production from 1900-2009

(based upon ARMENIANWINEPRODUCERSASSOCIATION, 2011)



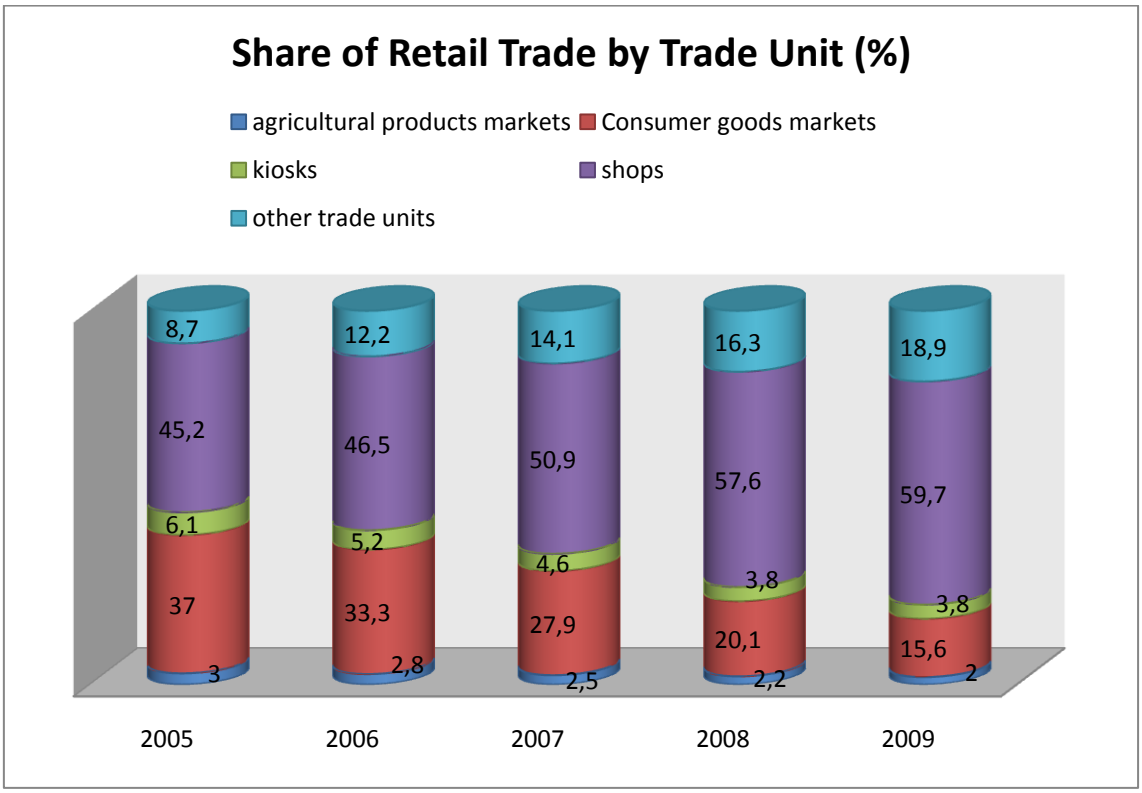
Attachment 4 -
Armenian Vineyards Gross Output Production by Region

(based upon ARMENIANWINEPRODUCERSASSOCIATION, 2011)

Period	Average number of Wineries
1998-1990	35
1991-1996	20
1997-2003	31

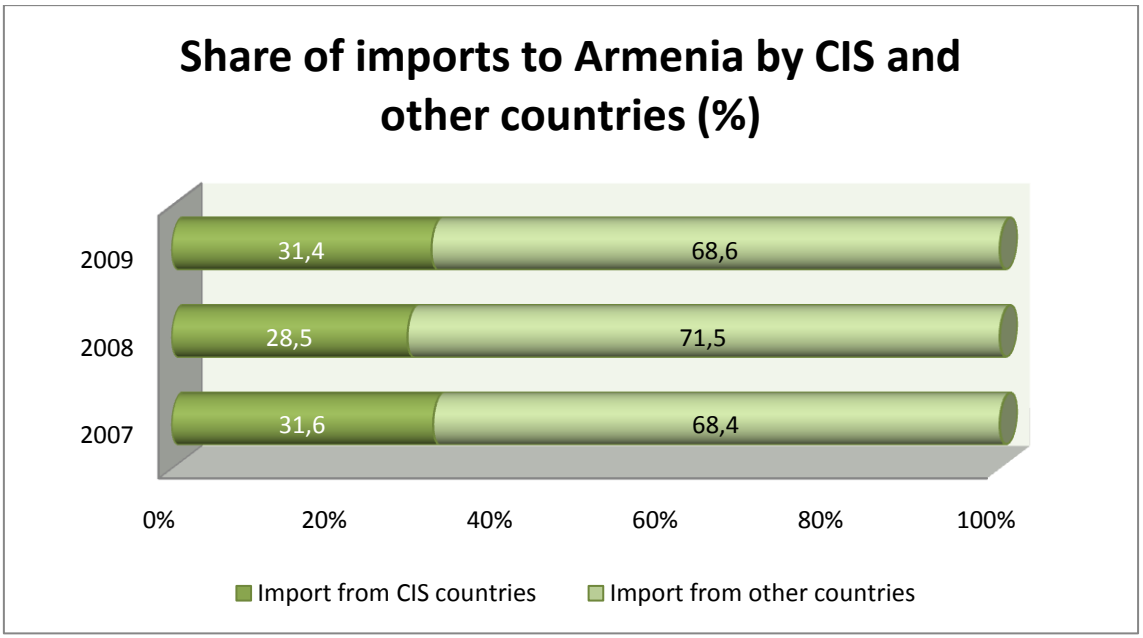
Attachment 5 -
Average number of Wineries in Armenia

(base upon Association of Armenian Winemakers, 2003 in ENGELS et al. , 2004)



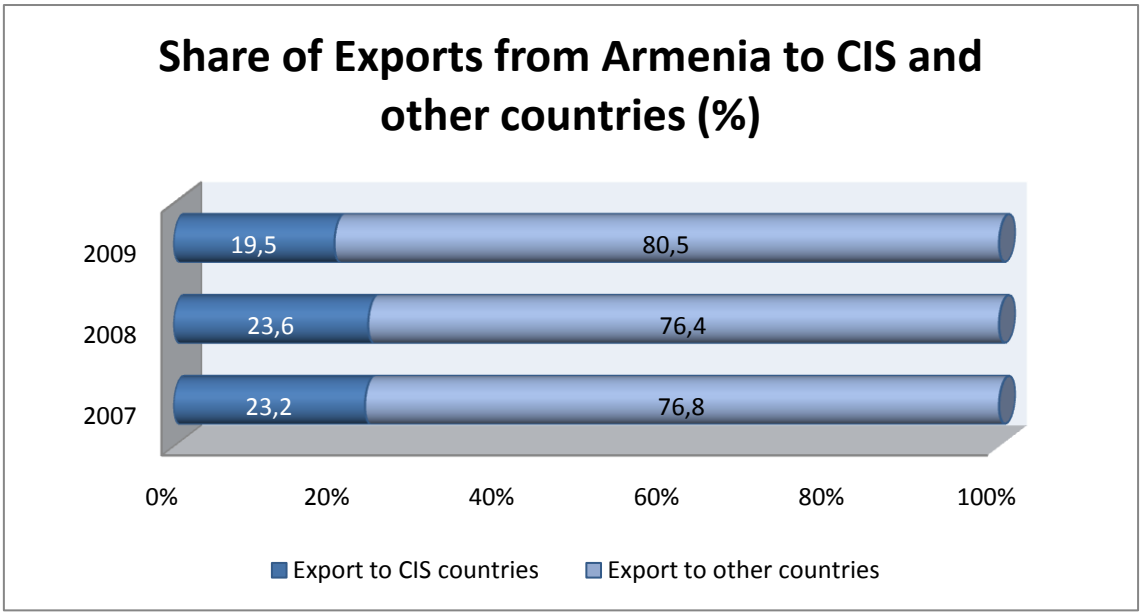
Attachment 6 -
Share of Retail Trade in Armenia by Trade Unit

(based upon STATISTICAL YEARBOOK OF ARMENIA, 2010)



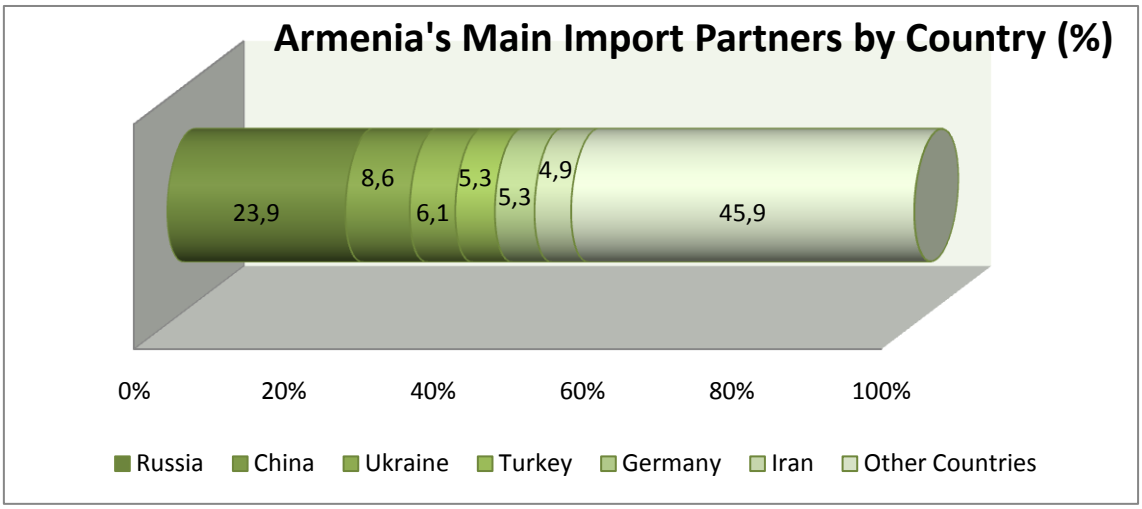
Attachment 7 -
Share of Imports to Armenia by CIS and other countries

(based upon STATISTICAL YEARBOOK OF ARMENIA, 2010)



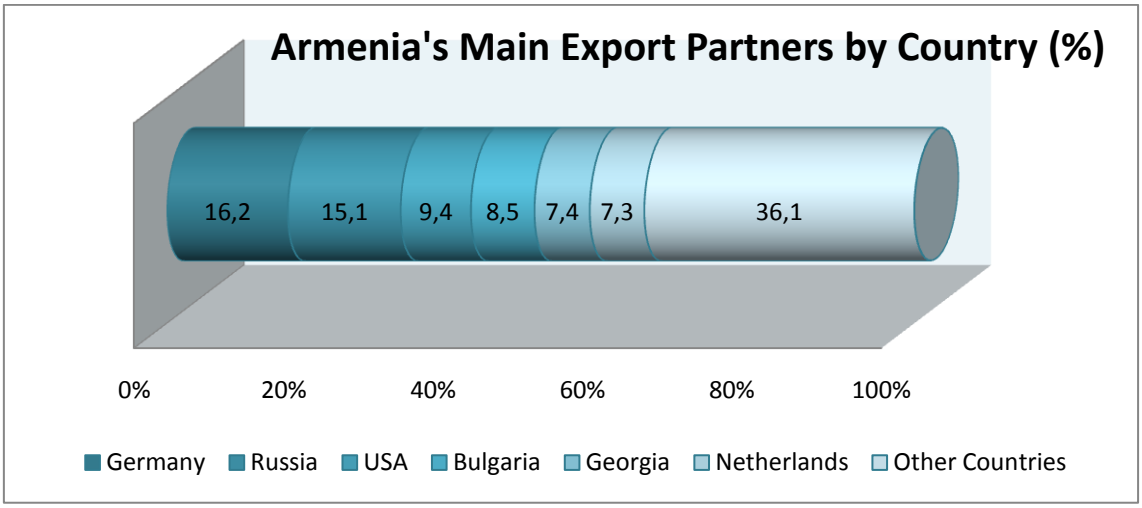
Attachment 8 -
Share of Exports from Armenia by CIS and other countries

(based upon STATISTICAL YEARBOOK OF ARMENIA, 2010)



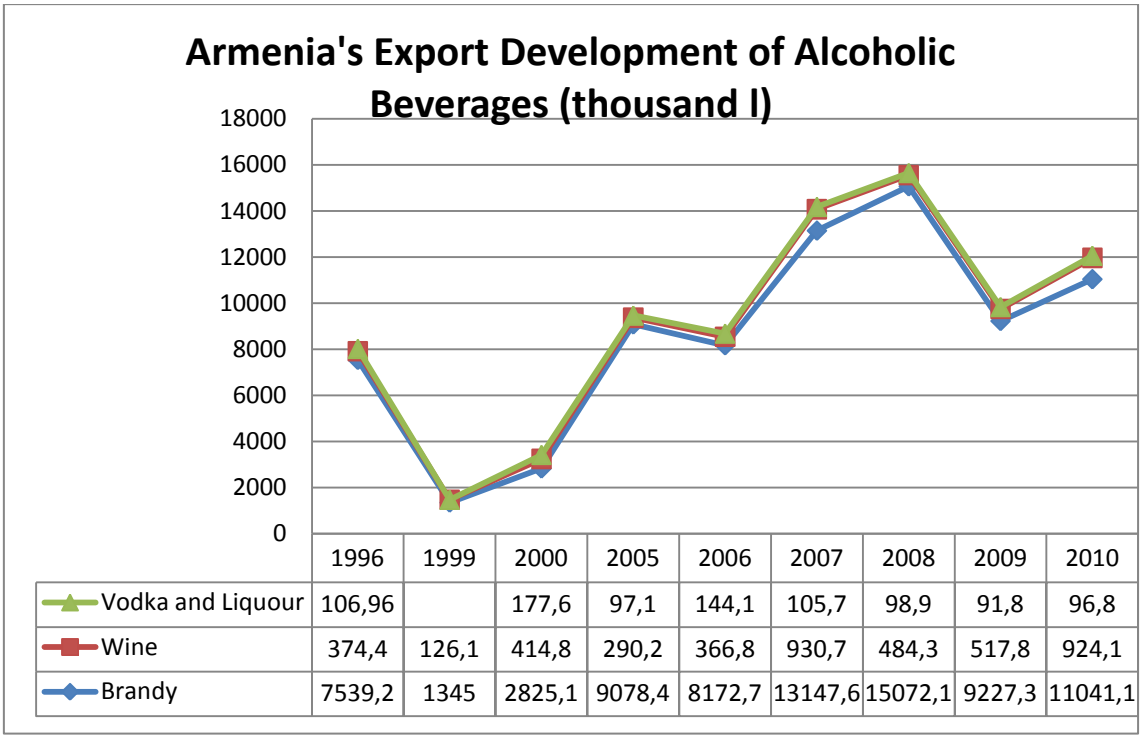
Attachment 9 -
Armenia`s Main Import Partners by Country

(based upon STATISTICAL YEARBOOK OF ARMENIA, 2010)



Attachment 10 -
Armenia's Main Exort Partners by Country

(based upon STATISTICAL YEARBOOK OF ARMENIA, 2010)



	1996	1999	2000	2005	2006	2007	2008	2009	2010
Vodka and Liquour	106,96		177,6	97,1	144,1	105,7	98,9	91,8	96,8
Wine	374,4	126,1	414,8	290,2	366,8	930,7	484,3	517,8	924,1
Brandy	7539,2	1345	2825,1	9078,4	8172,7	13147,6	15072,1	9227,3	11041,1

Attachment 11 -
Armenia's Export Development of Alcoholic Beverages

(based upon ARMENIANWINEPRODUCERSASSOCIATION, 2011)

Attachment 12 - Storecheck

Storecheck of local supermarket chains in Armenia, Yerevan, 28.04.2011

1) Mockbyka

armenische Weine :im Preisbereich zwischen 700-3.600 Dram, Hauptanteil in Spate zw. 1000-2000

Neue Welt:-im Preisbereich zwischen 2.000-3.000 Dram

Alte Welt : 3.000-10/15.000 Dram, Hauptanteil über 3.000 Dram, auch Super-Premium 65.000 Dram. vor allem Italien und Frankreich (Frankreich am stärksten vertreten)

2) Star

Armenische Weine: Einstiegspreise lokaler Weine ab 700 Dram, bis 3.400 Dram

Alte Welt: 1.800-4.000 Dram, alte Welt Frankreich und Italien (Deutschland mit Blue Nun Blattgoldsekt)

Neue Welt: ab 2.000 Dram, bis 3.200 Dram, sehr begrenztes Sortiment, kleine Auswahl

Anmerkung: Premium Bereich um 5.000 Dram, Großteil des Angebots bis 3.000 Dram, dann „Steckenbleiben“

3) Spt 2

Armenische Weine: niedriges/unteres Preissegment, 700-2.000 Dram,

Georgien : Einstiegspreis bei 2.800 Dram, bis 3.500 Dram, recht großes Sortiment

Neue Welt: ausschließlich Concha y Torro und Bodega del Findel Mundo, Preisbereich zwischen ca. 2.000-3.000 Dram

Alte Welt: ab 2.500-4.000 Dram, weniger starke Frankreich Dominanz, auch Italien, Rioja, Blue Nun Blattgoldsekt auch wieder da

4) SAS

Armenischer Wein: 900-2.000 Dram Preisbereich

Neue Welt: 2.500-3.000 Dram, Concha y Torro

Alte Welt: 2.300-5./6.000 Dram, französische Weine, allerdings begrenztere Auswahl , auch Premium für 65.000 Dram

5) Best

Armenischer Wein: 1.600-4.000 Dram, generell höherpreisig

Georgien: auch vereinzelte Georgier

Neue Welt: Sunrise, auch Baron Rothschild

Alte Welt: teuerster wein für 400 €, Chateau Margaux 1999, ohne spezielle Bewerbung

6) AG Market

Armenien: starke Dominanz Armenischer Weine (als erste Kette), preisbereich 1.800-3.000 Dram

Georgien: ca. 3 georgische Weine auch 1.800-3.000 Dram

Neue Welt: kleines Angebot, Preisbereich 2.500-3.000 Dram

FAZIT

-Armenische Weine sind im untersten Preissegment zu finden

-es gibt auch einige wenige, die bis zu „Premiumpreisen“ um 4.000-5.000 Dram zu finden sind, allerdings nur vereinzelt

-viele Ketten bieten auch georgische Weine an, höhere Einstiegsweine als Armenische, meist im Preisbereich der Neuen Welt

-Neue Welt kann als Übergang/Lückenfüller zwischen armenischen und europäischen Weinen gesehen werden

-Dominanz von Frankreich, auch Italien stark vertreten

-Deutschland fast überall mit Blue Nun Blattgoldsekt

-gerade teurere Supermarktketten haben auch Premiumweine und Champagner, teilweise stehen diese ganz „normal“ neben anderen Weinen im Regal, keine besondere Promotion, Ausnahme: Mockbyka (zählt zu den teuersten Supermarktketten), hier eigenen Weinkühlschrank

Attachment 13 - Interview with Abraham Manaseryan, Deputy Director, van 777

Unternehmen

sowohl Brandy, als auch Weinproduktion, ursprünglich als Weinproduzenten begonnen (1997), dann Wechsel zu Brandy, Brandy wird als Finanzierungsmittel (Mainbusiness) gesehen, für Weinproduktion („Hobby“) , momentan noch kein Wein auf dem Markt erhältlich (nur für Gäste…), auch weil Sie davon überzeug sind, dass Markt (auf Grund von hohen Kosten die Qualitätsstandards mit sich bringen) noch nicht bereit ist Preis zu zahlen, Weinsorten: ausschließlich autochthone (Weiße „Muscat“, ähnlich wie europäischer Muskat), 3ha Weintrauben (Weinproduktion), 5.000-10.000 Flaschen, Brandytrauben ausschließlich über Zukauf, 300.000-400.000, 2011 geplant ersten Wein auf den armenischen Markt zu bringen (zunächst ausschließlich Armenien auch auf Grund der noch geringen Mengen), Export als weiteren Schritt geplant, sofern Mengen erreicht

Qualitätssicherung

wollen Produktionsschritte intern lassen, keine Externen involviert, Unternehmen als reines Familiengeschäft, Vater hat bereits früher in Laboren zur Brandy/Brandyherstellung gearbeitet, im Zuge dessen erlangte er sein umfangreiches Wissen, Sohn Basiswissen an Uni (Agro), allerdings nicht wirklich von Bedeutung für Werdegang an eigenem Weingut, Wissen hauptsächlich von Vater/Arbeit in Weingut, Hygiene sehr groß geschrieben, er oder sein Vater sind bei allen Produktionsschritten persönlich anwesend um Produktion und Einhaltung der Sauberkeit zu kontrollieren, Wein wird intern getestet, das Unternehmen verfügt über eigenes Labor (Equiptment stammt aus Armenien)

Equipment

Equipment für Labor aus Armenien, Fässer für Brandyproduktion aufgekauft von ehemaligen Sovietunternehmen, die geschlossen wurden, für Weinproduktion neues Equipment

Probleme/Herausforderungen Anfangszeit

auf Grund von eigenen Erfahrungen keine Probleme im Bereich Weinbereitung, Herausforderungen (besonders in Gründungszeit) eher im Bereich Marketing (Brandname, …)

Contracting- Traubenzukäufe

seit letzten 2 Jahre ohne Verträge, momentan weniger stabiler Markt, Überschüsse an Produktion, Mengen ausreichend vorhanden, Zum Einen Kauf von Überschüssigen Mengen (von Farmern, die mit Anderen Produzenten unter Vertrag stehen), zum Anderen mit „eigenen Farmern“, keine schriftlichen Verträge, über mündliche Vereinbarungen, Handelsbeziehung schon seit langem etabliert (viele Farmer stammen aus eigenem Dorf/Community, Vertrauensbasis), da Vater auch „head of the village“

zusätzliches Vertrauen (Verantwortung) gegenüber Farmern, Zukäufe von Überproduktion auch als „Unterstützung“ (damit diese Produkte los werden), im allgemeinen Strukturen von vielen kleinen Produzenten als schwierig, Hauptkontrolle der Qualitätseinhaltung vor Ernte (nicht wirklich während des Jahres), um sicher zu gehen, dass nicht vor Erreichung des Reifegrads geerntet wird, im Bezug auf „Strafe“ bei nicht Einhaltung von Reife/Erntezeitpunkt schwierig zu interpretierende Aussage: er sprach davon, dass Sie auf Grund dessen, dass sie innerhalb von Dorfgemeinschaft leben nicht wirklich eine Strafe verhängen können (auch sich unbeliebt machen), als ich fragte, ob gewisse Sanktionen so auf die Gemeinschaft verhängt werden/auf alle Mitglieder Verteilt, bzw. die Gruppe somit als Gruppenkontrolle fungiert, keine klare Antwort

-Planung: auf Grund des geplanten Markteintritts mit Wein, mehr Mengen von Nöten

- Unterstützung der Farmer in Gründung von Kooperative (um gegen unvorteilhafte fragmentierte Größen entgegenzuwirken), in Organisationsfindung
- Auch durch Geldinvestitionen (Investitionen auch in Weinberge)
- Bislang wenig Innovationen, keine Internationalen Sorten (im Sortenspiegel auch weiterhin Planung Richtung traditionellen)
- Somit wird Beteiligung von Farmern an Kooperative ohne Risiko auf deren Seite sein

Wandel im Armenischen Weinmarkt

auf Grund von steigendem Konsum und Nachfrage, steigende Produktion, viele Neugründungen von Fabriken, Prognose: jedes Dorf wird eigenes Weingut haben, Wissen über internationale Investoren, allerdings eher im Bereich der Brandyproduktion

Attachment 14 - Interview with Aram Babayan, Senior Advisor on Food Safety, Export & Investment Promotion, 19.04.2011

Projekte

Wirtschaftsförderung im Südkaukasuus: Projektförderung, Messeförderung (in dem Bereich viel Wein und Brandyproduzenten), auch weil dieser Bereich gutes Potential verspricht und es bislang weniger Probleme im Bereich der Lebensmittelsicherheit gibt, zusätzlich ist der bereits existente gute Ruf von armenischem Brandy förderlich

Einfluss von FDI auf gesamte Landwirtschaft

in Armenien begrenzt, nur wenige Beispiele:Milchproduktion: Milchviehbetrieb neu gebaut, finanziert von Geldern eines Armeniers der Geschäfte in Russland hat, Hauptsächlich im Verarbeitungsbereich von Saft, Wein, Brandy, teilweise Diaspora in Russland sitzend, die investieren, Processing Sektor erlebte am stärksten im letzten Jahr Investitionen

→WARUM?: gute Grundqualität/Ruf, besonders auf Russischem Markt, auch relativ hohe Preise, Großteil davon wird exportiert, in Armenien selber hoher Wettbewerb

Märkte

Russland als Hauptabsatzmarkt, als nächster Schritt Richtung Europa & USA (besonders interessant Länder mit hohem Diaspora Anteil)

Veränderungen der letzen Jahre

als Ergebnis durch steigenden Wettbewerb, auch viele Importe z.B. aus Ukraine, Wettbewerb neu definiert (Qualität, Design, Geschmack)→ Spillover, seit 7-8 Jahren Qualitätsverbesserungen, auch Flaschendesigns und Etikettengestaltungen, Saftmarkt: eigene Flaschengestaltungen (auch patentiert), reiteres Sortiment, mittlerweile auch Obstsäfte aus nicht heimischen Früchten (auch auf Grund von Importen mussten sich lokale umorientieren), zur Preissenkung (in der Regel armenischer Saft teuer) und Vielseitigkeit Import von Püree (billig), Vermischung mit lokalen Erzeugnissen, Strategie verschiedene Brands auf den Markt zu bringen (unter einer Dachmarke, um unterschiedliche Zielgruppen abzudecken)→Differenzierung (erst seit letzten 4-5 Jahren), auch Preise gesunken, sehr hoher Wettbewerb auf Märkten, als ANREIZ!, vergleichbare Entwicklungen bereits früher in Wein und Brandybereich zu sehen

Investitionen

Großteil der Investitionen stammen aus Russland, von Diaspora, allerdings auch am Beispiel YBC auf Frankreich, dieses Unternehmen starker Einfluss auf Brandyproduktion, Erhalt des ursprünglichen Brands, reputation genutzt, Bedeutung auf russischem Markt, Management von Pernod Ricard, Altes Image, aufpoliert mit neuen Strategien versehen

Einfluss von YBC auf andere Produzenten

im Hinblick auf Qualität ja, Know-How war schon existent (lange Erfahrungen in Produktion in den Sovietzeiten), neue Produzenten erst stark seit Ende der Sowjetunion (waren vorher auch schon da, aber weniger von Bedeutung), neue Startups→ häufig noch Qualitätsprobleme, Hauptkonkurrent Yerevan Ararat Wine Factory auch starke Produktionsinvestitionen (seit 2002), YBC kann nicht durch politische Wirkungsmethoden, etc. ausgeschaltet werden, deshalb besteht einzige Möglichkeit mitzuhalten über Wettbewerb , Machtkampf findet vor allem auf russischem Markt statt, da dies der größte Absatzmarkt ist

Anteil FDI (Einschätzung)

auf gesamtes Agrobusiness:Ausländische Investoren: 4-5%, Diaspora: 10%, auf Wein/Brandy Sektor: 30-40% ausländische, Weniger von Diaspora (allerdings häufig nicht so sichtbar, Geldumleitung, etc.), Anteile von Diaspora an Joint Ventures: 4-10%

insgesamt schwierig einzuschätzen, verschiedenste Möglichkeiten Gelder „Umzuleiten) wenn Unternehmen von FDI gegründet wird, gibt es die Möglichkeit MWST Zahlungen (VAT?) erst später zurückzuzahlen, viele Armenier die interessiert sind Investitionen im Land zu tätigen leben im Ausland, schicken Investitionen über Russland (als Beispiel), von dort aus gelangt dann das Geld ins Land, um diese Steuerverschiebung zu erhalten (diese Möglichkeit besteht bei allen ADI)

Vertragsgestaltung

von YBC Beispielhaft: Produktionsmengen erhöht, mehr Bedarf, Auch Qualitätsstandards, Preise an Qualität geknüpft, Auch konkrete Mengenabnahmen (überschüssige Produktionen werden nicht angenommen), Insgesamt sehr positive Auswirkungen auf, Produzenten/Produktion, Finanzielle Unterstützung, Auch Trainings

zuvor bestanden Verträge zwar auf Papier, aber diese wurden nicht eingehalten, auch keine Mengen/Preise festgelegt, noch immer Position für Farmer Problematisch, aber auf Grund von starkem Wettbewerb müssen Preise sichergestellt werden →dadurch auch Verbesserung in Produktion, Früher: a.G. von Vertragsproblematiken starkes Misstrauen, Heute: Vertrauensproblematik oft nichtmehr so stark (auch auf Grund von Beispiel YBC), Andere Unternehmen versuchen es YBC gleich zu tun, Hauptsächlich finden sich nun Unterstützung der Produzenten im Bereich Finanzierungsmittel, keine Trainings

Externe Dienstleistungen

generell großes Problem, Distribution/LogistikProblematisch, häufig, wenn Unternehmen Produktion beginnt wird auch gleichzeitig versucht eigene Logistikeinheiten einzugliedern
es existieren zwar Transport/Logistikunternehmen, allerdings Fokus dieser auf Export (auch teuer?), sonst wenig vorhanden?, deshalb eigene Distribution essentiell (haben alle größeren Unternehmen von Saft-Weinproduktion), auch häufig eigene Labs, Laboruntersuchungen von Externen häufig teuer und nicht immer Vertraubar (schnelltests intern auch als Vorteil)

Staatliche Kontrollen

keine staatlichen Kontrollen für Weinproduktion, nur wenn es bereits Beschwerden gibt, wird Produkt und danach Unternehmen kontrolliert, momentan bestehen diese Kontrollen nur auf Papier (Korruption!), auch Inspektoren häufig nicht ausreichend geschult, in einigen großen Unternehmen kann es sogar vorkommen, dass Mitarbeiter oft mehr Wissen haben als Inspektoren!

Konsum/Kauf/Verkauf

kein festgelegtes Mindestalter für Kauf von Alkohol, keine speziellen Lizenzen zum Verkauf erforderlich, es werden nur Lizenzen für Produktion (um produzieren zu dürfen) benötigt

Steuer

Alkoholsteuer, variiert nach Art des Alkohols, zusätzlich Mehrwertsteuer (VAT): 20% von Endverbraucher gezahlt, Gewinnstuer: 20% von Unternehmen, Einkommenssteuer, soziale Abgaben: zahlt teilweise Unternehmen, teilweise Mitarbeiter (auch abhängig von Gehalt), allerdings Hauptanteil von Unternehmen

Schwarzmarkt

sowohl im Steuerbereich für Gehälter (teilweise nur gezahlt oder garnicht), auch produzierte Mengen nicht immer zu trauen (nicht immer alle Mengen an Zukauf angegeben), →deshalb ist es schwierig Statistiken zu trauen (auch teilweise eigene Produktion für zu Hause Konsum in Weinbaugebieten oder Straßenverkauf)

Attachment 15 - Interview with Avag Harutyunyan, Chairman of Armenian Wine Producers Union, 21.04.2011

Qualitätssicherung in Armenien

zur Sicherung der Weinqualität Faktoren geteilt in Wichtigkeit:80%Trauben, 10%Professionalism, 10% Machinery, 10% Democracy Level , in Brandyproduktion, für die 90% der Trauben genutzt werden, Bedeutung von Democracy Level auf 60-70% , (Democracy Level: Legal Framework, Governmental Management…), hierbei erfolgte in den letzten Jahren starker Wandel und Anpassung der armenischen Märkte, Besonders in Brandyherstellung viel über Schattenwirtschaft verkauft (sodass auch in Weinbereitung Faktor: Democracy Level an Bedeutung gewinnt! Von 10% auf 20%)

Veränderung dieser Faktoren

Trauben: 1)lokale Sorten: Viele lokale Sorte, wichtig weitere nachforschung in wilden Sorten zu Betreiben, Für ehemalige Sovietmärkte sind traditionellen Sorten noch immer von Bedeutung, Wenige dieser Sorten sind geeignet hohe Qualitäten, generell Faktor Qualität problematisch (auch noch Überbleibsel aus der Sovietzeit in der Fokus auf Mengenproduktion, nicht Qualität gelegt wurde), Allerdings Veränderung hin zu qualitativ hochwertigeren Sorten; 2)interantionale Sorten, Teilweise schwierig zu produzieren, da in Armenien bislang kein Phyloxera Problem, Keine Verwendung von Phyloxera resistenten Unterlagen, Einführ von europäischen Sorten verboten(?)/Problem, Prognose: dies wird als langfrisitges Problem gesehen, Veränderung in diesem Bereich zeigen sich erst nach 25-30 Jahren

Maschinen & Equiptment: 80% der Maschinen stammen noch aus Sovietzeiten, veraltet, Da größtenteils zur Brandyerzeugung genutzt wurde und diese nicht so hochwertiges Equiptment benötigen, wie zur Weinherstellung- Probleme erst später aufgefallen , Auch Winemaker weniger liquide als Brandyhersteller, verfügen nicht über gleichen Umfang an finanzielle Mittel, um Maschinen zu kaufen, **Auf Grund der Wirtschaftskrise →Wandel**, Starker Rückgang der armenischen Brandyverkäufe national und international (-70%!) , →Armenische Weinverkäufe erlebten in der Zeit ein Anstieg um 53%!, →jetzt hat sich der Markt wieder erholt und innerhalb von 2 Jahren wurden -70% wieder ausgeglichen, → Produzenten erkannten, dass wichtig ist auch alternative Produktionen zu fördern, Diversification der Produktion, deshalb Investitionen in Machinery & Equiptment, →viele der Produkte kommen aus Italien und Deutschland, **wissen wird hierbei mit gekauft** (in Form von Trainings…), →Prognose: in 5 Jahre Problematik der Machinery erübrigt

Democracy Level: Schattenwirtschaft noch immer kritischer Faktor (Vorbei an Steuer), Vor 10-15 Jahren, 70% der Verkäufe über Schattenwirtschaft, jetzt 40%, Zu Sovietzeiten keine laws&regulations, wurde über Sovietunion geregelt (Schattenwirtschaft als überbleibsel dieser Zeit), Verbesserung auch auf Grund von „alcoholic beverage law", seit 2 Jahren existent (Regulation der Produktion von Wine & Brandy, etc.), m Brandysektor sind viele Oligarchen aktiv (die auch in der Politik involviert sind), sie haben besonderes Interesse an Verbesserung des Problems der Schattenwirtschaft, →Prognose: in 15 Jahren Problem gelöst

Nachfrage nach Armenischem Wein

im Zuge der Internationalisierung der Weinmärkte (Revolution), zunächst Öffnung der Welt zu „neuen Welt Weinen", nächste Revolution: steigendes Interesse der Kunden and Herkunft, Armeniens wichtigstes Marketinginstrument ist die lange Tradition und Geschichte der Weinbereitung, seit 7.000-8.000 BC, auch „spiritual values", die damit einhergehen: Entwicklung hin zu Wurzeln, Kultur, Es ist nun eine Frage des Marktauftritts, da große Teile des ehemaligen Armeniens nun in der Türkei liegen, kann diese gleich lange Geschichte aufweisen, →wer schafft es dies besser zu nutzen?
-Qualität auch wichtiger Faktor zu Internationalisierung armenischer Weine, bislang bestand Interesse an Weinen, aber auf Grund der minderen Qualität nicht möglich Erfolg daraus zu ziehen

Einfluss Internationalisierung

großer Einfluss, besonders im Hinblick auf Qualitätsbewusstsein: Bedeutung von Qualität und Qualitätsbewusstsein stark zugenommen (auch auf Grund von internationalen Einflüssen), allgemeiner Wandel im Weinmarkt, Europäische Sorten, auch im Hinblick auf Qualitätsorientierung zunehmende Bedeutung, →Konsum: Im Preisbereich zwischen 2-3 Euro/Flasche werden Armenische Weine bevorzugt, Europäische Weine mit Standardqualität ab 5 Euro (und mehr) verfügbar

Attachment 16 - Interview with Gagik Martirosjan, Deputy Director in Yerevan Champagne Wine Factory, 27.04.2011

Unternehmen

existiert seit 1939, „Family Owned“, 100% von lokalen Armenier betrieben (Oligarch), ursprünglich über Air Transport, Dieser hat auch Investitionen in anderen Länder (z.B. Russland, Frankreich), *Laut Aram in Frankreich Brandyfabrik ,* Investitionen in anderen Sektoren, keine Verbindungen zu Wine business

Hauptsächlich sparkling wine, auch Fruchtweine und verschiedene andere Weinsorten, Brandy (3-4 Jahre alt), Vodkas, Wasser (Verbesserungen in dem Bereich), geplant Limonade und Fruchtsaft, 1.2 mio. bottles sparkling wine/Jahr, Kapazitäten bis zu 5 Mio. Bottles , Brandyanteil 1.5 mio. Bottles, auch import von Vodka über Distributionnetzwerke , früher auch Cocktailproduktion, aber auf Grund von mangelnder Nachfrage eingestellt, seit Unabhängigkeit: Neue Investitionen, Maschinen (Italien und Deutschland), Processing line für spirit eingeführt (immer bei Bedarf laufend), Auch eigene Flaschenproduktion (drittes Unternehmen in Armenien)

Qualitätssicherung

ISO Standards, zertifizierte Produktionslinien, Produktion→nationale Standards, eigene interne Labore, für Export→outsourcing von Labs (um Neutralität zu gewährleisten), vor Herbs kommen Experten/Technologists und checken in Weinbergen die Traubenreife

Zukauf

Zukauf von Farmern, über 1.000 Farmer unter Vertrag, hauptsächlich small scale, keine Arbeit mit Kooperativen (bislang auch keine Initiativen seitens der Farmer cooperation zu starten), Qualitätskontrolle von Zucker und Farbe bei Kauf, Direktkauf von Farmenern von ländlichen Regionen (dort direkte Verarbeitung), auch seit kurzem eigene Weinberge, erste Ernte dieses Jahr, Kosten niedrig halten, eigene Kontrollen (Qualitätskontrollen), vor Vertragsunterzeichnung→Prepaiment, um Inputs zu kaufen, keine Fixen Preise, kauf üver 2.000t/Jahr , während Vertragsbeziehung keine Trainings, etc. (bereits Wissen ausreichend vorhanden), Vertragslaufzeit jährlich erneuert, finanzielle Unterstützung, im Zuge dessen Vereinbarung zum Kauf der nächsten Ernte, wenn Standards nicht entsprochen (welche vertraglich festgehalten wurden), zurücksendung, vor Herbs kommen Experten/Technologists und checken in Weinbergen die Traubenreife

Wissen/Internationalisierung

Investitionen in Maschinen, damit kamen auch Experten aus Italien und Deutschland (Trainings mit Arbeitern), einige auch ins Ausland gesandt, allerding weniger häufig, Einfluss Internationalisierung/Wissen: auf Qualität (auch im Vergleich zu lokalen Produzenten), Standardeinhaltung

Märkte

Hauptabsatz: Russland, Belarus, Georgien, Zypern, Afrika (vor Revolution), USA, kürzlich initial Agreements mit Litauen und Hungrary, geplant nach Deutschland , Storage Facilities in Moskau (um Distribution zu erleichtern)→Anteilhaber an „Armafrance“ ,russsiche Distributionscompany, Zusammenarbeit mit russischem Partner (Standards und Anforderungen werden von diesem gesetzt und erfüllt, russische Standards)

Distribution

fast alle Prozesse intern (kaum Outsourcing), Auch schon schlechte Erfahrungen mit Verkauf/Distribution über Dritte gemacht, →price saving, effizienter, besser zu kontrollieren, über eigene Shops und specialty stores (dort werten ausschließlich eigene Produkte verkauft), 3 in Yerevan, 3 in Regionen verteilt, Hauptlager in Fabrik in Yerevan, fast vollständig eigenes Distributionsnetzwerk (eigene Transporter/Autos/etc.)

Veränderungen seit Unabhängigkeit

Veränderungen in Competition (Produktion/Wettbewerbsanstieg), Verbesserung von Qualität, Hauptsächlich Qualitätsverbesserung durch Commpetition, Und Verbesserung der Preise

Attachment 17 - Interview with Garush Samvelyan, Technologist, MAP, 29.04.2011

Unternehmen

ca. 100 ha eigene Weinberge, starke Entwicklungen im Export, noch immer Zukäufe, diese über vertragliche Regelungen, 80% der Produktion für Brandy, besonders gefragt auch im Export

Kosten

Hauptunterschied zu anderen Ländern: Eingraben der Roots über den Winter, hoher Arbeitsaufwand, hohe Kosten

Verträge

ständiger Kontakt mit Landwirten, auch mit Zusammenarbeit und Schulungen im Bereich Weinbergserziehung, welche dann auch für Unternehmen während der Lese die Arbeit erleichtern (wenn alles schon geregelt läuft, weniger Grundprobleme die aus dem Weg geschaffen werden müssen)

nicht immer einfach die Zusammenarbeit, Schwierigkeiten : Noch immer ist der Gedanke, dass großer Ertrag auch viel einbringt (Menge nicht gleich Qualität), Auch Wettbewerbssituation im Bereich Preis/Qualitätssicherung, denn bislang überall kauf per KG, →sieht hier aber als Entwicklungsfaktur das sich Markt in positive Richtung verändern wird, Abnahmen festgelegt und geregelt, allerdings alles **trust based**, nicht immer wird das gemacht, wie es auf Papier festgehalten ist (auch da Unternehmen in Dorfgemeinschaft angesiedelt ist →soziale Sanktionen)

Einfluss ausländischer Investoren?

Einfluss als positiv angesehen, für alle am Besten , Landwirte: bessere Preise, mehr Wettbewerb , Produzenten: neue Investitionen, auch Wissen über mehr Technologien →Investitionen auch als positives Zeichen, das Markt am wachsen ist!

Märkte

Wein hauptsächlich auf lokalem markt verkauft, allerdings Tendenzen hin zu Export, auch schon kleine Mengen nach Russland, USA, Deutschland…, im vgl. zu Georgien, wo Staat großes Interesse an Weinmarkt hat liegt in Armenien der Fokus noch immer auf Brandyproduktion (im letzten Jahr gründeten 11 brandymaker eine Association)

Associations

Brandymakerassociation (letztes Jahr 11 Produzenten), Sommelierassociation (er ist Leiter), auch in einer Assoziation wird ein Magazin erstellt (Wine and Life..in Planung?), das mehr Infos über Armenischen Wein liefert, hauptsächlich auf Russischer, aber auf Website sollen auch Englisch und Französische Texte angeboten werden, Extra Team ist damit beschäftigt, Redakteur in Diaspora Armenier, Bedeutung dieser Assoziation teilweise wichtig, allerdings noch in den Kinderschuhen, muss sich erst noch entwickeln

Internationale Sorten

er ist davon überzeugt, dass die Zukunft in traditionellen Sorten liegt, internationale Sorten sind schon überall auf der Welt angebaut und auch gut angepasst/etabliert, -Armenien kann in einer Entwicklung in diese Richtung nicht mithalten, -sollte sich mehr auf den momentanen Trend besinnen, dass Kunden immer mehr Wert auf Tradition legen, somit gewinnen traditionelle Sorten an Bedeutung (auch Süßweine)

Qualitätssicherung

momentan eigenes Labor (wird gerade neu gestaltet), in Planung: Einführung interner Kontrollsysteme, HACCP wird eingeführt), Wein fällt unter Lebensmittelgesetz, Bedeutung von staatlichen Kontrollen auf Qualitätssicherung, prüft nur gewissen und kleinen Anteil, Bedeutung von eigenen Kontrollen viel wichtiger, deshalb muss Qualitätssicherung intern als Fokus angesehen werden, staatliche Kontrollen eher „nebenbei“

China als Zukunftsmarkt

2 Seiten, -China als sehr wichtig und interessant angesehen, bislang schon erste Schritte, aber noch am Anfang, -aber auch „angst“, auf Grund der großen Bevölkerung (wenn diese anfangen armenischen Wein zu bestellen, werden armenische Produzenten Probleme bekommen der Nachfrage gerecht zu werden)

Attachment 18 - Interview with Grigor Alexayan, General Director and Technologist, Armenia Wine, 28.04.2011

Unternehmen

seit 2009 Bau angefangen, mittlerweile fast Fertig (im Bereich Filter/Füllung/Weinproduktion), 2009 auch erste Traubenzukäufe und Beginn Brandyproduktion, 2009 noch mit alten Technologien gearbeitet (geplant diese auch teilweise beizubehalten und Unternehmen auch als Touristendestination zu gestalten), im ersten Jahr 1.500t Trauben gesamt (Zukauf plus eigene), momentan 40ha eigene Fläche, total 300-400ha geplant , hauptsächlich lokale Sorten zur Wein UND Brandyproduktion, da momentan Brandy in Armenien an erster Stelle steht, noch Qualiprobs im Weinbereich →Ziel ist dies zu ändern und qualitative gute Weine auf den Markt zu bringen, dadurch auch, Verbesserung des Images der Armenischen Weine, bislang dieses Unternehmen das Einzige, dass so stark in diesem Bereich investiert, Eigentümer: Armenier, der in vielen anderen Geschäftsfeldern bereits tätig ist, Ziel: nach europäischem Stil Weine zu entwickeln/zu bereiten, Gesamtinvestitionssumme nicht genannt, allerdings 7 Jahre Entwicklungsplan, auch Vodkaproduktion (da dies stark nachgefragt wird) als „Nebenerwerb“ eingeführt, um Weinproduktion/Investitionen zu finanazieren, Vodka über importierter Weinsprit und Russischem Produzenten eingeführt und mit Quellwasser vermischt, monatlich 70t Einfuhr (nach Standards der ehemaligen Sovietunion „GON“),**ANMERKUNG**→allerdings scheint es fraglich, ob dieses sich wirklich rechnet (Vodka auch im relativ niedrigpreisigem Segment), Flaschen zwischen ca. 1.500-3.500 Dram (eher als „teures hobby), auch eigene Wassertanks (besonders für Vodkaproduktion gute Wasserqualität wichtig), Verträge mit Urkainischem Wasserproduzenten, eigene Labs; Traubenzugang zunächst über Traubenzukäufe, momentant sehr großer Wettbewert, fördert: Qualitätssicherung, Höhere Preise für Landwirte (Bsp: Ararat Tal: 130dr./kg; Areni Region 185-210dr./kg), momentan keine Schulungen, noch zu klein/noch am Beginn **Angestellte:** füllung: 21, vodkaproduktion: 2, Weinproduktion: 6, Administration: 10, Distribution: ca. 50 , Geplant noch weitere einzustellen, hauptsächlich aus Dorf (Soziale Aspekte berücksichtigen und keine Unterscheidung zwsichen alt/jung, …)

Werbung

guter/starker Marketingeinstieg, auch größter Konkurrent auf dem Markt für Armenischen Vodka ist mittlerweile fast mit gleichen Anteilen vertreten, sehr starkes Marketing/Werbung, schon positive Ergebnisse, Fokus soll ganz klar auf Wein gelegt werden, auch Teilnahme an Weinwettbewerben (erste Medaillen gewonnen)

Märkte/Kunden

Traditionelle Sorten, nicht interessant für Landwirte (keine Käufer), allerdings interessiert sich Unternehmen dafür, aber auf Grund von geringem Angebot, hohe Preise (350dr/kg), schon ausprobiert , geplant Verträge mit Farmern einzugehen, um den Anbau zu fördern, -auch wenn Vergrößerung der Flächen geplant sind, noch immer Zukäufe von Bedeutung, soll parallel laufen

momentan nur armenischer Markt ,aber in 20-25 Tagen erster Container nach Amerika verschifft, Anfrage wird gesehen, sofern Qualität gut ist, noch immer starke Nachfrage aus Russland (hier ist die Nachfrage auch so groß, dass auf jeden Fall alles einfach verkauft werden könnte)→ allerdings ist dies nicht das Ziel des Unternehmens!, Fokus mehr auf kleinere Mengen, Qualitätssicherung, kleine Schritte gehen, bislang allerdings Qualitätsprobleme noch immer großer Faktor für armenische Weine, vor Unternehmensstart auch Marktpräferenzen untersucht, diese Nachfrage wird bei Markteintritt stark berücksichtigt, Besonders rot und im halbtrockenen Bereich auf armenischem Markt (dementsprechend wurde auch zunächst mit Rotwein der Markteinstieg begonnen), Als nächster Schritt mit Weißwein begonnen : Russische Markt im Gegensatz dazu bevorzugt stärker Süßweine (deshalb für Russland aufgesprittete Süßweine geplant, bei früheren Standards wurde dafür Weizenschnapps genutzt, aber europäische Standards verlangen Brandy, deshalb Anpassung daran→ dies auch als Produktentwicklung für den russischen Markt→ teurer und hochwertiger), in Europa Präferenz eher auf trockene Weine , auch Interesse an Roséweinen, auch in diesem Bereich werden momentan Versuche unternommen, geplant trocken/halbtrockener Wein

Internationalisierung

Selber in Frankreich studiert , auch 1 Jahr Praktika in Wein und Brandyproduktion, (Jahre bei Yerevan Brandy Factory gearbeitet, Maschinen aus Italien (Brandy geräte aus Frankreich), viele Technologien auch aus Deutschland importiert, Design der Flaschen in Italien entwickelt, Vodkadesign aus armenischem Markt, im Vertrag mit Maschinenkauf auch Vereinbarungen mit Lieferanten, dass diese für 2 Wochen während der Erstnutzung anwesend sind und Schulungen mit dem Staff durchführen, →Investitionen in diesem Umfang (wie sie bislang noch nicht durchgeführt worden), große Auswirklungen auch auf Business generell, er betonte: spillover/Nacharmungs-Effekte, die vorausgesehen werden!, Auch soll Armensiche Weinkultur (mit Verkostung, etc.) durch neue Standards positive geprägt werden, dass Armenier neues Weinbewusstsein erfahren

Distribution /Vertikalisierung

eigene Distributionsnetzwerke, um sicherzustellen das keine Probleme in diesem Bereich auftreten, ca. 30 eigene Autos, auch Lagerhallen in großen Städten, von da auch dann Weiterverkauf an Dörfer, in Supermärkten, je nach Kette unterschiedliches Angebot, von Ketten nachgefragt

Zukunft

weitere geplante, starke Investitionen, Entwicklung des Komplexes als Urlaubsdestination , als „Schlossanlage“ , mit Übernachtungsmöglichkeiten und getrennten Produktionsstätten/Komplexen (auch in Verbindung mit weiteren touristischen Angeboten, Sightseeing in Umgebung, etc.), für Weinbereich auch Holzfasslagerung geplant (verschiedene Größen für Weine und Süßweine), in Armenien ist es nicht erlaubt Eichen zu Fällen, deshalb, wenn Eichenfass dann von außerhalb, kaukasische und französische Eiche geplant

Attachment 19 - Interview with Matías Esteva, General Manager, Tierras de Armenia, 29.04.2011

Grundproblem Farmer

große zusammenhängende Flächen sehr selten zu finden, durchschnittliche Größen der Produktionsflächen für Trauben, 0.6ha, auch sind viele stur und nicht gewillt „Tipps"/Ratschläge anzunehmen

Unternehmen

Unternehmer ist Partner in Weingut in Patagonien „Bodgea del Findel Mundo", allerdings erst Unternehmen in Armenien gegründet, dann nach Argentinien , Unterstützung von Head winemaker aus Argentinien in Zusammenarbeit mit lokalem winemaker, erhält auch Rat von Argentinischem Unternehmen, welches wiederum stark mit Michelle Roland zusammenarbeitet, sodass auch dieser teilweise „involviert" ist, zur Ernte und Füllung kommt zusätzlich noch weiterer Argentinier, als Unternehmen hier begann wurde zunächst Marketresearch unternommen, fanden zunächst Grundprobleme, Qualität, Quantität

Sorten

zunächst 200ha lokale Sorten angepflanzt, zur Brandyproduktion (noch immer), auch kl. Mengen Tafeltrauben (um zu sehen, ob sich das rentiert), mittlerweile auch viele französische Sorten (nach seiner sehr groben Schätzung vlt. 50:50), diese Sorten zunächst Schwierigkeiten im Anbau :Im Gesetz festgehalten, dass wenn in großen Mengen eingeführt und Produziert diese registriert sein müssen, Er erhielt hierfür „special permit", Auch Phyloxeraproblematik wird hier immer betont, aber nach seinen eigenen Aussagen existiert das Problem bereits im Land, also haben sie es nicht „eingeführt" (zurückzuführen auf mangelndes Wissen der Produzenten), französische und internationales Sorten in Form von Versuchsanlagen gepflanzt (zunächst 26 verschiedene, soll auf 3-4 Sorten reduziert werden)**Probleme lokale Sorten**: keine phyloxeraresistenten Unterlagen! (no tolerant rootstocks!), Keine Unternehmungen in dem Bereich dagegen gemacht „old fashioned technologists", Sogar in Georgien, Russland, .. grafted plants zu finden, Veraltetes Wissen der lokalen (auch wieder „Sturheit")

Erste Lese

2009, boten die Trauben auch an Fabriken an, kein Bedarf (allerdings wurden bei zuvorigen Anfragen, ob Interesse von Zukäufen bestünde dies mündlich zugesagt), zunächst schwierig Kunden zu finden, langsam Verbesserungen

Entwicklungen auf Markt/für eigenen Absatz

in letzten Jahren Interesse der Produzenten an high Quality producers (auch für spirit), bislang kleinere Mengen verkauft, noch immer in Versuchsphase/Tests

→ist es nicht interessant für Unternehmen wie z.B. Yerevan Brandy Company mit Ihnen als Hauptlieferanten zu arbeiten?Prinzipiell ja (auf Grund von Rücksprache), Allerdings: politischer Druck zu groß „political pressure“, Reputation, ANMERKUNG: →es ist wichtig auch für Regierung, dass kleine Bauern noch immer Abnehmer finden, sonst könnten diese auf die „Barrikaden“ gehen, gefährlich fürs gesamte System!, jetzt schon starke Nachfrage nach Trauben

Problematik Wein vs. Brandyproduktion

Weinproduktion anspruchsvoller als Brandyproduktion , limitierte Sortenzulassung, auch häufig kommt es zu Panschen von Brandy mit Cereal spirit

Entwicklung Anbau

sind dabei neue Sorten registrieren zu lassen (in Zusammenarbeit mit Seedcompany), bereits 6 Sorten registriert, es gibt bislang noch keine Möglichkeiten lokale Sorten graften zu lassen , zunächst große Schwierigkeiten mit lokalen gekauften Sorten, 30% der Sorten stellten sich nicht als die heraus, wie sie angegeben waren (noch heute häufig gemischte Felder), auch auf Grund von schlechten Erfahrungen keine weiteren lokalen Sorten geplant, Fokus auf Pflanzenqualität, Hauptsorten aus Frankreich (gute Erfahrungen bislang und zufriedenstellende Qualitäten), bezüglich der Arbeiten im Weinberg (**basierend auf Wissen von Argentinischem Agronomist und Winemaker!),** werden vor allem wheats und Oidium als Hauptprobleme angesehen, Produktionsreduktion, Entblätterung, →hauptsächlich unternehmen diese Trainings in Armenien, aber auch schon einige Armenier nach Argentinien, „on Farm Teaching“, Fokus bleibt die Pflanzung zunächst (bis sich Wachstum verstärkt hat), im Weinberg weg von Betonpfeilern, -etwas variierende Anbaumethoden als lokale
Waren auch die ersten, die Weinberge so angepflanzt haben, dass Maschinenlese möglich ist.

Preise YBC und Allgemein

Preise besonders von großen Unternehmen festgelegt, nach seinem Gefühl Zusammenarbeit zw. Ministry of Agriculture und YBC, diese setzen die Preise allerdings gut und auch relativ hoch , erneuter Grund, um Bauern „ruhig“ zu halten, andere zahlen etwas weniger als Pernod Ricard, letztes Jahr, 130dr/kg (incl VAT) ca. 0.35 cent/kg, Allerdings viele nicht regiestriet, dementsprechend keine VAT, Sehr hohe Preise im internationalen Vergleich

Marktsituation im Allgemeinen

lokale Weine als besonders schlecht empfunden, großer Wiederspruch zwischen hochwertigem Wein und schlechter lokaler Qualität, kein genaues Wissen über den Markt: sehr schwierig, sehr competitive, -ungewöhnliche Entwicklung, seiner Ansicht nach sollte sich zunächst ein Land als „Brand“ entwickeln, schwierig, wenn dies nicht

der Fall ist und sich zwar Qualität verbessert aber die Absatzmärkte es nicht „wissen“/“mitbekommen“, wäre einzige Möglichkeit für Armenien (über Land vermarkten), internationale Weine in lokalen Supermärkten, seiner Meinung eher als „Nische“ und, um repräsentativ zu sein (internationales Resümee) , Mehrheit nicht mit dieser Art von Wein familiär/gewöhnt, sind dementsprechend nicht gewillt diesen zu kaufen, Problematik der Korruption noch immer präsent

Zukunft Unternehmen/Markt

geplant Weinproduktion zu erweitern, allerdings momentan noch in der Testphase (Brandyentwicklung?), auf Grund von schwieriger Marktsituation, Fokus auf Export (besonders Diaspora: F, USA, Russland, …), diese sind schon an internationale Qualistandards gewöhnt, dementsprechend kaufen diese zwar lokalen Wein als Souvenir, trinken diesen aber nicht, bzw. ungern, Unternehmen enge Zusammenarbeit über Findel Mundo, darüber anwesend auf große Wine Fairs (als Schwesterunternehmen), kann sich daran oritentieren, auch darüber Verbindung zu Michelle Roland, Verträge (Abnehmer von Brandyunternehmen), Großteil nicht bereit verpflichtende Verträge einzugehen (nicht einmal für ein Jahr), „lets see what happens next year…“

Attachment 20 - Interview with Naira Mkrtchyan, Agribusiness and Marketing Program Manager, CARD ,30.04.2011

Entwicklungen der Aufgaben im Bereich Wein

seit 1996 als USDA angefangen , USDA unterstützte im Zuge der Projektarbeit schon die ersten kleinen Weingüter, zu dem Zeitpunkt war der ganze Sektor zerschlagen, die Projekte richteten sich auf die gesamte Wertschöpfungskette (von Produktion, Know-How, Training und Marketing auf nationalen und internationalen Märkten), auch internationale Experten eingeladen (allerdings noch immer nicht so weit), weiter Projekte: Agro-Tourism, Training for Producers, auch Projekt im Bereich „Hospitality Sector", denn viele Produzenten wissen oft nicht wie Wein verkostet wird, seit letzten 5 Jahren Wechsel von USDA zu CARD, Umstrukturierung, weniger Ressourcen (Gelder), momentan wird Fokus auf Milchproduktion gelegt, dieses Jahr: Gelder für Trainings/Processors (kleine Unternehmen) im Bereich Marketing verbesserung, Packaging, …

Lokaler Markt

noch immer wird in Armenien mehr Vodka und Brandy getrunken (auch noch als Überbleibsel der Sovietunion), allerdings sieht man schon Veränderungen und der Weinkonsum steigt, Interesse von Diaspora, lokalen und Ausländern steigt , Problematik noch immer von lokalen heimisch zubereiteten Weinen auf Märkten (keine TAX bezahlt, niedrige Preise, schlechte Qualität (meist)→basic equiptment und schlecht kontrolliert), der Wettbewerb zw. Processors ist noch nicht sehr stark, momentan auch noch starker Fokus auf schon existente Weinbaugebiete, hier besteht die Möglichkeit auch neue Regionen auszutesten! (z.B. Karabakh), lokale haben Häufig Fokus auf Russischem Markt, Gefahr, Was geschieht wenn Russland die Grenzen schließt?, Dies geschah bereits in Käseproduktion und war ein Disaster!, Fokus sollte mehr auf z.B. „Ethnic Stores" gelegt werden, auf Nischenmärkte außerhalb Russlands

Problematiken, wo mangelt es? : 1) Education: veraltete Bücher, Lehrer wenig Wissen in dem Bereich, hier müssten Research facilities verbessert werden (etc.), dies würde die Gesamtsituation stark „boosten", sehr theoretische Lehren, nicht up to date ,wenig praktische Erfahrungen (internships), wichtig die Leute zu Schulen! (lokale Konsumenten und Produzenten!), müssen sich darüber im Klaren sein, welche Bedeutung Technologien aus dem Ausland haben 2)Microcredits (existieren zwar aber haben hohe Interst Rates), 3) Transportation, 4) Foreign Investment, 5) Produktion

Anfangs besonders mangelnde Qualität (so schlimm, dass Teilweise Batches vernichtet werden mussten), alte Sovjet-methoden (hauptsächlich Fokus auf Massenproduktion), Sovjetunion legte Fokus in Armenien auf Brandy in Georgien auf Wein, seit collapse alles demolished, musste alles „from scratch" begonnen werden, häufig verkauften Produzenten einfach ohne auf Kosten zu achten (teilweise sogar unter Marktwert), **Einfluss von Pernod Ricard** nun spürbar! Sie verfolgten die Policy, dass mit dieser Arbeitsweisen langfristig gesehen die Landwirte sich selbst in den Ruin treiben und somit keine Lieferanten von Trauben mehr zur Verfügung stehen werden, deshalb: **Preise angehoben**!, allerdings Qualität noch immer als Hauptproblem (und Wissen

über Qualität!), Laut Ihrer Aussage findet Armenischer Wein auch Absatz, wenn die Qualität schlecht ist, zum Einen aus Gewohnheit , Zum Anderen auf Grund von Preis, bislang fehlt es noch an „proper Research“ im Bezug auf qualitativ hochwertige Sorten, sehr wenige Try outs (auch von anderen Sorten, die vlt. Nur in kleinen Mengen bislang gepflanzt werden), „Scarcity of Varieties“

Finanzkrise

keine Nachfrage nach Trauben, sehr niedrige Preise, teilweise auch gebrochene Verträge mit Produzenten, insgesamt als : **STEP BACKWARDS**!

Internationalisierung/ Wandel auf dem Markt

Interesse könnte größer sein, aber besteht!, Pernod Ricard (siehe oben), „Armenia“ machte größte Investitionen im Bereich Wein seit Sovjetunion , ier ist der Wandle besonders im Bezug auf bislang Marktführer „Vedi Alco“ zu sehen, Keine Verbesserungen in Qualität/ keine Investitionen, Waren „faul“, verloren Marktanteile, auch Interesse von Amerikanern gehört, die investieren wollen, auch Italiener, der in Produktion investiert hat, allgemein steigendes Interesse: Diaspora, lokalen, Ausländern (merkt Sie auch bei steigenden Nachfragen in CARD Agro Services)

Nationale vs. Internationale Sorten

auch schon von USDA Importe von internationalen Sorten, dennoch meint Sie, dass die Bedeutung von lokalen Sorten wesentlich höher ist, sieht in Armenien nicht die Möglichkeiten auf internationalem Markt mit internationalen Sorten zu competen, deshalb sollte der Fokus auf lokale Sorten gelegt werden!

Kooperativen

bislang erfolgreich im Dairsysektor, im Weinbereich bislang noch nicht, allerdings gibt es Kooperativen im „Fruit Growing“ und „Grape Growing“ Bereich, auch gemeinsame Zukäufe von Inputs, allerdings auf Grund von Finanzkrise starke negative Einflüsse, viele Produzenten mussten Trauben wegschmeißen, weil sie keine Abnehmer fanden (auch Frost war noch ein zusätzliches Problem und es wurde ein -23% in gesamten landwirtschaftlichen Produktion verzeichnet, deshalb ist die Entwicklung etwas

Wo sehen Sie Möglichkeiten, dass Probleme geregelt werden könnten ohne die Einflussnahme vom Staat?

Diaspora als Möglichkeit! (sprechen die Sprache, kennen die Kultur und die Menschen…), -Lösung liegt in Investitionen aus dem Ausland, diese bringen know-how, darin liegt die Möglichkeit für eine schnelle Entwicklung, wenn neue Technologien eingeführt werden kommt es zu Qualitätsverbesserungen

Wie nimmt Bevölkerung ausländische Investitionen wahr?

im allgemeinen sehr positive, Geschäftsdenken im Vordergrund, bester Abnehmer, auch schon positive Erfahrungen von Produzenten für Pernod Ricard gemacht (sehr fair zu Farmern), dementsprechend sind diese sehr offen , zwar zunächst noch immer etwas stur gegenüber Neuem, aber neue Generationen entwickeln sich , Pernod als „Model Project"→Komponenten die zu einem Wandel im Mindset of People geführt haben, Am Beispiel Milchproduktion: erst waren die Produzenten unsicher und wollten nicht investieren, dann erkannten sie positive Effekte (nachdem Model Projects eingeführt wurden), passten sich mit Standards auch an, Auch am Beispiel eine Weinunternehmers, der „Pionierarbeit" leistete. Er war gewillt Veränderungen selber einzuführen und neue Technologien zu kaufen, erste Schritte gingen von Ihm selber aus, dann bekam er auch Hilfe von USDA, hat begonnen westliche Standards einzuführen und „consistent quality", packaging, … (er tätigte Investitionen, aber nicht im Umfang von Oligarchen), andere Unternehmen haben dementsprechend begonnen sich dem anzupassen→Resistance existiert, kann aber auch „overcome" werden

Wie sieht sie China als Zukunftsmarkt?

sowohl Vor- als auch Nachteile, in China sind die Weintrinker noch nicht so stark an internationale Standards angepasst, dementsprechend könnten Diese sich gut mit Armenischem Wein anfreunden (dieser hätte es leichter als auf anderen Märkten), könnten leichter von der „schwachen Qualität" überzeugt werden, allerdings „Quantity" als Problem, sehr niedrige Produktion die sich auch nicht stark in Zukunft ändern wird (können mengenmässig nicht mit anderen Ländern mithalten)

Perspektive/Aussichten

in Zukunft sollte Armenier die momentanen Märkte verstärken und zusätzlich , Fokus auf „Ethnic Stores" (Nischenmärkte) legen, besonders in Ländern mit vielen Diaspora, Diversify! (auch mit Geschichte des Weins, etc.), der russische Markt ändert sich (auch mehr hin zu Qualität), Dies zeigte sich besonders, als der georgische Wein vom russischen markt ausgeschlossen wurde, Diese Position hätte von armenischem Wein eingenommen werden könne, Aber stattdessen besetzten die Chilenen diese Nische!, momentan befindet sich Armenischer Wein auf einem „Turning Point", Wäre nicht die Finanzkrise gewesen, wäre dieser schon früher erreicht

Attachment 21 - Interview with Narek Melkonyan, Exportmanager, Yerevan Brandy Company 21.04.2011

Contracts

5.200 contracted Farmers, Im Zuge dessen gehen Farmer ein **Beherrschungsvertrag** ein, verpflichten sich zur Lieferung (sonst: legal enforcement), im Gegenzug: festgelegte Preise (nach 3 Tagen erhalten sie Zahlung, dauer nur auf Grund von Transaktionszeitraum)→ Preise variieren in der Regel nur leicht zum Vorjahr (5% Fluktuation), gleiches Level oder etwas höher (nicht weniger) Andere Unternehmen versuchen die Farmer durch höhere Preise abzuwerben, allerdings: häufig Zahlungsverzögerungen & lange Wartezeiten (Qualitätsverlust): inputs for free, festgelegte Standards, die diese einhalten müssen (Pestizid-Einsatz) , auch Vorgabe von Erntezeitpunkt (dies vor allem, um Zeiten zur Traubenablieferung (Wartezeiten) möglichst gering zu halten→ 5 Minuten Maximum), Experten beraten Farmer (diese haben Trainings im Ausland durchlaufen), Beste Farmer erhalten 1xim Jahr einen Preis, Tour zu Brandygebieten in der Weilt (meist Frankreich), alles inklusive, jährlich: 10-15 Farmer (immer wechselnd), Bei Traubenlieferung auch Stichprobenartige Kontrollen, entnahmen aus verschiedenen Bereichen der Behälter, um Mittelwert zu erhalten (Oechsle, …), durchschnittlich 22% Zuckergehalt, Wenn die Farmer entdeckt werden bei Betrugsversuch (z.B Ablieferung minderer Qualität), müssen diese die Trauben komplett zurück bringen, Weinberge werden regelmäßig kontrolliert von Consultants die in den jeweiligen Regionen lokalisiert sind, hauptsächlich kleine Farmers (auch da kaum andere Strukturen vorhanden), bislang 3 „Legal Entities“, Hauptunterschied: diese müssen VAT zahlen, Farmer nicht (da diese Mindestvolumen Nicht überschreiten), Vertragsbrüche nicht die Regel, Farmer haben großes Interesse mit Ihnen zusammen zu arbeiten

Einfluss FDI

1)Investitionen aus Russland/Armeniern im Ausland: vergleichbare Businessmethoden, wie sie auch in Armenien auftauchen, keine großen Unterschiede 2)Investitionen aus übrigem Ausland, kaum vorhanden, einzige Ausnahme „Tierras de Armenia“ 3)Einfluss Yerevan Brandy Company, 100% Pernod Ricard (seit 1999), zuvor von Regierung in *international tender* Verkauft, seitdem 10fache Wertsteigerung, sie haben Standards für faire Businesszusammenarbeit gesetzt, Wettbewerber versuchen es Ihnen gleich zu tun: durch: Harvesting anlagen neben deren zu bauen (abwerben), Über Verträge Belieferung sichern, Häufig wird im Gegenzug dazu eine Abnahmegarantie gestellt (bislang noch keine Trainings, etc.), allerdings Zahlungen oft stark verzögert (es gibt auch Fälle in denen Monate danach noch keine Zahlung einging→ Farmer klagen diese ein mit guten Erfolgsaussichten), bislang noch wenig erfolgreich, aber Wettbewerb ist allgemein am steigen, dementsprechend lassen sich Veränderungen vermuten

Beurteilung Armenischer Brandymarkt

Markt im Allgemeinen wachsend, allerdings auch stark zunehmende Zahl an Wettbewerbern, dementsprechend müssen neue Märkte anvisiert werden!, in Armenien auch starker Wettbewerb (besonders auch aus Frankreich), Merkmale Armenischen Brandys: Qualitäten des Brandys o.k. (keine Beurteilung über Weinsektor), Auch da Produkt so spezifisch/speziell ist, Unterschied zu französischen Produkten (auch wenn Produktionsschritte an sich gleich): Andere Traubensorten (besonders kleinbeerig und süß), Wasser (kein destilliertes Wasser, besonders Klar, von den Bergen kommend)

Exportziele

kein Interesse an Wein (ursprünglich war Weinbereitung Teil der YBC, allerdings wurde dies mit Übernahme von Pernod Ricard eingestellt, jetzt hat das Unternehmen Branch in Georgien, in dem Wein herstellt wird (und auch im lokalen Shop des Unternehmens mit vertrieben wird))
-overall goal: Volumina beizubehalten, damit gleiche Mengen an Trauben gekauft werden kann, keine leerstehenden Tanks, .. (auch auf Grund von langen Lagerzeiten ist langfristige Planung sehr wichtig (20 Jahre Zukunftsplanung))
-traditionelle Märkte: Noch immer starke Investitionen getätigt, als „Rückrad“ des Unternehmens , Kürzlich 2 Mio. € (?check) in Produktrelaunch investiert (neues Design, viel Werbung, …), →Neuentwicklung in Zusammenarbeit mit englischem (Identica) und holländischem (Amsterdam World Wide) Unternehmen
-neue Märkte: In alle Richtungen Exportpläne (Vietnam, Uruguay, Australien, auch Europa)Beispiel Deutschland:Beginn über Ostdeutschland, Dann Internet (Lieferung Deutschlandweit, 3-4 Tage Lieferzeit)Dann Spezialitäten Geschäfte (*Ethnic Stores*), Vor 3 Jahren in KaDeWe, Von da aus Aufmerksamkeit für andere Ketten erregt (auch als Qualitätskriterium…), Geplante Zusammenarbeiten mit: Rewe, Kaufland (zunächst 1 Position geplant, evtl. nach 2 Jahren angestrebte Erweiterung)

Attachment 22 - Interview with Rafik Simonyan, owner of Areni, 23.04, 2011

Unternehmen

1994 als Familienunternehmen gegründet, im Zuge dessen Vergrößerung, 2003 Zukauf von Weinbergsfläche (hier begann die Vergrößerung), Familienunternehmen spaltete sich, auf Grund von Wachstum haben nun 2 Brüder 2 verschiedene Unternehmen, die direkt nebeneinander liegen. Im Zuge des Interviews waren wir auch bei Anderem Weingut, allerdings war der Besitzer nicht Anwesend (**QIMLEY**), 200.000 Flaschen jährlicher Umschlag, 10ha, plus Traubenzukäufe, ausschließlich authochthone Sorten, Hauptsorte Areni (Rot), Areni kann Erträge zwsichen 15-20t/ha bringen, sie versuchen den Ertrag zu reduzieren und unter 10t zu bleiben , steinige Untergründe, Bewässerung über Kanale (traditionell) 5-7 mal pro Jahr

Qualitätsicherung

Regierung checkt einmal im Jahr „assuarance of complicance", sonst alles Eigenverantwortung, Handarbeit, kein Maschineneinsatz (auch Handlese), auch keine Veränderung geplant (aber eher auf Grund von Mangel? An Inputs…?), Unternehmer selber, bereits Erfahrung auf Grund von Trip (organisiert durch Foreign Affairs Ministry, dies wurde ursprünglich durch italiensischen Professor initiiert, der Aufenthalt in Armenien hatte) nach Italien gesammelt (Seminare, Weingutsbesuche)→ auch italienische Weinproduzenten nach Armenien, Struktur, er selber in Charge of Keller, Verkauf, Marketing + 1 zusätzliche Kraft die sich um Weinberge kümmert, viele seine Mitarbeiter Grundwissen zunächst in Uni, aber nur als Basis, eigentliches Wissen über Weinbereitung über Familie weitergegeben

Contracting- Traubenzukauf

Qualitätschecks meist über Zuckergehalte, auch Kontrolle der Weinberge, meist von gleichen Farmern gekauft, keine schriftlichen Verträge, basierend auf Vertrauen, keine Trainings, bisher existente Qualität zurfriedenstellend,

Wandel/ Technologieeinsatz…

neue Technologien hauptsächlich im Keller (Beispiel Füllanlage aus Italien), kein Interesse an neuen/ internationalen Sorten, als einziges Düngemittel Kuhdung, kein Pestizid-Einsatz

Märkte

starke Zunahme in Nachfrage (in Sovietzeiten mehr Vodka), auch Wohlstandswachstum (Wein im Vergleich zu Vodka sehr kostenintensiv), Hauptabsatz lokal, Verkauf über Mittelsmänner aber auch Direktverkauf (Bsp. Über Vertäge and Supermärkte), 1/3 nach Moskau (als sicherer und guter Markt angesehen), andere ehemalige Sovietländer weniger Interesse (haben von schlechten Erfahrungen z.B. Zahlungsverzögerungen in Ukraine von Anderen gehört), prinzipiell Interesse an Export, aber kein/kaum Wissen über Märkte, von Government „certificate of origin" ausgestellt, wichtig für Export nach Russland

Attachment 23 - Interview Tigran Khachatryan, Technologist, Yerevan Ararat Wine Factory, 22.04.2011

Unternehmen

seit Transformation von state owned, privatisiert, 2002 an Armenischen Investor verkauft, 100% armenisch (von Oligarchen besitzt)

Qualitätssicherung

-Wissen des Kellermeisters, zunächst über Uni „alcoholic beverages" (keine Spezialisierung in Universitäten möglich), Vertiefung über Praktika, Labore: Qualitätssicherung läuft intern ab, Kontrollen über eigene Labore (einziges Labor mit diesen Qualitätsstandards in der Kaukasusregion, seit einem Jahr neuestes Equiptment), Arbeiter: neue Arbeiter durchlaufene verschiedene Trainings in unterschiedlichen Departments: 3 Standorte auch außerhalb Yerevans, Neugründung von diesen, auf Grund von guter Lage, Hauptwettbewerber Ararat hat seinen Branch auch außerhalb, dementsprechend haben sie Ihren in die Nähe davon gebaut**,** Kaufen die überschüssigen Trauben (die Mengen die vertragliche Vereinbarung überschreiten) auf Beste Möglichkeit auch für Farmer ihre Trauben zu verkaufen, Auch Lage ideal, da so kein Transport von Trauben nach Yerevan stattfinden muss (und damit einhergehender Qualitätsverlust vermieden wird), In Außenstellen erfolgt Pressung, Destillation wird in Yerevan durchgeführt

Contracts

bislang keine eigenen Weinberg, über Verträge Weinlieferung sichergestellt, Abnahmen abhängig von Jahr (und Wetter) zwischen 27/28.000 Tonnen, Kaufverträge, jedes Jahr neu, Verkauf der Trauben von Farmer an Unternehmen gesichert (allerdings nicht schriftlich festgehalten), aber sicher, dass diese abgenommen werden (sofern Qualitätsstandards erreicht werden), Erreichung/Verbesserung der Qualität durch finanzielle Unterstützung für Produktionsmaßnahmen, Bezahlung erfolgt sofort nach Lieferung, keine Verzögerung, keine Trainings im Bereich Know-How (kein Agromanager o.ä. im Unternehmen eingestellt), wenn Trauben nicht den Anforderungen entsprechen, werden diese zurückgesandt (vermutlich können diese an günstig produzierende Hersteller noch verkauft werden), dies geschieht abhängig von Jahr (abhängig von Wetter, ungesundem Lesegut, …)

Märkte

über 90% der Produktion geht nach Russland, gefolgt von Armenien, weitere Märkte sind: Europa, USA, Planung Export nach China, als neuestes Ziel, Wettbewerbseinfluss: national→ Ararat als Einzige Konkurrenz (sonst kaum), bislang besteht weiterhin große Nachfrage innerhalb ehem. Sovietunion nach Armenischem Brandy, 2011, 2010 mengenmäßiger Exportführer, Zukunftsprognose, bislang nicht vermutet, dass weitere ausländische Investoren in den Markt eintreten : Wein wurde in der Vergangenheit erzeugt, nichtmehr, Allerdings generelles Interesse, Problematik der begrenzten Traubenverfügbarkeit (Qualität??), allerdings keine Maßnahmen zur Unterstützung von Neupflanzungen, kein „initial support", Farmer wissen welche Standards von

Yerevan Ararat Wine Factory verlangt werden, diese müssen erfüllt werden, sofern dies geschieht kann abnahme stattfinden (allerdings auf dem Weg dorthin keine Unterstützung), Allerdings im Allgemeinen Tendenzen hin zu mehr Weinbergspflanzungen (auch auf Grund allgemeiner wirtschaftlicher Situation zu Anfang des Transformationsprozesses eher Blick auf Subsistenzwirtschaft (Gemüsepflanzung, etc.), da sich diese Verbessert auch Blick auf Andere Güter)

Tranformation

Wandel in Konsum, Steigender Konsum, -kaum Werbung nötig (offizieller Lieferant von Kremlin, ausreichend an Werbung!)

Attachment 24 - Interview with Vahe Keushguerian, Managing Director Semina Consulting "Wine Solutions", 21.04.2011

Qualität

fast alle der großen Weingüter bislang keine gute Qualität, im Allgemeinen kein Qualitätsverständnis (über Bedeutung und Nutzen), von insgesamt ca. 25 kleinen Weingütern (max. 100.000 Flaschen), keine Beständigkeit in Produkten, **Beispiel eines Weinguts mit hohen Qualitätsstandards:** kleinerer lokaler Familienbetrieb (ca. 100.000 Flaschen), auch keine ausländischen Investitionen

Qualitätssicherung

Winemaking im Bezug auf Qualität durchaus machbar, sofern Investitionen etc. zur Verfügung stehen, unterteilt in 2 Faktoren: Know-How & Investitionen, 1)Know-How:Leicht erreichbar, Besonders in der Zeit der Flying Winemakers, innerhalb der letzten Jahre waren:Einer aus Australien (Marinaro?), Michelle Roland, Paul Hops (hat auch Projekt hier), Antorini hier, Internationales Interesse Indikator, dass Potential im Land liegt, Bislang auch schon in Armenien einige gewesen, Keine Barriere dieses Problem zu beheben , Auch im Bezug auf Behandlungsmittel, alles verfügbar, Sofern nicht nur in Weinbereitung und Qualitätssicherung gut zu werden, sondern auch wachsendes Unternehmen zu sein, wird noch weiteres Know-How benötigt (Marketingwissen, Erfahrung, Wissen über lokale und zukünftige Zielmarkte (kulturelle Aspekte, etc.)→ an diesem Aspekt herrscht bislang Mangel in Armenien!!! Wissen über Wein zum einen erlangt über Weitergabe durch Generationen, zum Anderen durch Programme an Uni (die von Donororganisationen (z.B. USDA) gesponsort werden, In Form von Seminaren in Feldarbeit und Arbeiten im Keller, Auch Unterstützung von internationalen Organisationen im Bereich der Präsentation auf Märkten/Messen; 2)Investitionen: Grundproblem: Grundkosten Hoch, Ararat Valley (in dem Hauptsächlich Weinbau stattfindet) im Winter sehr kalt (Kälteschutzmaßnahmen) & im Sommer sehr trocken (Bewässerung erforderlich), Transport 1) innerhalb des Landes (Instrastruktur), 2) international , teilweise sehr hohe Interest Rates, Anreiz für internationale Investoren bislang nicht gegeben (kleines Land, …), Hauptsächlich Investitionen von , Armeniern (Diaspora Armeniern oder wohlhabenden lokalen), →Armenier hohe emotionale Bindungen, Reputation „As long as I don't loose the money…", Entwicklungsorganisationen

Certifications/Legal Framework

Effekte von Legal Framwork, wie es momentan existiert, keinen wirklcihen Einfluss auf Qualität, existieren zwar schriftlich, aber werden nicht wirklich befolgt, Qualitätssicherung eher durch Fokus auf Bildung von: Privat Associations (von zu govern Farmern), Kontrolle innerhalt der Organisation, Entweder Regeln einhalten oder austreten, Certifiaction: Kein HACCP, Analysten werden verlangt (allerdings nicht immer von Bedeutung), können auch leicht gefälscht werden

Marketing

auf Grund von Funden von ältestem Weingut der Welt in Armenien gute Möglichkeit der Marketingnutzung, stellte sich heraus, dass Urform der noch heute existenten Sorten „Areni" bereits in diesen Kellern zu Wein bereitet wurde, Bereits Zusammenarbeit mit französischem Unternehmen in Aussicht, dass durch Klonung die Urform zurückfinden.

Transition

seit diesem Jahr starker Wandel innerhalb der Industrie, im Brandybereich bereits schon vorher Investitionen getätigt, Wein bislang andere „Geschichte", kaum vorhandener Markt (evtl. vor Kommunismus), jetzt: Wein steigende Bedeutung! →als tägliches Luxusguut, steigender lokaler Markt, Russland als Abnehmerland stark wachsend , innerhalb des Wettbewerbsumfeldes Armeniens , islang größtes Weinunternehmen „Vedi Alco", erlebte Konkurrenzdurck, neuer Wettbewerber trat auf den Markt „Armenian Wine", Beide Unternehmen ca. 1 Mio. Flaschen Umschlag

Vedi Alco	Armenian Wine
-Armenische Besitzer (national) -bislang: veraltetes Equiptment -vor Markteintritt von Armenian Wine, Platz 1, nun auf **Platz 2** -nun: neue Investitionen -eigene Weinberge	-Armenische Investoren (national) -große Investitionen, bestes Equipment -**Platz 1** -starke Verbesserung der Weinqualität -starke, aggressive Werbung -keine eigenen Weinberge

→in eigenen Weinbergen liegt nun die Chance von Vedi Alco, wenn diese in die Weinberge Investieren („improve farming"), Neupflanzungen durchführen und gleichzeitig in Equiptment (auch in „Bottling Line") investieren, haben Vedi Alco bessere Chancen den nationalen Markt für sich zurück zu erobern, →hier liegt für Armenien Wine das Hauptproblem, bislang Zukauf von Trauben (auch Hochwertige aus Versuchsweinbergen von Tierras de Armenia? Check!)

FDI

wichtigstes FDI von Eduardo aus Argentinien („**Tierras de Armenia**"), 400ha , Erfahrungen aus bislang erfolgreichen weiteren Geschäften im Weinbereich einfließen lassen, vor 3 Jahren Erwerb halben Weingut (1.000ha) in Patagonien, Unterteilung an Verantwortlichkeiten innerhalb der Familie (Neffen/Nichten), brachte europäsche Sorten, zunächst 20 ha (als Versuchsfeld mit verschiedenen Sorten), auch großflächiger Brandyanbau (allerdings nicht geplant diesen weiter zu verfolgen), 2009 ersten Wein aus den europäischen Sorten entwickelt, mit Erfolg (Chardonnay, Syrah, Tannat), Equipmtent stammt aus Italien
-für Juni 2011 geplanter Markteintritt mit 60.000 Flaschen , in Planung: 4 Mio. Flaschen Weingut (großer Investitionsumfang!), Ziel: internationale Märkte (Russland, Deutschland, Schweiz, USA, …), lokalen Markt nur am Rande

Contracting

großes Problem, bislang keine richtigen Strukturen, Ausnahmen: Yerevan Brandy Company (Vertragsform: beruhend auf alles gekafut, was produziert wird, keine Spezifikationen), sonst keine weiteren Beispiele bekannt, wird angenommen, dass sofern andere Unternehmen von Contracting sprechen, dies als „artifical" einzustufen sei, Traubenkauf bislang: Kurz vor Ernte legen 2 Biggest Player (Vedi Alco/Armenian Wines) Preise fest, Qualität wird hierbei nicht berücksichtigt, Fokus auf Volumen (auch keine Sonderzahlung bei qualitativ hochwertigeren Lieferungen), Solange die Nachfrage nach Qualitativ hochwertigem Lesegut und Sorten nicht ansteigt, wird sich hierbei auch nichts ändern (hauptsächlich werden in Armenien auch weiße Sorten zu Wein verarbeitet, so spielen z.B. Farbprobleme auch keine Rolle), Bsp: „Tierras de Armenia": Zur Sortimentserweiterung evtl. auch Traubenzukäufe von roten Sorten geplant, Hier wird in Zukunft Contracting eine Rolle spielen, Kleine Strukturen der Weingüter großes Problem (weitere Option, Kauf von anderem Unternehmen: Vedi Alco/ Landleasing), Bislang keine existenten großen Holdings im Bereich Wein , Neue Plantagen auch zeitintensiv (weitere Möglichkeit, herausreißen von Brandysorten, Neupflanzungen)

Spillover Effects von Tierras de Armenia?/ Zukunftsplanung

Qualität: bislang stark unterschiedliche Qualitäten, direkt:bislang auch schon Anfragen von Weingütern, Traubenzukäufe (von qualitativ hochwertigen Sorten), indirekt:neues Überdenken der Mitbewerber über Herstellungsmethoden, Nachahmung, Kopiere (Armenier sind sehr gut im „copying")…, Gründung von „Armenian Quality Wine Makers Association": Im Gegenzug zu bislang existenten Organisation, die hauptsächlich sich mit "legal issues" beschäftigt, weniger Fokus auf Qualität (nur 1 Mitglied), auch geplant Studenten der Uni zu Trainings mitzunehmen