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## **REPORT\***

### **«Perspectives of Development of Winegrowing and Winemaking Sectors in the BSEC Member States»**

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## **I. INTRODUCTION**

1. The Thirty Seventh Meeting of the Economic, Commercial, Technological and Environmental Affairs Committee in Tbilisi on 12 October 2011 decided to address the issue on “**Perspectives of development of Winegrowing and Winemaking Sectors in the BSEC States**” as the main item of the next meeting given the vivid tendencies of impact of agriculture upon the economic growth in the BSEC countries and the interest recently displayed by farmers and entrepreneurs to winegrowing and winemaking in the Member States.
2. This report has benefited from contributions by the national delegations of Albania, Azerbaijan, Greece, Romania, Serbia and Ukraine, as well as reference material obtained by the PABSEC International Secretariat through the related Internet resources and publications.

### **USEFUL QUALITIES OF WINE**

3. Modern researches have proved that wine in moderate use has favorable effect on a human body boosting its immunity and tonus. Wine is a wonderful remedy against stress. It is scientifically proved that the death rate from cardiovascular diseases is much lower in the countries with high consumption of wine. Wine ingredients are very good preventive remedy for many other diseases. They bloc the excess amount of free radicals emerging as a result of smoking, ultraviolet rays and radiation, exhaustive physical activity and other cases. Wine helps to slow down ageing of cells and prevents emergence of oncologic diseases. Red wine with high consistence of tannins is useful during gastrointestinal tract disorders and diseases.

### **GRAPE AS A NON-WASTE PRODUCT**

4. The main grape products are wine, vodka, dehydrated alcohol, juice and various national traditional products. Very expensive oils, which are used in perfumery, are made out of grape seeds. Ground grape seeds are also used in coffee production. Vegetative parts of grapevines can be used in paper manufacturing.

### **STATISTICS**

5. According to official estimates approximately 2 billion bottles of wine will be consumed in the world in 2010-2015. Well-known wine-producer companies anticipate a dynamic growth from 6 up to 10% in the world consumption of wine. According to statistics the USA is the leader in the world retail sales followed by Italy and France. It is expected that the American market will go up by 10%.
6. Very interesting tendencies are being outlined in the Chinese market. China is included in the first five countries leading the wine consumption. For 5 years, in the period from 2006 to 2010 the Chinese market increased 2,4 times.
7. Important information regarding the volume of imports: it is calculated that every fourth bottle of wine consumed in the world (26, 2%) is imported and this figure keeps growing 2 times faster that the wine making market itself.
8. As per official statistics for the period of 2006-2010 the volume of consumption of imported wines increased by 7,83%, which can be considered as a great opportunity to promote winemaking in the BSEC countries given such an obvious increase in consumption rates of this product.

## **II. PERSPECTIVES OF DEVELOPMENT OF WINEGROWING AND WINEMAKING IN THE BSEC MEMBER STATES**

9. Winegrowing and winemaking traditionally represent one of the important sectors in the **Albanian** economy. Climatic conditions in the country are favorable for high-quality wine-growing and wine-making. There are over 100 ecotypes of grapes in Albania, 40 of them being researched and generally cultivated in vineyards. As a result of land reform in 1991 and verification of vineyards the

total area of vineyards increased up to 4.6 thousand hectares, and by 2010 – up to 9.7 hectares. Result oriented work on improvement of technological processes in this agricultural sector has been performed since 2007. Elbasan, Berat, Lezhe and Shkoder are winegrowing Albanian regions. These are the leading winegrowing regions in the country due to their favorable climatic conditions.

10. Wine sorts of grapes grow in vineyards with ungrafted grapevines. Table grapes in these vineyards are rare in separate clusters. Vlesh sort of grapes is widely spread in the region of the city of Volona. This sort is suitable for making full-bodied dark red wines and extractives. Generally speaking, such sorts of wine grapes as Kalotri, Debin ezes, Craki, Pamid etc. are used in Albania for making red wines. The Pamid sort is widely spread in the region of Shkodra city. “Kotek e bar”, “Debir e bar”, “Leskovik” and other sorts of grapes are used for making white wines. In Albania, there are great opportunities to expand the area of vineyards near Tirana and Durres, despite the fact that at present winegrowing is less developed there.
11. Agriculture and tourism are the basis of economic and social development of Albania. In this context, winegrowing as one of the main agricultural sectors is a focal area in the country’s economy. Increased demand for fresh grapes and vine products at domestic and foreign markets as well as the fact that winegrowing has been one of the main types of agricultural activities for the local population for centuries constitute preconditions for increasing interest towards this sector in Albania. The government of the country developed a program guiding development of winegrowing and winemaking through improved technologies, assistance to various agencies, increase of production capacity and marketing. The development strategy envisages expansion of the area of vineyards up to 20 thousand hectares.
12. Winegrowing and viticulture promotion is an important employment factor, particularly, in addressing various challenges in social, economic and demographic development in Albania. According to the local experts’ opinion the achievement of the objectives set forth in the field of winegrowing and winemaking requires:
  - Increase in state financial assistance for development and application of new technologies and scientific research;
  - Facilitation of establishment and functioning of a national system for control and certification of grape saplings;
  - Speeding-up cultivation of new vineyards based on preliminary scientific-research projects developed under the guidance of the experts in the field of vine-growing, etc.
13. The government strategy for development of winegrowing and winemaking was adopted in Albania in 2003. At the same time, in 2009-2010 in the framework of the EC CARDS project a database of winegrowing inventory was set up including approximately 8700 units or around 2.8 thousand hectares of vineyards.
14. Adoption of new laws and harmonization of the respective current legislation with the EU standards is one of the most important tasks in development of winegrowing and winemaking in Albania. This work has been already started and appropriate legislation has been drafted. This document is one of the most important steps in support of the economic policy in this priority sector of agriculture. The main objectives of this program are: enlargement of grape growing areas; increasing competitiveness of the Albanian wine producers; set up and strengthen the reputation of the Albanian wines in other countries, as well as to expand on a permanent basis the export opportunities for enlarging the existing markets and entering the new ones.
15. Winemaking is well developed in **Armenia**. In 2010 the grape growing area constituted 16,5 thousand hectares. In 2007, 1500 hectares of vineyards and 2000 hectares of fruit gardens were developed. The grapes yield in 2010 made 215 thousand ton. 80% of grapes in Armenia are used for production of brandy. Over 95% of Armenian wines are being exported. Due to climatic conditions, grapes in Armenia have high content of sugar, which result in high content of alcohol and production of strong and semi-sweet wines. Winegrowing areas in Armenia are located in Wyotz-Dzor, Igevan,

Kotayk and Tavush regions. Chardonnay, Garandmak, Chilar, Kangun etc. can be found among the white types of wine in Armenia, and among red ones – Areni Black, Nerkeni, Tigrani and Saperavi.

16. 85% of vineyards in Armenia are covered type. The most of them need irrigation. There is a small network of irrigation canals in the country. Majority of grape vines are mainly ungrafted, fan pruning and trunk less. Trellises are unilateral and four-wired. The grape varieties are classic French, Georgian and aboriginal vine breeds developed by local scientific establishments.
17. In 2007 the Armenian government endorsed a draft Law of the Republic of Armenia on Alcohol Beverages from Grape prepared by the Ministry of Agriculture of the Republic of Armenia. This draft law promotes the integration in the world market of the entities of the winemaking business of the Republic of Armenia.
18. The geographic location of **Azerbaijan** ensures intensive solar radiation and warmth, which is favorable for cultivation of various types of agricultural crops. Out of 8,6 million hectares of total area 4,5 million hectares are suitable for agriculture with 1,6 million hectares (18,9%) of planted fields. The irrigated area makes 1, 4 million hectares.
19. According to statistics, the total area of vineyards in Azerbaijan in 2010 was 15,4 thousand hectares; the total production capacity was 129,5 thousand ton a year. Wine-making companies produced 1070,7 thousand decaliters with 21% of the total amount or 224 thousand decaliters exported. At the same time, 187 decaliters of wine materials were imported in the country for wine remaking.
20. As a result of reforms in the agrarian sector all wineries and plants for primary wine processing became open for privatization with 53 joint-stock companies being created on their basis, and remaining 83 processing plants privatized as small enterprises. Given necessity for legal framework providing for further development of wine-growing and wine-making, a Law on Winegrowing and Winemaking was passed in 2002 laying the basis for regulation of wine production.
21. Such important documents as the State Program on Social and Economic Development of the Regions of the Republic of Azerbaijan for 2009-2013, State Program on Poverty Reduction and Sustainable Development of the Republic of Azerbaijan in 2008-2015, State Program on Safe Food Supply to Population of the Republic of Azerbaijan in 2008-2015 opening new horizons for agricultural development in the country as well as winegrowing and winemaking were approved for the sake of dynamic development of the agrarian sector in modern conditions.
22. As a result of measures aimed at development of winegrowing and winemaking envisaged in these documents the area of vineyards is expanding from year to year, productivity capacity and grapes output are increasing. There is also increase in volume of production and export of wines, and expansion in their assortment. New vineyards are being developed; intensive methods of winegrowing are being applied based on the traditions of past and international experience. All these resulted in expansion of vineyards and substantial growth of the production volume and productivity. In the last four years over 5 thousand hectares of new vineyards have been established.
23. At present, there are hundreds of private, peasant and cooperative farms engaged in winegrowing. According to Decrees by the President of the Republic of Azerbaijan, agricultural producers benefit from discounts on fuels and lubricants with 50% of their cost being paid by the state. Farmers also get 30% grants for growing and supply of vine saplings. The private vineyards' owners are being compensated for taking care of wines in the amount of 40 AZM per hectare. Regulating vine production is the priority state objective at this stage, therefore, the state target programs are being developed, the credit, taxation and pricing policies, as well licensing and certification procedures are being improved
24. Table wines, fortified wines, alcoholic beverages, brandies and champagne are in the assortment of the wineries of Azerbaijan. Demand for winery products exceeds supply several times. Therefore, enrichment of the raw material base, upgrading technological equipment of processing plants, development and application of innovation technique, attracting foreign investments, rational

consumption of resources, increase in the production volume and improving the quality of finished products gain special importance.

25. Favorable soil and climatic conditions of Azerbaijan allow getting high yields of grapes, which, in its turn help to meet internal demand for quality table (including raisins) and technical sorts of grapes through local production. That is why, development of winegrowing in Azerbaijan is considered as priority objective.
26. Establishing plantations of quality table and technical sorts of grapes requires, at the initial stage, importing highly productive quality vine saplings clean from biological and phyto-sanitary points of view and suitable for natural and climatic conditions of this country. From this point of view, sustainable development of winegrowing, cultivation of quality and cheap local sorts of grapes needs building of nurseries in Azerbaijan. While requiring long-term investments, establishment of new vineyards will also need additional financial resources for taking care of plants until they become capable of fruit-bearing. Timely utilization of product (vintage, storage, packing, processing sale etc.) is of special importance.
27. The State Program on Winegrowing and Winemaking in the Republic of Azerbaijan for 2012-2020 was approved by the Decree of the President of the Republic of Azerbaijan on December 15<sup>th</sup>, 2011, and is aimed at meeting the needs of local population in high quality table grapes, improving raw materials supply to wine-processing plants, expanding export of wine and wine-products as well as stimulating complex development of winegrowing and wine-making. For attainment of the set goals the program envisaged:
  - Improving legal framework regulating activities in the sector of winegrowing and winemaking;
  - Strengthening scientific assistance and human resources of winegrowing and winemaking;
  - Establishing financing mechanisms of long-term viticulture development;
  - Providing support to production of basic and accessory materials for vineyards;
  - Providing support for creation of nurseries;
  - Expanding the area of plantations with high-quality table (including raisins) and technical sorts of grapes;
  - Reactivating wine-processing plants and wineries and stimulating establishment of new enterprises;
  - Promoting and assisting to winemaking and establishment infrastructure for farming techniques, wine agricultural chemistry, protection of vineyards from illnesses and plant pests, irrigation, procuring, storage and sale of wine products.
28. In view of the above mentioned, it is planned to establish in the country in 2012-2020 approximately 50 thousand hectares of new vineyards. Initially, local indigenous and introduced grape varieties will be utilized, and later grafting complexes with basic vineyards of seedling stocks shall be built. It is planned to graft in these complexes about 40-50 mln. grape stalks to obtain 12-14 mln. grafts. It is necessary to renew and build yards for production of concrete posts for timely lifting of young vines on trellis.
29. There are no certain wine-growing regions in **Bulgaria** except Sungurlar basin and the area near the city of Melnik where only established wines are being made. However, as per the prevailing variety of grapes and climatic conditions the whole country can be divided into five large wine-growing regions: the North Bulgaria, Rylo-Rodopy, the Balkan, the Black Sea and Pyrynsky regions. The North Bulgaria region covers districts of the whole North of Bulgaria, except Balchik and Varna. Atmospheric precipitation in this area is annually 500-600 millimeters on average. Average minimum temperature is lower than 15°, therefore the vine has to be covered. There is mainly humus, grey and dark grey forest soil. Vineyards are located on the hills, but there are also many plantations on plains. Prevailing wine variety is Gymza, which is used for red wine-making; it is followed by Pamid and Zarchin sorts. White wines are mainly produced from Dimyat variety of grapes.

30. An export table grapes variety Bolgar is grown in large amounts in the North Bulgaria. Pleven, Layskovetz, Oryahovo, Vidin, Swishtov, Brenitza (the Beloslatin region) are the major centers of table wine-growing. Such sorts of grapes producing Otello and Noa varieties as well as cross-breeds Terrasa and Zeybelya are being traditionally grown in the farms of the Vidin region and Dobrudzh.
31. Very well equipped wine-making cellars have been built in many viticulture areas – in the cities of Pleven, Pavlikeni, Lyaskovetz, Swishtov, Ruse, Tsar Krum etc., and in the villages of Suhindoll (the Pavlikeni region), Novo Selo (the Vidin region), Kramolin (the Sevliev region), Strazhitza (the Gornyryakhov region) etc.
32. Rylo-Rodopy region covers the Kustendil, Stanke-Dimitrov, Pazardjik, Plovdiv, Asenovgrad, Haskov and Svilengrad districts. From the climatic point of view, this region belongs to moderately continental type with average annual precipitation of 500-600 mm. An average annual temperature is below  $-15^{\circ}$  and quite often there are winters with minimal temperature below  $-20^{\circ}$ .
33. Table sorts of grapes are regularly being covered for winter, however the majority of the wine sorts of grapes remain open-earth and sometimes they are being frosted to more or less extent. It is necessary to cover all vineyards for winter in this region regularly. The soils in this region are brown meadow and brown forest, typical and bleached.
34. The prevailing grape variety is Pamid. In the Plovdiv and Asepovrada regions Mavrud is the most popular sort of grapes. In these viticulture areas wine is made mainly from Pamid and Mavrud, and much more wine is made from Pamud. The Bolgar table variety of grape is much grown in the Plovdiv region while Chaush is less popular there. There are also cooperative farms there with vineyards taking over 50% of the cultivated land.
35. Winegrowing have been the basis of cultivated farming in **Georgia** and the source of economic wellbeing of the population for centuries. There are various ways of completing the head of grape clusters. In 1890, in the village of Sakara (Western Georgia) a nursery with the greenhouse was built becoming the first scientific-research center of viticulture.
36. Vineyards in Georgia are open-earth, established by grafted rooting. The system of grapevine training is of vertical trellis pattern. Subject to ecological conditions and peculiarities of the grape variety, the grapevine clusters are fan-shaped, horizontal cordon, Georgian one- and two -plane, having centuries-old history. The last one is often applied in mountainous conditions and homestead land.
37. As a result of natural and artificial selection, over 500 local varieties of grapes stemmed from spontaneous wine widely grown in Georgia with only several dozens of them allowed for wine-making. There are fresh Rkatziteli, strong Saperavi with pigmented juice, Mtvani, Aladasturi, Hihvi, Odzhaleshi, Alexandrouli, Chhaveri, Usahelouri, Kachichi, Krahuna, Mudjoretuli, Tzitzka, Chinuri and other, as well as introduced varieties of grapes – Chardonnay, Caberne-Sovinion, Aligote.
38. Original methods of local winemaking have been developed during centuries-old history of winegrowing and winemaking. The local methods specialty is connected with the must fermentation process (made of crested husks of grapes or plain husks at the industrial ripeness of grape berries and full maturity of mechanical parts of grapes (crown, skin, seeds), and the wine ripening and storage.
39. There are five winegrowing zones in Georgia: Kakheti, Kvemo Kartli (Eastern Georgia), Imereti, Racha-Lechkhumi and the Black Sea area. Due to enough warmth and rainfall (annually – 1000-1200 mm) local wines have very high content of sugar (30%). Local wines and variety of their production methods testify to old traditions of winemaking in this country.
40. Very valuable red vintage and white natural semisweet wines as well as table dry wines are made from Alexandrouli, Tzolikouri, Tzulukidzis Tetra, Ukhaselouri, Odjaleshi, Mudjoretuli, Orbeluri sorts of grape. Racha-Lechkhumi wines are considered high-quality wines of Western Georgia. These

are table and sparkling wines and the most important, high-quality semisweet wines like Usahelouri, Tvishi, Khvanchkara. The last one is produced in the location with the same name; it has original taste and amazing color.

41. In **Greece**, vine cultivation has three usages, depending on the varieties cultivated: wine production, table use and raisin production. Vine-growing for table use is economically sustainable. Exports of the produce are deemed satisfactory whereas imports are limited. Further capacity of this industry may be achieved by selection of varieties of high commercial value and the use of varieties harvested in different seasons, for extending the trading period, especially regarding exports. Furthermore, the competitiveness of Greek grapes for table use may and must be strengthened, through investing in quality guaranteed by systems such as organic farming and integrated management.
42. Last but not least, for improving their products' position in markets, producers can make good use of Producers' Organizations, which aim at achieving better product prices, reducing production costs, preserving traditional markets, opening new markets, improving quality etc. Members of Producers' Organizations are entitled to receive subsidies through EU operational programs, up to 60% for materializing actions for:
  - restructuring and conversion of vineyards for improving produce quality;
  - reducing production costs;
  - promoting products;
  - market crisis prevention and management;
  - protection of the environment etc;
43. Greece, as EU member-state has banned new planting of vines with wine grapes, as of 1984 pursuant to Reg(EC) 337/79(which in the rest of the EU has been implemented since 1979). The wine production industry, although economically sustainable, is faced with severe problems. The most important is the wine sector crisis, which is the biggest in the last 20 years. Wine consumption, according to the Central Union's of Vine and Wine Producing Cooperative Organizations of Greece data, has decreased by about 45%, apparently in the frame of consumers' efforts towards reducing expenditures.
44. At the same time, although the price of the final product reaching the consumer is high, producers receive relatively a low price for their product ( grapes), which sometimes does not exceed 0,20 €/kg. It is noteworthy that, due to the product's low prices, a large number of vineyards were not harvested this year (2011), and the same happened last year (2010). It is evident that an immediate consequence of the above is the producers' income reduction.
45. Vine-growing areas in Greece amount to 160.000, of an average size of 5 acres. A special characteristic in our country is the fact that 10%of vineyards are located in the numerous and small islands of the Aegean, where average performance is only 3500 kg/hectare. The annual wine production is about 3 million hectoliters, representing 2% of the total EU production, while annual consumption is about 30 liters per person. Greece produces wines of protected designation of origin (Superior Quality), wines with geographical indication and traditional wines; their quality is guaranteed and their added value is high.
46. The wine sector's role is crucial concerning our country's rural economy development. Therefore, its support and aid is of particular importance, especially in what concerns primary production, as the economic, social and environmental benefits of vine-growing are of a capital importance for many rural areas. Producers of wine-producing grapes are furnished with the possibility of enjoying support two ways: through the restructuring and conversion of vineyards programme aiming at the wine growers' competitiveness increase, through the following actions: qualitative upgrading of wine-growing potential; planting vine varieties of high commercial interest; introduction of modern farming methods. Funding is granted for grubbing, replanting, grafting, and for improving management techniques. The total sum granted to each producer, for all the aforementioned processes, ranges from 10.760 to 16.700 €/hectare. Owners of wine-producing vineyards for the

years 2010-2013 are entitled to receive funding from the Single Payment Scheme, on condition of fulfilling the criteria specified in the relevant decision. The sum amounts to 400 €/hectare.

47. The third support programme utilized by Greece is that of Promotion to third countries markets (outside the EU). Proper handling and promotion of our wines is extremely important, first of all for economic reasons, but also for cultural reasons, as wine is internationally recognized as one of the main ministers of wine-producing countries' culture. In this respect, Wine Tourism is being promoted, seeking to highlight and make best use of vine-growing regions where wines of superior quality are produced; at the same time the organization of local cultural actions, the protection of the environment and landscape preservation are pursued.
48. Winemaking industry in **Moldova** is very well developed. The vineyards area account for 147000 hectares, 102500 hectares of which are being utilized with commercial purposes. The majority of wines are made for export. Many families have their own recipes and sorts of grapes handed over from generation to generation.
49. Two world wars in the XX century made a big damage to Moldovan vineyards and winemaking industry. Restoration of winemaking in Moldova began in 1950-s. For 10 years over 150000 hectares were covered by vineyards and by 1960 the total vineyards area reached 220000 hectares. Winegrowing was seriously damaged by the so-called anti-alcohol campaign in the Perestroika (restructuring) period. Under the slogans of the fight against excessive drinking along with reduction of winegrowing and winemaking volumes the whole viticulture infrastructure was substantially destroyed.
50. By 2005 vineyards in Moldova were covering only 147 000 hectares or 7,4% of all arable land of the Republic, making 2,3% of the world land allocated for this culture. According to export of wine products, the Republic was the 7<sup>th</sup> in the world among the wine-producing countries (4% o the world volume) leaving behind Germany, Argentine and Portugal, and the 12<sup>th</sup> in monetary equivalent (1.4% of the world export volume).
51. There are four main viticulture regions in Moldova: Northern, Codry (Central), Southern and South-Eastern region with the famous Purcari district.
52. One of the biggest wineries in Moldova is "Cricova" Share-Holding Society. This winery is completely state enterprise with the closed production cycle. The enterprise has its own raw material base located in the central and southern viticulture areas. It purchases every year new vineyards; by 2013 Cricova is planning to have at its own disposal 1000 hectares of vineyards. Primary processing of vine in the enterprise is conducted in strict compliance with technological norms. Wine material is stored at 13-15°C in 54 tanks of 4100 decaliters, and in 2 tanks of 12000 decaliters each.
53. One of the main assets of the Cricova winery is famous underground wine-cellars – the largest in the world. There are three similar underground wine-cellars in Moldova nowadays - in Cricova, Maly Mileshty and Braneshy. Among three unique Moldovan underground wine-cellars the Cricova is the oldest one and second as per its area. The width of the Cricova underground galleries varies from 6 to 7,5 meters; the height is about 3-3,5 meters. Subject to the lay of land, the depth of its cellars reaches 100 m in some places. Wine-cellars together with the plant floors take about 53 hectares and total length of the underground corridors is 120 km. The Cricova wine-cellar has a capacity for storage of 3 million decaliters of wine.
54. The main secret of the Cricova wines specialty is explained by unique climatic conditions of underground cellars – constant year-round temperature (+10 - +12 °C) and high relative air humidity of approximately 97-98%. High-quality wines are ageing in oak barrels or metal tanks with oak-chips for not more than five years after which they are aged in bottles for not less than 3 years. The ageing period of high-quality wines is unlimited: it is the ageing that gives wine a fine bouquet and delicate taste. At present the Cricova wine collection accounts around 1,3 million bottles of wine.



55. The winegrowing and winemaking development program in Moldova for 2002-2020 envisages increase in the vineyard area by 100 thousand hectares. It presumes doubling of the present-day raw material base for winemaking. According to the local experts these objectives are feasible from the practical point of view.
56. **Romania** is a winemaking country and a member of the International Institute of Wines and Spirits since 1927. Soil in Romania is suitable for winegrowing and according to national legislation there are eight viticulture administrative units. These are Transylvania, hills of Moldavia, Oltenia, Banata, Crisana and Maramuresa, as well as hills of Muntenia, Dogrogea and Danube terrace.
57. Romania is the 15<sup>th</sup> in the world in winemaking and the 6<sup>th</sup> in Europe after France, Italy, Spain, Germany and Portugal. The country is the 5<sup>th</sup> in Europe for winegrowing with the total area of 186 900 hectares. Wine-production is approximately 6 million hectoliters a year.
58. The main goals of winegrowing and winemaking development in Romania are the following:
- Increase in the number of the controlled wine-producers;
  - Increase in the share of red and fragrant wines in the wine products;
  - Production of local sorts of wines;
  - Promotion of wine consumption compared to other alcoholic beverages;
  - Facilitating establishment of associations of winemakers with a view to ensure viability of this sector with the right to obtain financial assistance of the EU.
59. Financial assistance of wine-makers in Romania is distributed approximately in the following manner: 50% is provided from the relevant EU funds, 30% is from the state budget and 20% are the wine-makers' own investments.
60. Ministry of Agriculture and Rural Regions of Romania controls the situation in this sector through such agencies as The State Inspection of Technical Control of Winegrowing and Winemaking, National Office for Control of the Origin of Wines, National Office of Wines and Spirits and Agency on Payments and Involvement in Agriculture. Besides, there are two organizations of wine-makers in Romania – National Inter-Professional Organization of Winegrowing and Winemaking and National Ownership of Winegrowing and Winemaking.
61. In some regions of **Russia** (Dagestan, lower reach of Don river) grapes have been grown for thousand years. Grapes are being cultivated in the Krasnodar and Stavropol regions, Chechnya, Dagestan, Ingushetia, Kabardino-Balkaria and North Ossetia; in the Astrakhan, Volgograd and Saratov regions, the Rostov region. It is also grown in smaller amounts in midland up to Bashkiria, and in the southern regions of the Far East. Industrial winegrowing is mostly developed in the North Caucasus and Rostov region.
62. Industrial winegrowing in Russia is being realized in complicated and hard conditions of local climate as compared to other regions. Open-earth vineyards are located only in the most valuable from the winemaking point of view Black Sea area of the Krasnodar region and Dagestan- on the south of Makhachkala; in the rest regions – vineyards are covered for winter.
63. There are several districts in the Krasnodar region: Azov, Taman, Black Sea, North Caucasus and Central. The largest vineyards in Russia account for 60% of the country's total plantations. The biggest producers of the region are the Abrau-Durso, Zaporozhsky, the Caucasus, Kuban-wine, Myskhako, Russian vine and Fanagoria companies.
64. The Rostov region is a zone of risky covered vineyards. The biggest producers there are the Miller plant, the Rostov Champagne Factory, the Tsimlyansk wines and Amber companies.
65. 13% of vineyards yielding about 15% of the vine crop page in Russia are located in the Stavropol region. The biggest producers are the Georgiyevsky Winery, Levokumsky, Mashuk, Praskoveisky and Stavropolsky. According to statistics as of beginning of 2010, the Praskoveisky Company refused to produce its own wine and moved the winemaking industry to Bulgaria.

66. In the USSR time Dagestan was one of the largest wine-growing and wine-making regions. Nowadays, the grape growing area is reduced and the harvest volume does not exceed 100 thousand tons. The largest producers are the Derbent factory of sparkling wines and the Kizlyar brandy factory.
67. Winemaking in Russia today is arranged according to the modern industrial basis - a new organization of production is established – factory-farm enterprise (agro-industrial complex); over 60 similar enterprises constitute major production capacity. The total area of vineyards in Russia, as of January 2011, is about 60 thousand hectares.
68. The Russian Federation is one of several European countries where winemaking from own grapes is not considered an agricultural production. Due to this approach, enterprises involved in winegrowing and winemaking do not benefit from whole package of state assistance supporting the agriculture sector. In order to be subsidized and to benefit from the state assistance they have to establish new entities where agricultural activity is singled out into separate branches.
69. Russia is also one of the biggest importers of wine. Regardless of uneven development the wine market in Russia has recently demonstrated good dynamics. Per capita wine consumption has doubled from 2,5 liters in 1990-s to 5 liters in the last several years. The wine market in Russia as a whole is estimated between 700 million and 1 billion liters. Percentage-wise, the local wine market has 70% revenue. The total import of wine materials in the last years is approximately 400 million liters a year. The main wine exporters to Russia are Bulgaria, France, Spain, Italy and Argentina. The biggest wine-importing companies in Russia are Luding, Megatis, Rusimport, Alianta, Whitehall, Mozel, Svarog, Simple, Erdin and Fort.
70. Winegrowing and winemaking as one of agricultural sectors in **Serbia** has a long history. In 2011 the grape growing area reduced to 57 thousand hectares. However, due to urgent measures taken by the government and Ministry of Agriculture of the Republic of Serbia the situation in this field has improved. At the same time, the Law on Wine adopted in 2009 in line with the latest principles and norms of the European Union in winegrowing and winemaking laid down additional prerequisites for development of this agricultural sector in Serbia.
71. According to the old viticulture zoning, there are 9 regions, 16 districts and 65 areas for winegrowing in the Republic of Serbia. The major viticulture regions are Western Morava, Southern Morava, Timok, Banat, Srem, Shumadia, etc. Subject to climatic conditions, the grapes productivity in the last 10 years is approximately 374 million ton of grapes a year.
72. 40 varieties of grapes are used in winemaking, among which Riesling (Rhine), Traminer, white Sovinion, Semilion, white and grey Pino, Chardonny, Muscat Ottonel, white Muscat, Italian Riesling, Gallan (Smederevka), Rkazitelli, are used for white winemaking; black Pino, Caberne-Sovinion, Caberne-Fran, Merlo, Prokupac, Frankovka (Limberger), Portugese, are used for red wine-making. Such sorts as Cardinal, Shasla, Muskat of Hamburg, Afuz Ali (Karaburnu), Italy, are being grown for consumption as fresh grapes. The standard state assortment includes 97 white and 77 red technical, 80 table and 69 rootstocks and clones.
73. In 2011 there are 64 wine producers of 196 wine geographical indication in Serbia. Serbian legislation regarding the designation of wine with geographical indications is harmonised with the PGI/PDO wine designation system used in the EU; there are clearly defined procedures for the establishment of geographical indications, for registration of designations for each individual wine with geographical indications, and for rigorous control of the production of grapes and wines with geographical indications, their physical, chemical and organoleptic testing and, finally, labelling of those wines with registration marks that facilitate the control of those wines on the market and prevent fraud.

74. Annually nursery production in Serbia is 15 millions of vine plants with 100.000 plants of basic categories. Main export destinations for Serbian nursery vine material are Russia, Uzbekistan, Ukraine and Kazakhstan.
75. About 275 million liters of wine is annually produced in **Turkey**. The taxation on alcoholic beverages is 63% of the wholesale price. The winegrowing and winemaking taxation issues are addressed by the Ministry of Agriculture, Forestry and Rural Area. The major viticulture areas in Turkey are the Central, Eastern and South-Eastern Anatolia, Aegean, Mediterranean, Sea of Marmara and the Black Sea regions. Seedless sort of grapes Kishmish used for production of dry grapes is being grown near the city of Izmir - one of the main centers of wine trade in Turkey.
76. The most popular varieties of grapes for red wine-making are Papaskarasi, Karagevrek, Alpehlivan, Kutra – from Bozca Ada district; Tokmak and Dimrit – from Izmir. The most popular grape varieties in the Thrace region are Yapanca and Beyaz; Razaki and Muscats – in the Izmir region and Vlsilaki and Chaush in Bozca Ada.
77. Turkey today is the fifth country in the world as per the volume of grape growing. There are about 400 sorts of grapes grown in the country with only 50 of them are economically profitable. As per its purpose, wine is categorized in the following way: 30% of the yield is used for production of non-alcoholic products – pekmez, wine paste, etc.; 40% - for dry grapes production; 28% - for grape juice production and only 2% of the yield is used for winemaking. About 75% of wine products are produced for home consumption.
78. Winegrowing in Turkey accounts for 30% of all fruit production. The country meets 28% of the world market demand for dry grapes taking the second place in the world in this category. As per the information provided by the Food and Agriculture Organization of the United Nations, Turkey was the fourth in the world in the total vineyards area (567 000 hectares), the fifth – in the fresh-grapes production (3.700.000 ton) and second - in production of dry grapes (295 000 ton).
79. From the point of view of grapes grown for winemaking, Turkey is the fourth in the world following Spain, France and Italy. However, 90% of the grown grapes in the above-mentioned countries are used for wine-making, while in Turkey this figure makes only 2%. In some of the leading grape-producing countries annual per capita wine consumption is 55 liters, while in Turkey it is 1 liter.
80. About 300 sorts of wine are produced in Turkey; however, the country's share in the world wine market is very low. According to statistics, the share of Turkey in 150 billion dollar world export of wine is only 4 million dollars. The share of Turkey in the world market among wine-producers and wine-traders is only 0,11%. 80% of wine is imported into the country from France and Italy, and 70% of export goes to the EU countries - Germany, in the first place, Belgium, Luxemburg; as well as Canada, USA and Japan.
81. In the Ninth Plan of Development drafted by the State Planning Organization under Prime-Minister of Turkey and covering 2007-2013, special attention is given to wine-growing and wine-making in the country and cooperation with the European Union in this field.
82. This plan puts in the forefront 5 axis of development and, in this respect, determines institutional and structural provisions contributing to more efficient market operation, addresses priority problems and makes an emphasis on the objectives and priorities. The priorities are, as follows: increasing competitiveness, first of all; increasing employment, strengthening human development and social solidarity; ensuring regional development; and improving quality and efficiency of public services.
83. Winegrowing and winemaking have always been traditional and highly profitable sectors in **Ukraine** accounting for 10-12 % of the state budget with their products being in unusual demand at home and abroad. At present, winegrowing and winemaking sectors are regulated by the Laws of Ukraine on Wine and Spirits and On Levies for Winegrowing, Gardening and Hopgrowing. Modern situation in

the winegrowing and winemaking sector is characterized by reduction of total area of vineyards, and drop in crop page.

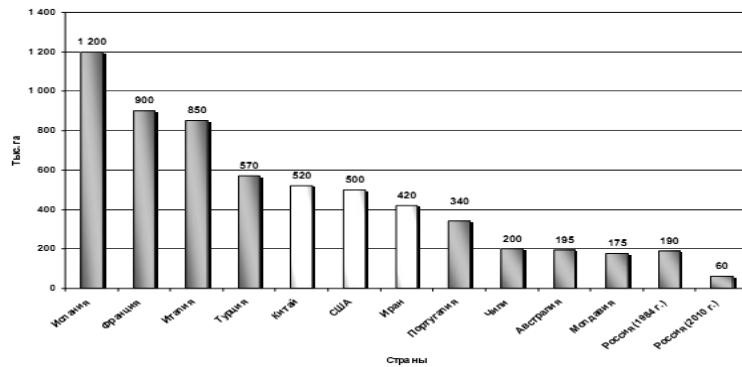
84. Statistical analyses shows that the wine productivity in 2009 as compared to 2000 increased by 28,1% and made 66,2 centner per hectare. However, this figure is almost half of potentially possible amount. With the view of overcoming the above-mentioned negative phenomena in wine-growing, recovery of the sector and its further development, the Law of Ukraine on Levies for Wine-Growing, Gardening and Hop Growing was adopted in 1999.
85. As a result of substantial state support, the winegrowing and winemaking enterprises got in 1999-2011 1,5 billion Hryvnias out of proceeds of 1% levies, established 44,6 thousand hectares of new vineyards and considerably improved the state of existing vineyards and their care.
86. But the problem of vineyards reduction at the expense of stubbing the old low-yielding vine grove was not positively solved (73,7 thousand hectares have been stubbed since 2000). A lot of financial resources are required for upgrading existing and establishing new material and technical and technological base of winegrowing nurseries, which can lead to increase in production of certified wine planting material from 10-12 to 20-25 million pieces, and reduction to minimum import of wine saplings to Ukraine, which do not always meet conditions and requirements of winegrowing in Ukraine.
87. We can also take note of a positive dynamics of wine materials production, which increased in 2009 as compared to 2008 by 17%. Volumes of grapes processed for wine materials in 2010 made 417,7 thousand tons, which is 3,5 thousand tons or 0,8% less than in 2009; the total amount of produced wine materials was 30,7 million decaliters (0,4 million decaliters or 1,4% less).
88. In the total production of wine materials the share of wine materials used for table winemaking increased from 39% in 2009 to 48% in 2010, of other wine materials – from 4,1 to 9,2%; the share of Champaign and sparkling wines dropped from 23% to 16,5%; the share of wine materials used for laying down and production of fortified wines dropped from 25 to 21,5%, that of brandies – from 8 to 5%.
89. Wine-making is characterized by certain stability. Wine production increased from 9400 thousand, in 2000, to 29483,1 thousand decaliters, in 2010; Ukrainian champagne and sparkling wines production increased from 3372 to 6021 thousand decaliters; Ukrainian brandies – from 1569 to 3354 thousand decaliters.
90. A Program on Winegrowing and Winemaking Development in Ukraine till the Year of 2025 was approved by the order of Ukrainian Ministry of Agrarian Policy and Ukrainian Academy of Agrarian Sciences, on 21 July 2008 No.444/74, with the view of determining priority directions of viticulture sector development.
91. This Program envisages increase in total area of vineyards till the year of 2025, as compared to 2008, from 90,1 to 167,6 thousand hectares or twofold; that of the crop page – from 286,1 to 967,8 thousand tons, including technical sorts – from 247,9 to 748,5 thousand tons, wine-making – from 7,3 million decaliters to 14,5 million decaliters; sparkling wine – from 4 to 8 million decaliters, Ukrainian brandies – from 1,7 to 3,7 million decaliters.
92. The Program envisages increase in production of wine saplings from 8-9 million pieces to 25 million pieces a year, in 2011-2025, with the view of expanding the total area of vineyards. For this purpose, the annual target figures for establishment of new vineyards shall be 9-10 thousand hectares which, under conditions of stubbing of 4-4,5 thousand hectares of old low-yielding plants, will help to fulfill the said Program.
93. The most popular sorts of grape among the table varieties are Shasla, Karaburnu, Muscat of Hamburg, Shabash, Cardinal, Italy, Pearl of Saba, Young Magaracha, Agadai. For making of various sorts of wine the following grapes' varieties are being grown: Rkatzitelli, Aligote, Riesling, Caberne-

Sovinion, Fetyaska, Green Sovinion, Silvaner, Pino group, White Muscat, Saperavi. Grape varieties from the new selection sorts are Golubok, Northern Saperavi, Early Violet, Yong Magaracha, Antey, The Gift of Magaracha, Amber Muscat, Tavria.

94. The following Ukrainian vintage wines are of high quality – Rus, Black Sea, Ukraine, Kyiv, Arcadia, Odessa, Slavutich, Chaika, Ay-Petri, Crimea, Koktebel, Tavria, Carpaty, Uzhgorod, Tissa. Brandy production and its ageing in oak barrels in special plants are concentrated in the Odessa, Chersonese and Transcarpathia regions.
95. Nowadays, production of high quality sparkling wine in Ukraine is concentrated in many cities – Kyiv, Kharkov, Odessa, Artemovsk, Sevastopol and Sudak. Sparkling wines are produced by barrel and bottle (in Artemovsk and Novy Svet) technologies with ageing period from one to three years. They are made from the best sorts of grapes of the Pino group, Aligote, Riesling, and Fetyaska etc.
96. The main legal instrument supporting winegrowing and winemaking in Ukraine is the law on Levies for Winegrowing, Gardening and Hopgrowing. During the term of action of this law 42,7 thousand hectares of vineyards and 42,2 thousand of gardens were planted by business operators, of which 46,4 thousand hectares were planted in trellis and on 25,9 thousand hectares there were installed drip irrigation systems.
97. Apart from this, the state support was provided for construction of refrigerators with controlled gas environment for increasing competitiveness of the products by local producers and prolongations of the term of their realization till 2009. Local producers have already built refrigerators with the total capacity of 13,2 thousand ton.
98. One the problems of no little importance is the EU requirement to ban geographical indications of countries in the Ukrainian winemaking. This problem has become especially acute after Ukraine joined WTO and started participation in drafting Agreement about Free-Trade Area between Ukraine and European Union.

### **III. PROBLEMS AND PERSPECTIVES OF WINEGROWING AND WINEMAKING IN THE BSEC COUNTRIES**

99. The BSEC Member Countries represent a region populated by 330 million people, having agricultural products circulation of approximately 350 billion USD and huge geographically diverse territory with substantial natural resources.
100. They are oil, gas, coal, mineral ore, in the first place. Many countries have exclusive agro-industrial potential, latest technologies and quite qualified scientific and production human resources. The Black Sea itself acquired a special status in terms of its importance for transportation, natural riches and potential opportunities of travel industry.
101. In December 2011 a Joint Declaration of Ministers of Agriculture of the BSEC Member-States was adopted. It is, in particular, underlines determinations of the parties to deepen cooperation in biotechnological, veterinary, and phyto-sanitary fields, as well as in wine-growing and wine-making.
102. Creation of related clusters creates prerequisites for strengthening competitive ability of countries with developing economy. The Black Sea experience testifies to the fact that encouragement of cluster mechanisms for strengthening competitive ability forms a basis in the countries allowing them to fall under the category of the states with the most developed economy.
103. According to experts, one of the most promising directions is establishment of the winemaking cluster because this sector accounts for 40% of the industrial output of the countries. Winegrowing and winemaking are intertwined with one another and dynamic development of winemaking nowadays is not possible without improving winegrowing sector. Below is a graphic comparison of the vineyard areas in leading winegrowing countries of the world.



Graphics No. 1. Vineyards' area in the countries of the world in 2010

104. Despite positive changes in wine-growing and wine-making that occurred recently, there are number of issues impeding development of this sector in the BSEC countries. First of all, not everywhere in the BSEC countries vineyards can supply grapes to wineries in required amounts.
105. One of the reasons of such situation is decreasing the vineyards' area in a more rapid pace than development of land suitable for wine-growing. It is attributed to low profitability, and in separate cases, to a number of vineyards running at a loss. This situation is affected, on the one hand, by import of cheap bulk wine and juice concentrate, and, on the other, by high cost of wine-growing. According to experts, the reason of slow development of lands suitable for wine-growing lays in the perception of this sector by investors as difficult and time-consuming. Under normal conditions, vineyards start yielding grapes in the third year, but it is only in the fourth year that the full potential is being brought out. In other words, investments are being tied up for four years.
106. Secondly, the wine-making serious problem is unequal competitive ability among producers from different countries.
107. Thirdly, non-recognition of wine-making from own grapes as agricultural activity which create difficulties for obtaining state support in a number of BSEC countries.
108. One of the ways to overcome the above-mentioned problems is addressing the issues of the state policy in regulating wine-growing, wine-making and realization of wine products, subsidy assistance, taxation and licensing.
109. Another way of finding solution for the problems in this sector is consolidation and intergovernmental measures.

#### IV. EU COMMON AGRICULTURAL POLICY

110. The EU countries are leading in wine-growing, wine-making, and consumption of wine and wine products. The EU countries account for 45% of all grown wine in the world, 65% for wine-making, 57% for wine-consumption and 70% for wine-export. The EU countries actively participate in implementations of the International Organization of Vine and Wine for keeping up and improving their place in the world wine market.
111. The International Organization of Vine and Wine (IOVW) is an intergovernmental organization established by the agreement of 2001, 'an heiress' of the International Bureau of Vine and Wine that has been in existence since 1924. The objectives and aims of IOVW include protection of interests of the wine-making sector and creation of favorable conditions, harmonization and compliance of the analyses methods, fighting fraud and unfair competition. The Headquarters of the Organization is in Paris. In 2006 IOVW offered its services to Russia, Moldavia and Georgia for unification of control over the quality of wine products.
112. The EU New Common Agricultural Policy came into effect as of January 1, 2005 aimed at breaking away from subsidizing subject to production volumes leading to market flooding. New

CAP must balance the market of agricultural products and provide transparency of principles of the state assistance to farmers. EU will subsidize the farmers subject to their compliance with ecological norms in farming and quality of the produced products, by means of bridge financing, in other words.

113. CAP is one of the most important and costly fields of the EU activities (over 40% of the EU budget). It falls under exclusive authorities of the Community; decisions are taken by qualified majority of the votes of the Union upon consultations with the European Parliament. The main objectives of CAP is ensuring acceptable quality of life for farmers, and quality food products at fair prices for consumers through establishing, in particular, a common market for agricultural products and application of uniform prices, financial solidarity and benefits in the Community.
114. The Program 2000 developed by EU in the CAP framework and aimed at absolutely new level in agriculture determines three objectives:
  - Competitiveness;
  - Sustainability;
  - Quality orientation.
115. The CAP main reform principles outlined in Program 2000 include spending squeeze and shifting the emphasis on food security, development of rural area and preservation of the environment. Production subsidies will be gradually replaced by direct cash payments to farmers as an assistance and encouragement of agricultural producers for their compliance with food and environmental norms. One of the most important directions of the CAP activities is facilitation of Agreement on Free Agricultural Trade.
116. According to new policy, the EU countries should follow the 'less in quantity, more in quality' principle in winemaking, which is aimed at increasing competitive ability in comparison with the winemakers from southern countries. In this context and in the CAP framework, the European Commission is planning to reduce in the next five years the vineyards by 400 000 hectares in the EU countries while keeping financing level in the amount of 1,2 billion euro for such countries as France, Italy and Spain, with the view of rural areas and infrastructure development.
117. In the year of 2000, a Sub-Committee on Agriculture and Fishing was established in the European Union consisting of seven Working Groups, one of which is dealing with wine-growing and wine-making. This group is comprised of experts from Ministry of Agriculture and Rural Area, Ministry of Industry and Trade and other relevant agencies.

## V. CONCLUSIONS

118. Wine market nowadays is becoming more and more dynamic and has a big potential for expansion. The share of traditional wine-producers on the world market, such as France, Spain, Italy, Germany and Portugal, has dropped in the last 20 years from 80% to 60%. According to experts, this share shifted to the countries of so called 'New World': the USA, Argentina, Chili, South Africa, Australia and New Zealand. This fact can encourage producers of vine and wine in the BSEC countries with further strengthening of their position on the world wine market.
119. On the other hand, consumption of dry grapes rich in proteins, various minerals and vitamins has become one of the main sources of healthy food, especially, in developed countries; and this creates prerequisites for growth of vine share in the world market with the subsequent increase in this agricultural sector.
120. According to the opinion of experts, timely and result-oriented measures taken by the BSEC countries and aimed at development of this sector in the next few years can lead this sector to absolutely new level of development and increase the share of wine-products in export.
121. Therefore, among the major objectives of winemaking we can underline the following:
  - Establishing a strong raw-material base with application of modern innovative technologies;

- Technical upgrading and modernization of primary and secondary wineries;
- Promoting wine consuming culture and shaping public opinion about wine as a valuable food product, which can replace strong alcoholic beverages;
- Realization of joint marketing campaigns together with wine-producer organizations aimed at promoting sales and distribution of wine products;
- Providing support to the producers for their participation in international fairs.

122. In this context, it would be expedient for the relevant ministries and agencies of the BSEC Member-States dealing with winegrowing and winemaking to ensure cooperation and exchange of information first of all with the European Commission and the UN Food and Agriculture Organization, the International Organization of Vine and Wine, as well as with the International Federation of Wine and Spirits, the Organization of the European Winemaking Regions, the International Association of Winemaking, the European Wine Law Association, etc.