

*Armenian Alcoholic Beverages
Market and Industry Overview*



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Why This Report is Prepared

This Report aims at presenting the structure of alcoholic beverages market of Armenia, and delineating the potential of the industry both from export potential and local market development points of view. It will serve as a base for deeper analysis of Armenian alcoholic beverages market development trends to reveal its opportunities for Armenian entrepreneurs and guide them in developing or starting their businesses in alcoholic beverages market.

Moreover, the analysis of alcoholic beverages market might be useful for discovering changes in consumers' behavior, particularly in their preferences and their paying capacity.

This report includes the description of market structure, especially stressing alcoholic beverages, which are not only imported, but also produced locally. It also highlights the trends of alcoholic beverages import and export and outlines the produced and consumed volumes since 2009 to 2013. Statistics for the year 2014 are not complete yet, so they are presented only for those alcoholic beverages about which they are available.

All information presented in report is collected from National statistical service of the Republic of Armenia, as well as from internal sources of Avenue Consulting Group. Statistics of vodka and cognac (brandy) production, export and import volumes taken from National statistical service of the Republic of Armenia are figured based on recalculation of measurement unit "100% alcohol content" into the measurement unit of "40% alcohol content". Therefore there is some extent of approximation.

Armenian Alcoholic Beverages

Market Overview

According to “spyur.am” business directory, there are **52 alcoholic beverage producers in Armenia**, from which

- 18 still light wine producers
- 2 sparkling wine producers
- 13 vodka producers
- 14 brandy producers
- 5 beer producers

Armenia is considered one of the ancient countries known its traditional recipes of different type of alcoholic drinks. The consumption of main alcoholic beverages (wine, sparkling wine, brandy, vodka, beer, whisky, rum, tequila and gin) **in 2013 was more than 44 million liters or more than 245 million US dollars**, which is calculated by the equation

Consumption=Production+Import-Export (if other things equal).

It is remarkable that vast majority of consumed alcoholic beverages are locally produced. Totally in 2013 in Armenia **56,5 million liters** of alcoholic beverages were produced, 11,8 million liters of them were imported, and 24 million liters were exported.*

**As statistics about whisky, gin, tequila and rum consumption for 2014 are not available yet, the alcoholic drinks consumption volumes are presented for 2013.*

***As statistics about sparkling wine for 2014 are not available yet, the volumes are presented for 2013.*

Product	2014 January-December			
	produced (1000 liters)	imported (1000 liters)	exported (1000 liters)	The average retail price (AMD) (for 0.7l)
Wine	6,131	252	2,130	1,780 (0.7l)
Sparkling wine**	634.4	184.1	40.3	-
Brandy	9,502	114	18,096	5,551 (0.5l)
Vodka	18,726	9,246	2,599	1,375 (0.5 l)
Beer	23,717	2,838	1,988	379 (0.5l)

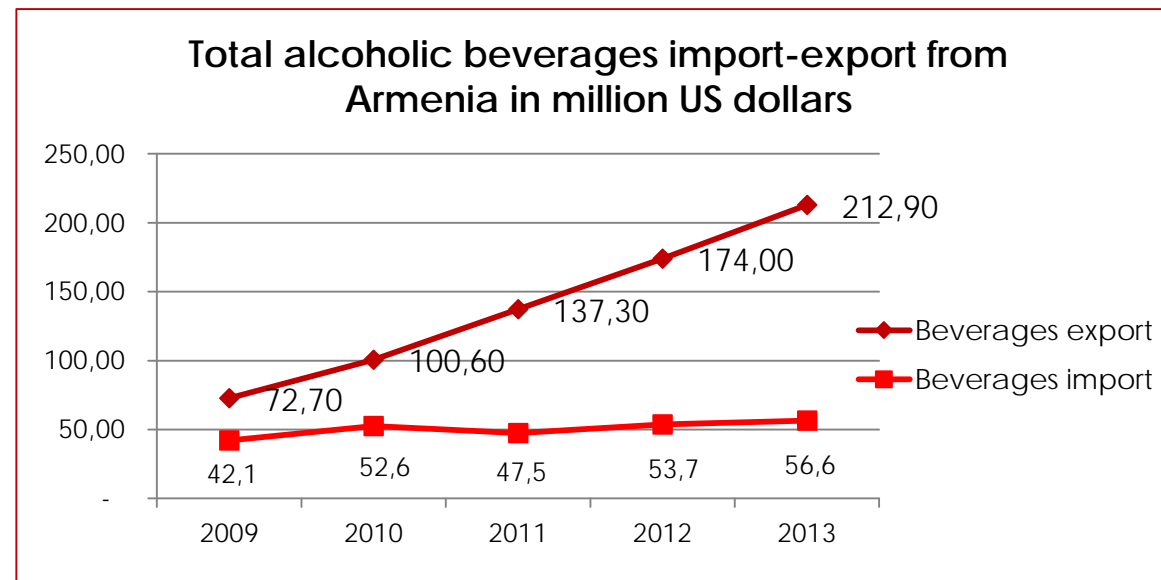
Armenian Alcoholic Beverages

Market Overview

Since 2009, the export volumes of Armenian alcoholic beverages has registered CAGR of 24%, while the same indicator for import is only 6%.

Armenia imports wine, vodka, gin, tequila, whisky etc. Local production of wine, vodka, beer and brandy are rather developed and consumers mainly use those of local production. As per whisky, tequila or gin the whole market is occupied by imported goods. Alcoholic beverages are mainly imported from Russian Federation, Spain, Ukraine, Georgia and Finland.

Armenia also exports alcoholic beverages. Russian Federation is the major export market for Armenian producers of alcoholic beverages (in 2013, 80% of all exported beverages). It shows that Armenia's export of alcoholic beverages geographically has high level of centralization.



Product	2013. January-December		
	produced (1000 liters)	imported (1000 liters)	exported (1000 liters)
Wine	6,422	354	1,393
Sparkling wine	536	184	40
Brandy	20,284	30	18,304
Vodka	9,906	8,374	1,932
Beer	19,848	2,730	2,346

Wine Production In Armenia

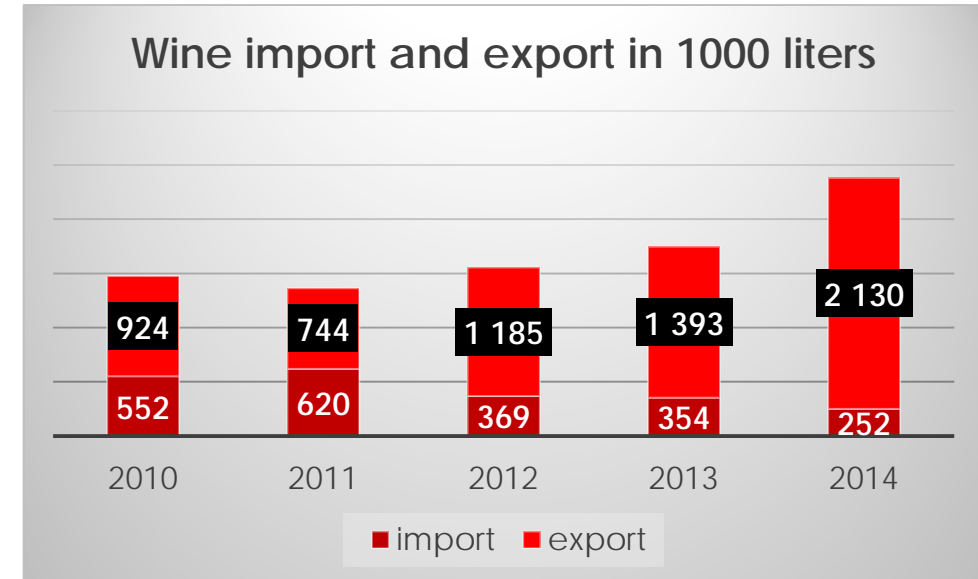
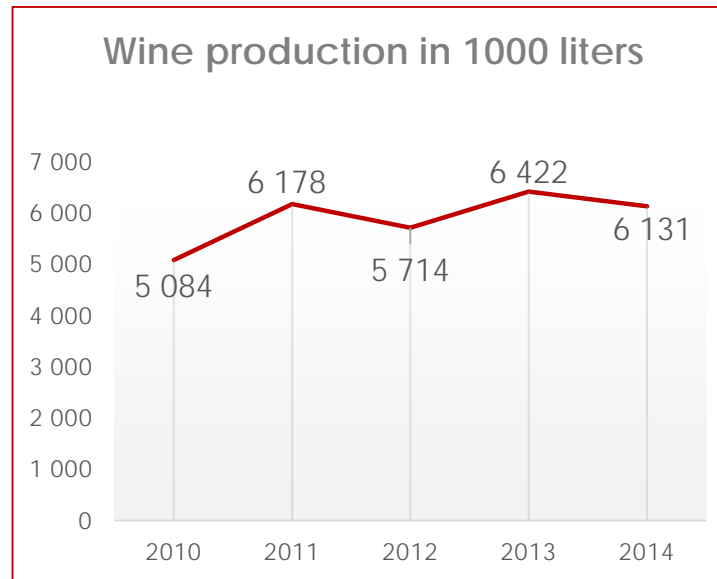
More than 6000 years history of wine production.

The CAGR of wine production growth was 3.8% during 2010-2014.

According to “spyur.am” business directory, there are 18 local producers of wine (excluding large number of small producers, who produce wine at home).

Wine is among most popular alcoholic drinks in Armenia. Besides large-scale, traditional wineries there are many small wine makers, that produce wine not only from grapes but also from pomegranate, raspberry, etc.

During last 5 years the production volume of wine has increased by 20,6%. It is noteworthy that the CAGR level of import for 2010-2014 was (-14,5%), while that of export was 18,2%, therefore during 2010-2014 the decrease of import was almost equal to increase of export.

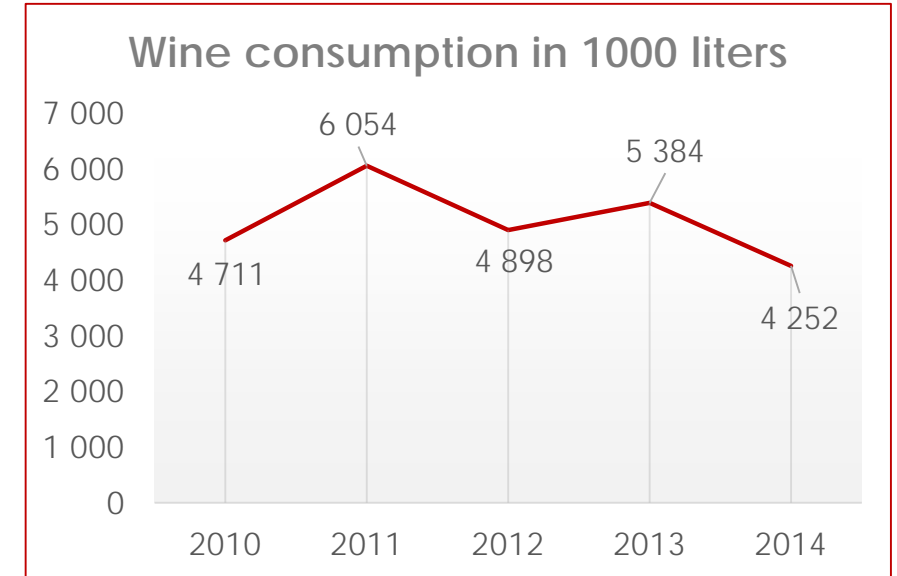
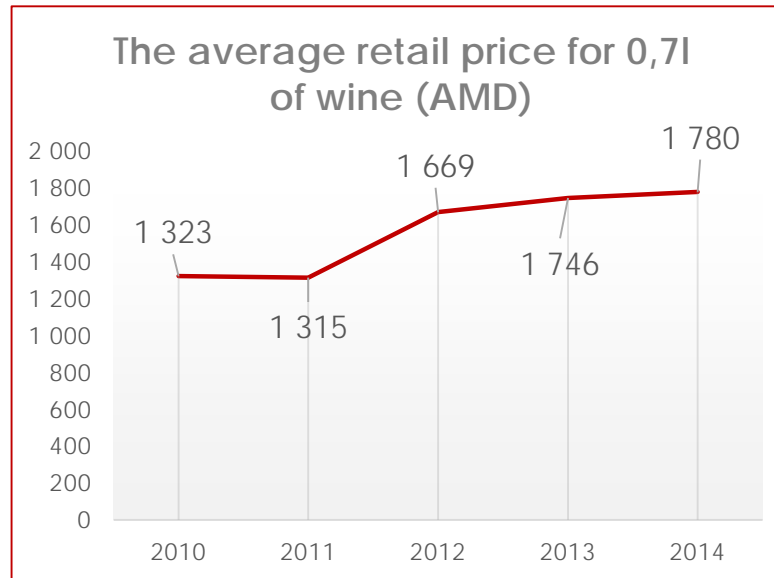


Wine Consumption In Armenia

The consumption of wine in Armenia as of 2012 was 1,63 liters per capita. For comparison, in France it is equal to 44 liters, and in Vatican which was considered as largest consumer of wine 72 liters.

Local wine market size is estimated at 26.1 million US dollars or 4.2 million liter in 2014.

During the period from 2010 to 2014 the consumption of wine has decreased for 9,7%, while the average retail price has grown for 34,5%.



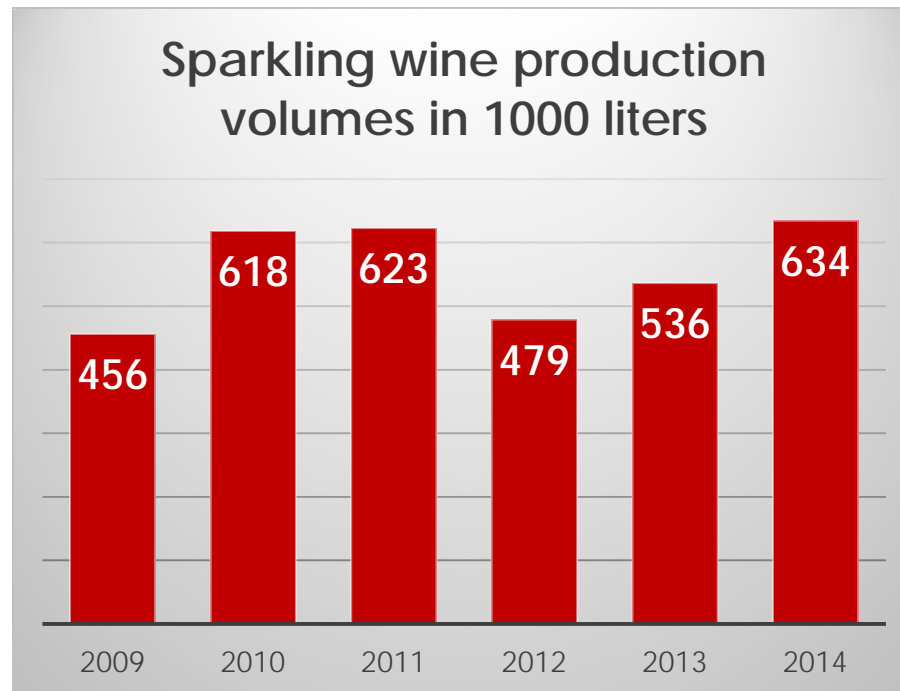
The CAGR of wine consumption in Armenia was -2% during 2010-2014, while for average retail price it is 6,1%.

Sparkling Wine Production in Armenia

The CAGR of sparkling wine production growth was 5.6% during years 2009-2014.

According to "spyur.am" business directory, there are 2 local producers of sparkling wine.

The production volume of sparkling wine has increased by 39% during last 6 years. The average price of a bottle of sparkling wine of local production as of February 2013 was 1,700 Armenian drams while concerning imported wines it varied from 2,000 to 210,000 Armenian drams.



Sparkling Wine Consumption in Armenia

The CAGR of sparkling wine consumption growth was 2,9% during 2010-2013

The export of sparkling wine during 2009-2013 was only 345 thousand liters.

Local sparkling wine market size is estimated at 3.9 million US dollars (1.8 million US dollars for imported sparkling wine and 2.1 million US dollars for the locally produced) or 0,68 million liter (0.5 million liters for locally produced sparkling wine and 0.18 million liters for the imported) million liters in 2013.

The consumption of sparkling wine* in Armenia has grown for 1.1 times and the majority of consumers prefer sparkling wine of local production. In 2013 the consumption of sparkling wine was 680 thousand liters, of which 536 thousand liters were the sparkling wine of local production.



**The statistical data for 2014 about sparkling wine is not available yet.*

Brandy Production in Armenia

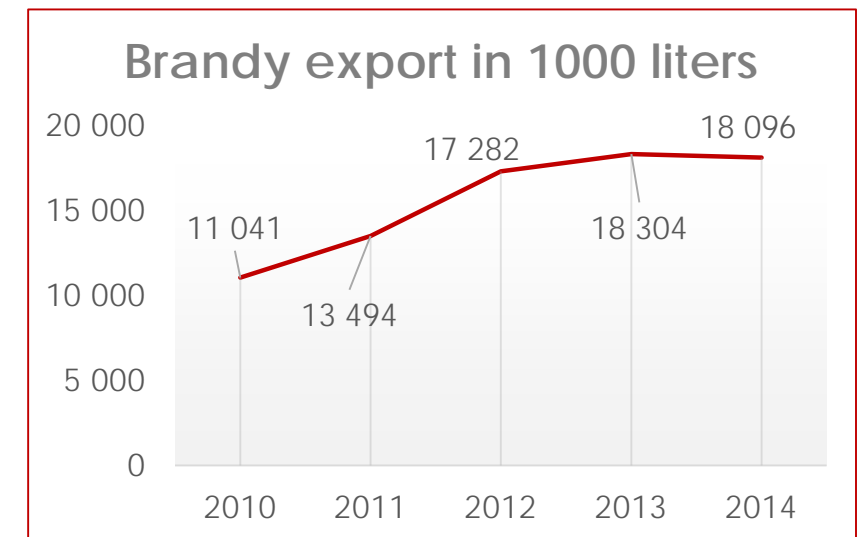
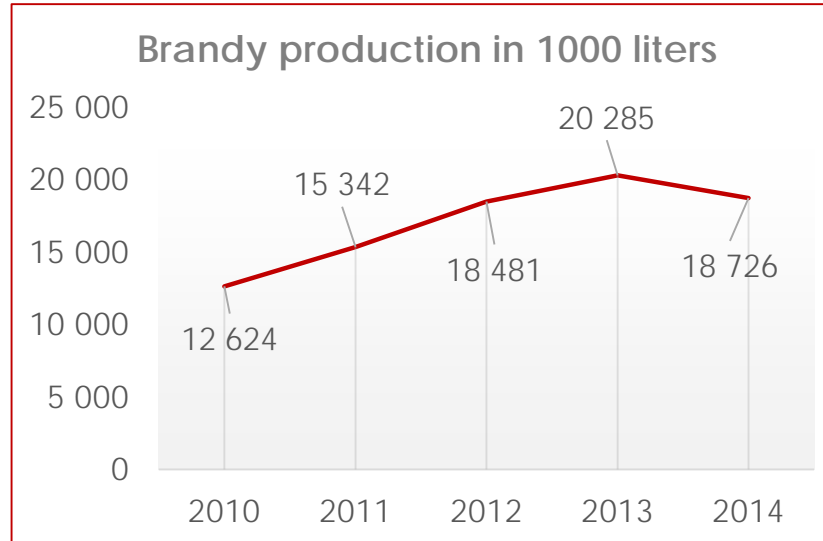
The CAGR of brandy production was 8.2% during years 2010-2014, for brandy export – 10.4% and import – 29.2%.

According to “spyur.am” business directory, there are 14 local producers of brandy.

During 2010-2014 only 366,760 liters of brandy was imported, in comparison with the 78,216,160 liters of its export.

The modern history of Armenian brandy started in 1887, when the first guild merchant Nikolai Tairov build the first brandy factory in the place of ancient Yerevan fortress.

During 2010-2014 years the production volume of brandy has increased by 48,3%. However, in 2014 the volumes of brandy production have a little decreased comparing with 2013.



Brandy Consumption in Armenia

The CAGR of brandy consumption was 2,4% for the period of 2010-2013.

The CAGR of brandy average retail price growth was 7,2% for the period from 2010-2014.

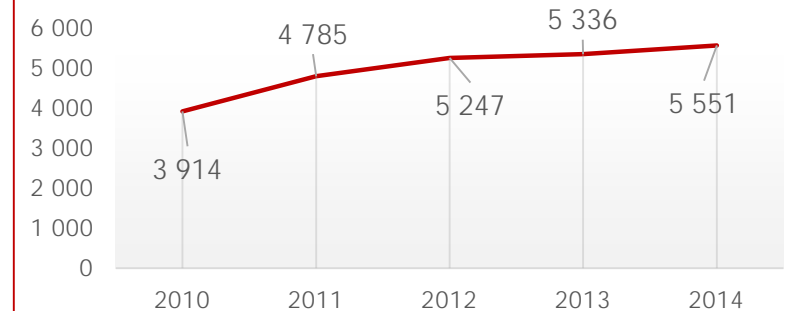
Local brandy market size is estimated at 48,5 million US dollars or 1,8 million liter in 2013.

Brandy consumption in Armenia during 2010-2013 has increased by 10%. Considering that NSS of RA does not take into account the specificities of brandy manufacturing process, the consumption statistics are based on internal sources of Avenue Consulting Group.

Particularly the NSS of RA does not consider that the whole produced volume of brandy is not sold during a year but during several years. Avenue Consulting Group has considered this fact and revealed the market size.

During the period 2010-2014, the average retail price has grown for 42%.

The average retail price for 0,5l of brandy (AMD)



Brandy Consumption in 1000 liters



Beer Production in Armenia

CAGR (2010-2014)

- Beer production 9,1%

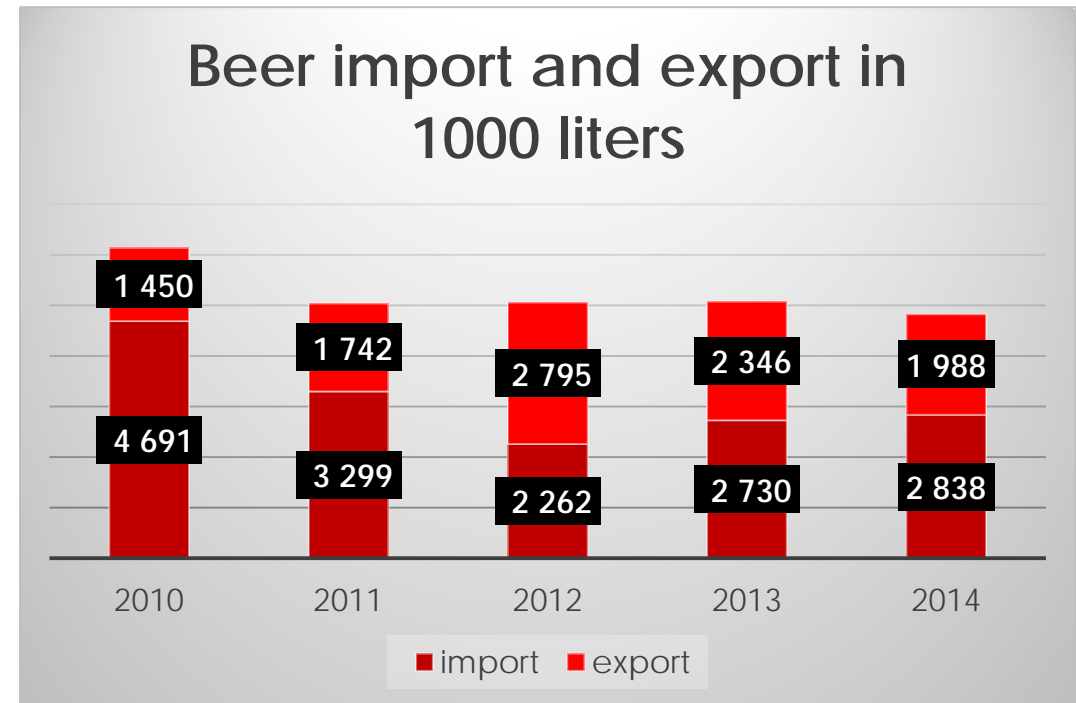
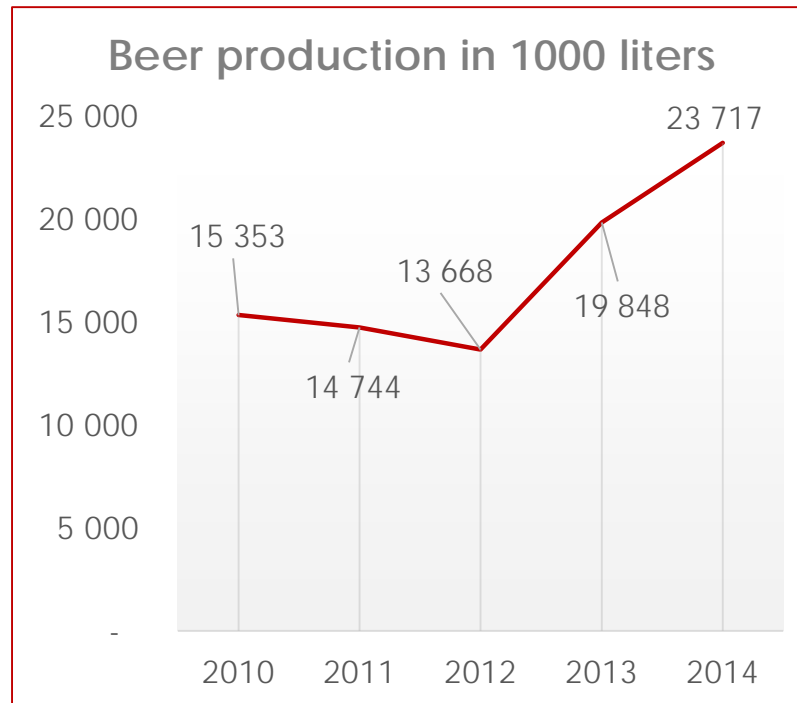
- Import – (-9,6%)

- Export – 6,5%

According to “spyur.am” business directory, there are 5 local producers of beer.

During 2010-2014 the production volume of beer has increased by 54,5%. The CAGR for the period is 9,1%. According the pictures presented below, the import volumes have decreased for 40%. The CAGR for import is -9.6%.

The export volumes, contrary, have increased since 2010 for 1.4 times. The CAGR is 6,5%.



Beer Consumption in Armenia

The CAGR (2010-2014)

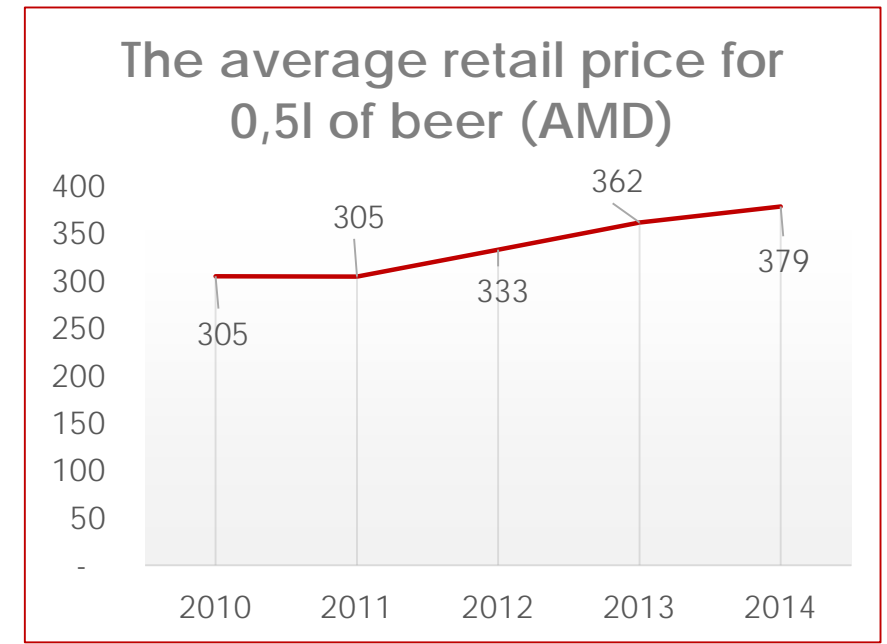
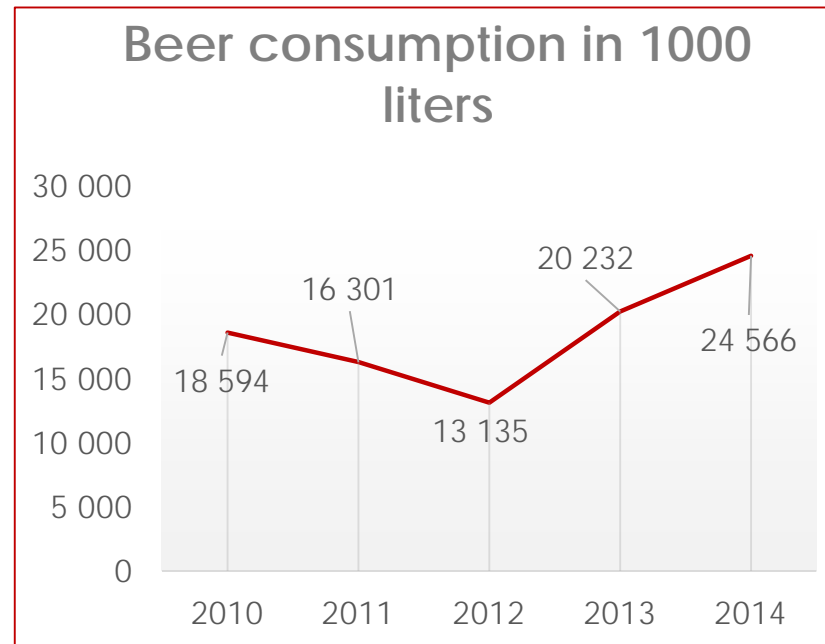
- *Consumption – 5.7%*
- *Retail prices – 4,4%*

In 2012, in Armenia the beer consumption per capita was 4.4 liters. In Czech Republic, which is the largest beer consumer in the world this indicator was 158.6 liters, in Russia 58.9 liters.

Local beer market size is estimated at 44,8 million US dollars or 24,5 million liter in 2014.

In 2014 beer consumption volumes has increased for 32% in comparison with 2010, reaching 24,5 million liters. During the same time the average retail price has increased only for 24%.

The vast majority of total consumed quantity is beer of local production. The most popular brands are Kilikia, Gyumri and Kotayk.



Vodka Production in Armenia

CAGR (2010-2014)

- vodka production – (-4.4%)
- Import – 7.1%
- Export – 93.1%

According to “spyur.am” business directory, there are 13 local producers of vodka.

During last 5 years the production volume of vodka has decreased by 20%. The CAGR of production volumes during 2010 -2014 is -4.4%.

The import volumes has registered a growth during 2010 – 2014. The CAGR for the mentioned period is 7.1%.

Vodka’s export has grown for 26.8 times since 2010. The CAGR for the period of 2010-2014 is 93.1%.



Vodka Consumption in Armenia

The CAGR (2010-2014)

• *Consumption – (-2.5 %)*

• *Retail prices – 2.4%*

In 2012, the consumption of vodka per capita was 5.6 liters.

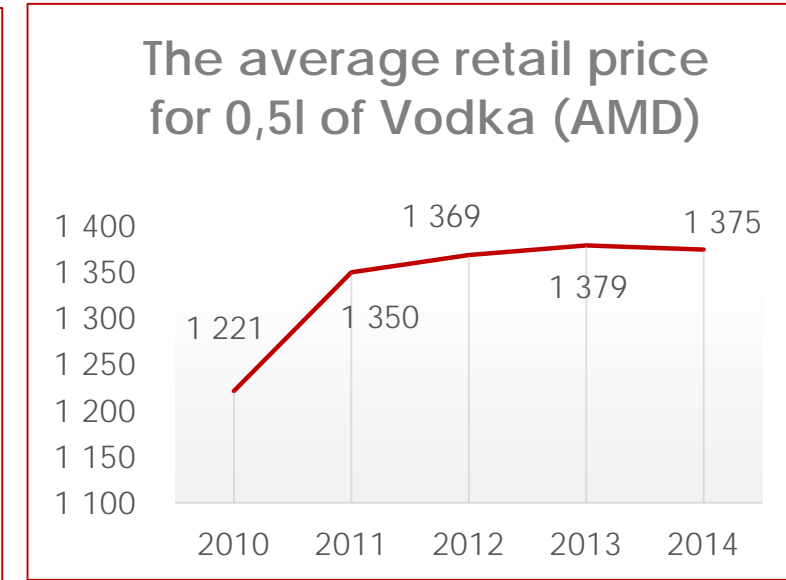
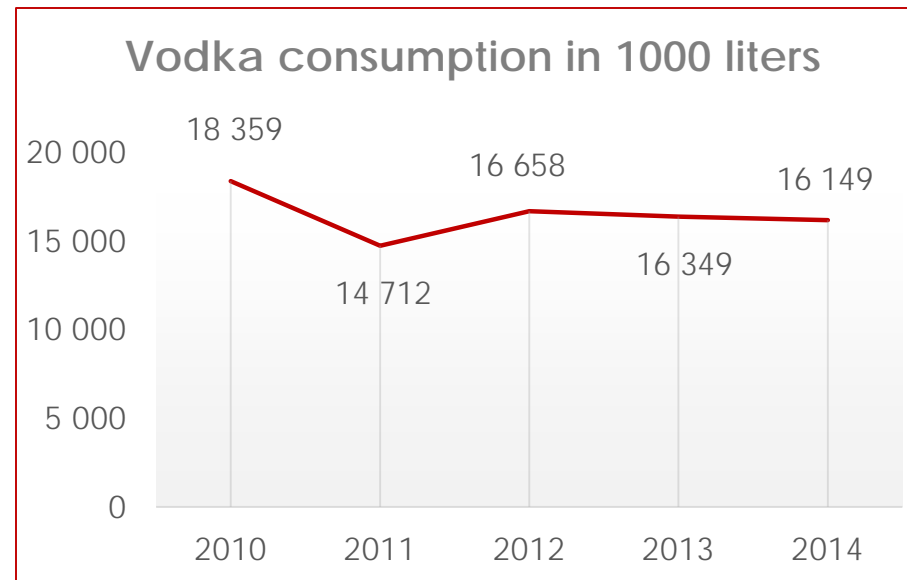
The world's number one consumer of vodka Russia consumed in 2012 10 liters of vodka per capita.

Local vodka market size is estimated at 107,1 million US dollars or 16 million liter in 2014.

Vodka is the biggest spirits category in Armenia and is seen as an everyday product. Flavored vodkas have slowed down after initial interest by consumers. Nevertheless, the volumes of vodka consumption have decreased since 2010 reaching the level of 16,149 thousand liters in 2014 from 18,359 thousand liters in 2010.

The average retail prices of vodka have registered a growth.

The most popular brands among the consumers are those of local production, that are followed by Finlandia, Belenkaya, Cristall Premium.



Whisky Consumption in Armenia

The CAGR of whisky consumption in Armenia for the period of 2009-2013 was 13%.

Whisky is mainly imported from US, Canada and UK.

Local whisky market size is estimated at 13,1 million US dollars or 182 thousand liter in 2013.

Consumption volumes of whisky in Armenia has grown for 1.6 times since 2009. In 2013 Armenians have consumed 182 thousand liters of whisky. As there is no whisky production in Armenia, the whole amount is imported. The average price of whisky as of February 2013 was 30,000 Armenian drams. The price varied according to brands starting from 4,000 Armenian drams to 240,000 Armenian drams.

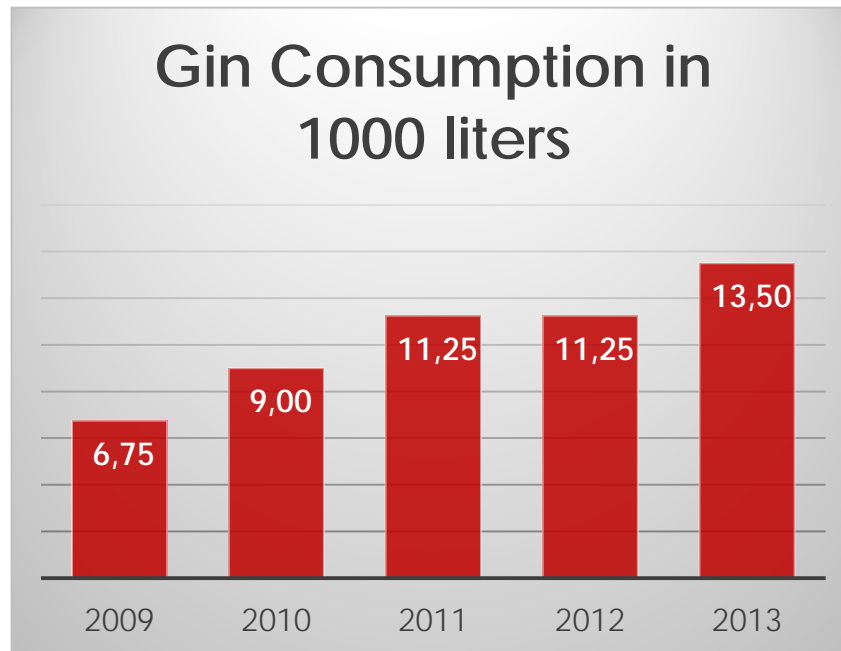


Gin Consumption in Armenia

The CAGR of gin consumption for the period of 2009-2013 was 18.9%.

Local gin market size is estimated at 230 thousand US dollars or 13.5 thousand liter in 2013.

The volumes of consumption of gin in Armenia has grown twice since 2009. The consumption of gin in Armenia was equal to 13.5 thousand liters. As in case of whisky, there is no gin production in Armenia, so the whole quantity is imported. The average price of gin as of February 2013 was 7,000 Armenian drams.



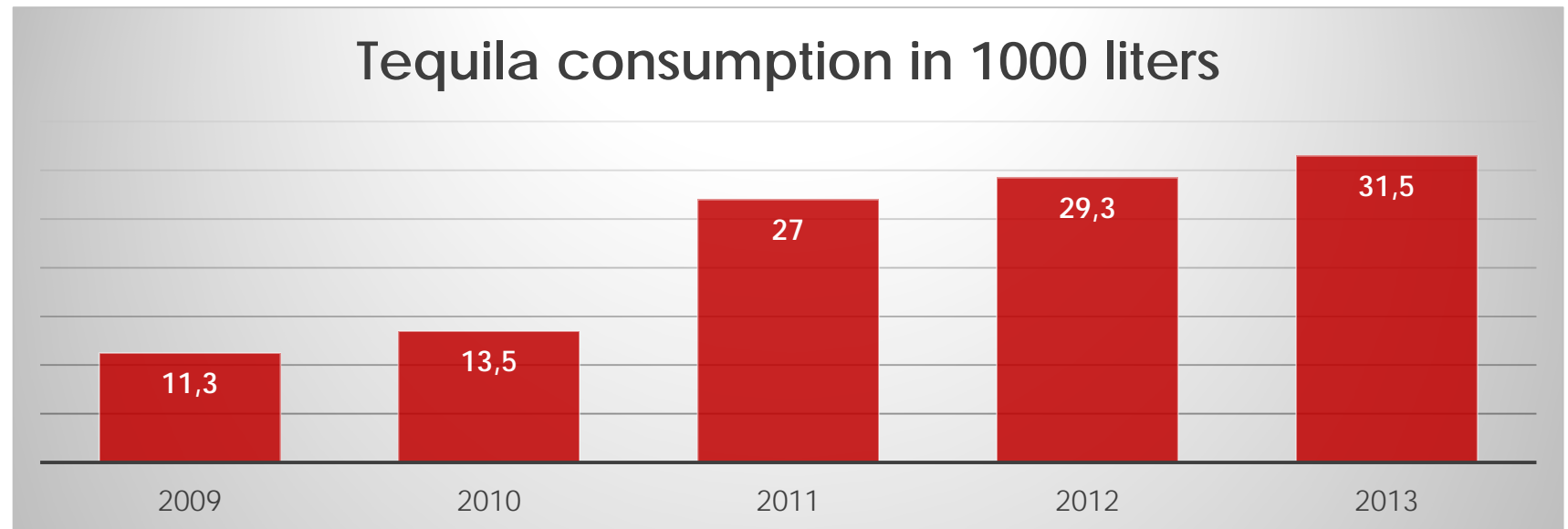
Tequila Consumption

The CAGR of tequila consumption for the period of 2009-2013 was 29.4%.

The whole market is occupied by imported tequila.

Local gin market size is estimated at 1.2 million US dollars or 31.5 thousand liter in 2013.

Tequila is one of least popular beverages in Armenia. However, its consumption has grown for 2.8 times since 2009 with CAGR equal to 29.4%. The whole consumed quantity is imported as there is no local production of tequila. The price for tequila as of February 2013 was varying from 5,100 Armenian drams to 34,500 Armenian drams. In Armenia is mainly consumed Mexican production tequila.

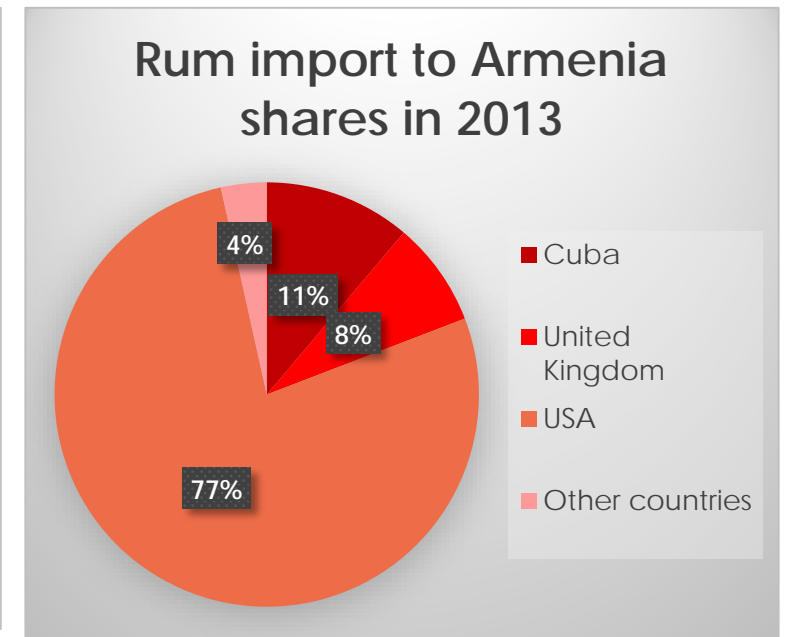
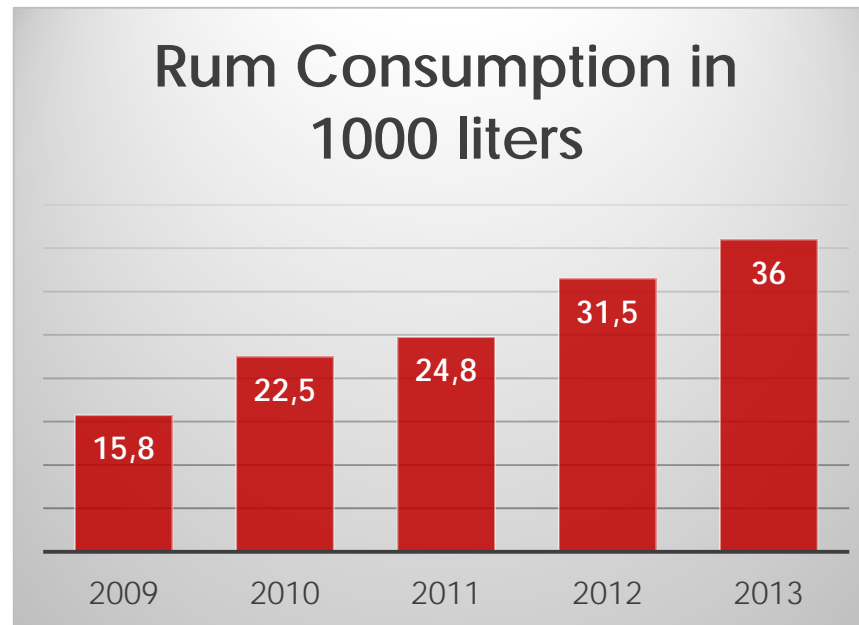


Rum Consumption in Armenia

The CAGR for the period of 2009-2013 was equal to 23%.

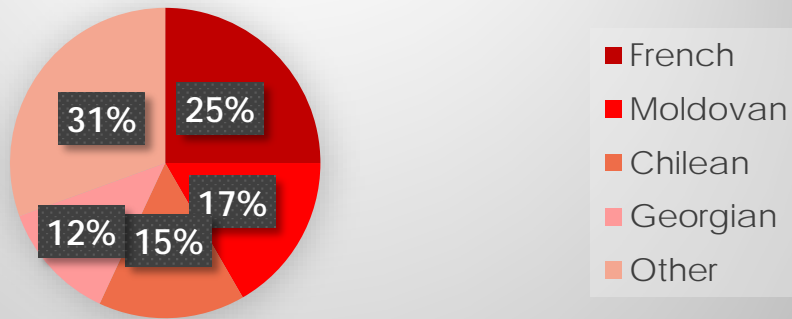
Local rum market size is estimated at 860 thousand US dollars or 36 thousand liter in 2013.

Rum also is not considered popular beverage in Armenia. Its consumption has grown for 2.3 times since 2009 reaching 36 thousand liters in 2013. The whole consumed quantity is imported as there is no local production of rum. The price for rum as of February 2013 was varying from 6,200 Armenian drams to 23,200 Armenian drams.



Some Interesting Stats

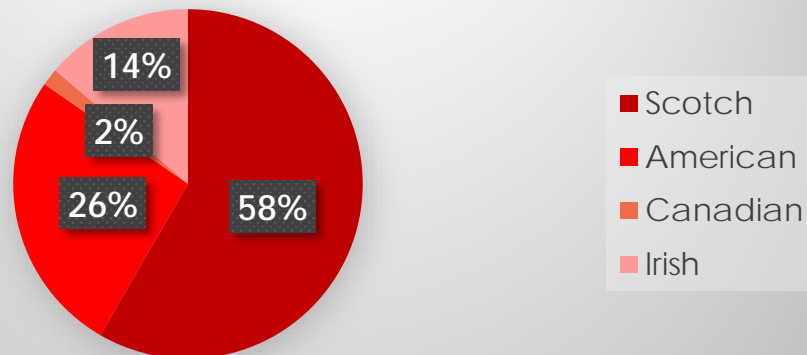
Wine Import Structure by origin



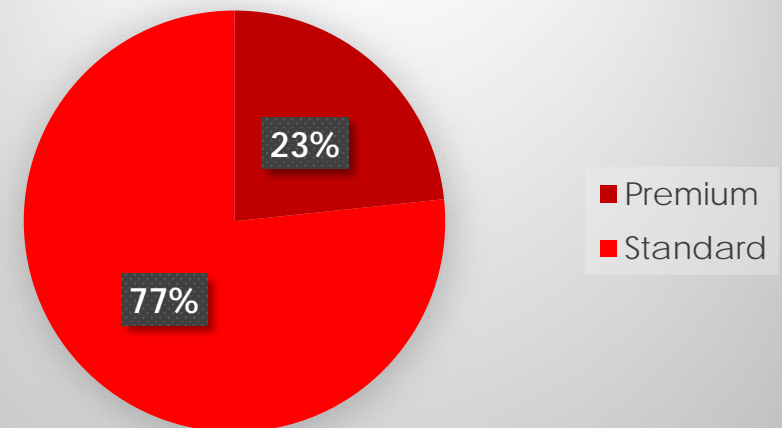
Sparkling wine consumption shares by origin



Whisky consumption shares by quality

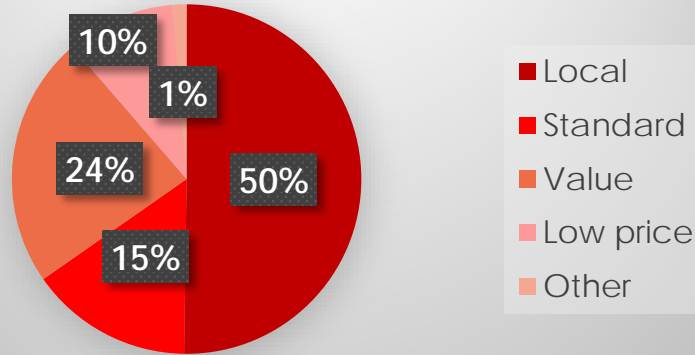


Sales shares by Gin type

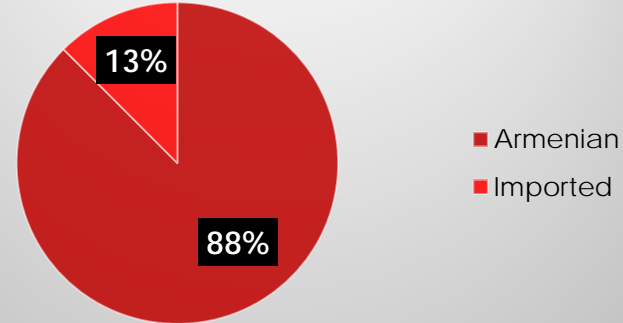


Some Interesting Stats

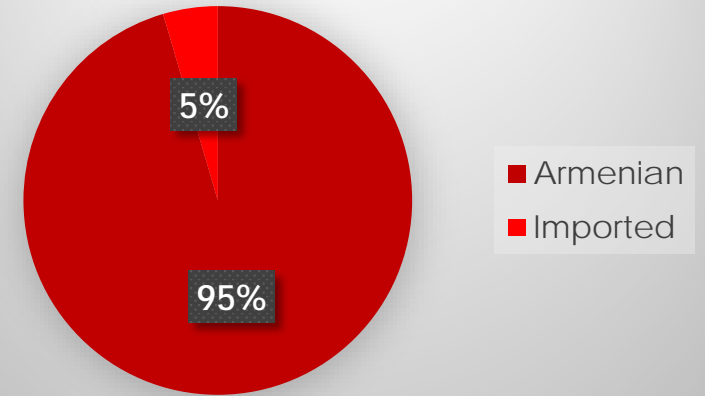
Vodka sales by brand type



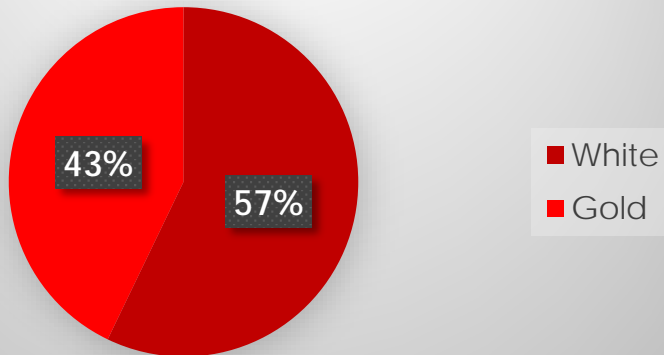
Beer consumption shares by origin



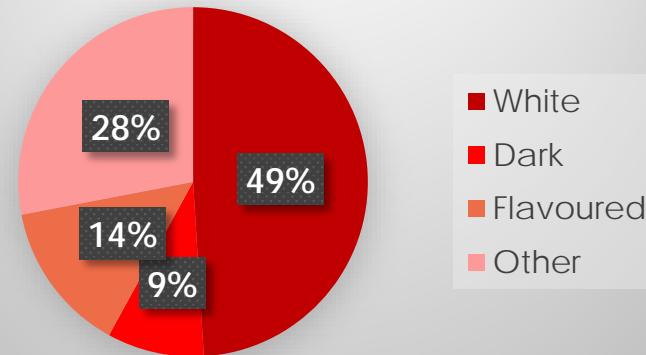
Brandy consumption shares by origin



Tequila consumption shares by type



Rum sales by brand type



Sources

- Reports of national statistical service of republic of Armenia
- Spyur.am business directory
- Internal sources of Avenue Consulting Group
- UN Comtrade Database