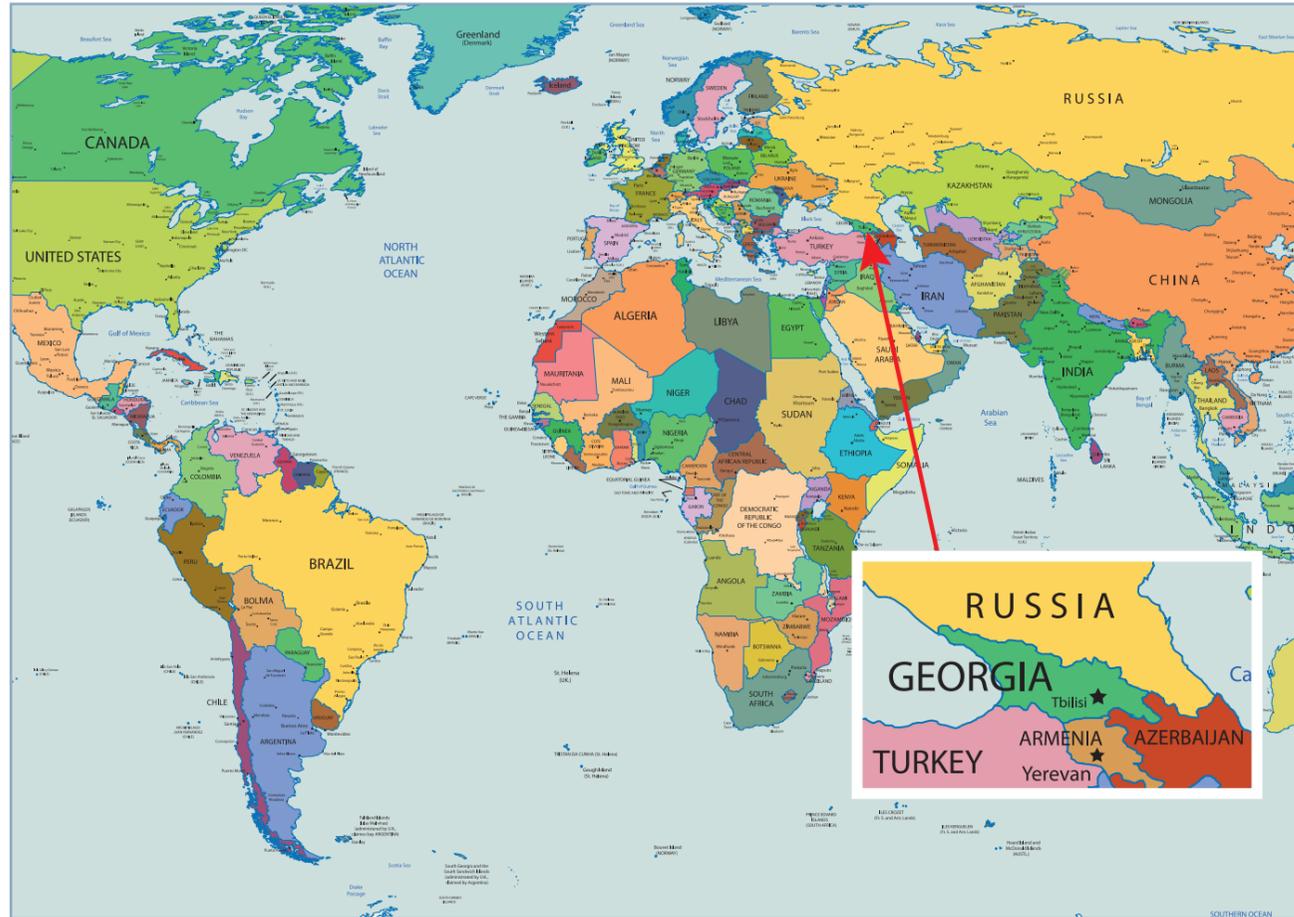


# GEORGIA



## COUNTRY OVERVIEW

Area	69 700 sq km
Population 2010	4,4 mln
Life expectancy	76 years
Official language	Georgian
Literacy	100%
Capital	Tbilisi
Currency (code)	Lari (GEL)
GDP 2010	US\$ 11.7 billion
GDP - Real Growth Rate 2010	+6.4%
Projected 2010 Real GDP Growth Rate	+4.9%
GDP - Per Capita 2010	US\$ 2629.0
Inflation rate 2010 (average annual)	11.2%
Unemployment rate	16.3%
Total exports 2010 (Mil. USD)	1583.3
Total imports 2010 (Mil. USD)	5095.5
Trade surplus/deficit 2010 (Mil. USD)	-3512.2
Exchange rate - USD/GEL 2010 (Period average)	1.7826
Exchange rate - EUR/GEL 2010 (Period average)	2.3644



## GOVERNMENT

Georgia is a democratic Presidential-Parliamentary republic, with the President as the Head of State, and Prime Minister as the Head of Government. Since gaining independence from the former Soviet Union, Georgia has opened up its country and its economy to the world for the last 15 years. Today, one of the government's core economic policies involves developing the business climate to facilitate investment, integrating with international markets and attracting foreign investment.

By undertaking numerous economic reform initiatives and ensuring a strong legal system to protect investor rights, Georgia has positioned itself as an attractive destination for foreign investment.

## Reform Successes:

- 2011 – "Worlds Top Reformer Over the Past 5 Years", the World Bank & IFC Doing Business Report
- 2011 – Ranked 12th out of 183 economies, World Bank & IFC Doing Business Report
- 2011 – Standard and Poors Ratings, B+
- 2011 – Fitch Ratings, B+
- 2010 – Index of Economic Freedom (Heritage Foundation), 29th place: "Mostly Free"
- 2010 – Bertelsmann Transformation (Bertelsmann Foundation) – 42nd place
- 2010 – Corruption Perception Index (Transparency International) – 68th place
- 2008 – 4th Friendliest Tax Regime Globally, the Forbes Tax Misery & Reform Index
- 2007 – Inward FDI Performance Index 2007 (UNCTAD World Investment Report) – 9th place



# GEORGIAN WINE

## Introduction

Viti- and viniculture has been present in Georgia for a very long time. Archaeological and paleobotanical discoveries have proven that wine has been produced here some 8000 years ago. These are the ancient relics of cultural wine sector and that is why Georgia is called “the cradle of wine”.

Throughout the history, there were times when the wine sector was strong enough and Georgia has supplied the surrounding neighboring countries with wine. There were also the times, when vineyards have been cut and destroyed, but wine production in Georgia has never stopped and it can be surely stated that Georgian wine counts “8000 vintages”.

Georgian wine has been deeply influenced by the Russian market. Beginning from 19th century, Russian Empire and later Soviet and socialistic countries became the traditional markets for Georgian wines. On the one hand, Georgian wine was favorable and has gained positive reputation on this huge market, but, on the other hand Georgian wine could not reach out to other countries and the rest of the world didn't have the chance to know it.

At the end of 20th century, political situation in Georgia negatively affected Georgian wine sector. Since 2000 the sector has started becoming stronger and export has been developing fast too. Though, it was followed by the embargo on Georgian wines from the Russian side in 2006 which was a big financial loss for the whole sector in the country concerning the fact that 80% of total wine export was directed to Russia beforehand.

Despite many problems, Georgian wine sector continues developing and export is increasing annually, together with the list of importing countries. More and more wine lovers are interested in Georgian wines because of the following reasons:

- Georgia is one of the oldest wine-making countries;
- There are more than 500 unique, endemic wine grape varieties that can only be seen in Georgia;
- Georgia still has the local, unique wine-making methods that have no analogue in the world.



## I. Area of vineyards by regions

Kakheti has always been the most important viticulture region in Georgia, especially throughout the recent years, when the number of vineyards has significantly decreased in almost every region in Georgia. The up-to-date total area of vineyards in Meskheti region is less than 7 hectares.

### VITICULTURE REGIONS OF GEORGIA

Region	1960	1970	1984	2004
Kakheti	31 062 40%	36 076 53%	61 745 70%	32 823 68%
Kartli	16 527 21%	15 096 22%	13 064 15%	4 177 9%
Imereti	20 042 26%	10 527 15%	8 897 10%	8 584 18%
Racha and Lechkhumi	4 013 5%	1 938 3%	992 1%	1 348 3%
Guria	1 021 1%	876 1%	503 1%	268 1%
Samegrelo	3 165 4%	1 869 3%	989 1%	775 2%
Abkhazia	1 386 2%	1 380 2%	1 367 2%	0 0%
Adjara	740 1%	562 1%	343 0%	42 0%
TOTAL GEORGIA	77 956 100%	68 324 100%	87 900 100%	48 017 100%

## II. Grape varieties by regions

Every viticulture region in Georgia is distinguished by characteristic grape varieties, which are adapted to the microclimates and wine-making traditions of those regions in best ways.

Kakheti – Among white grapes, the most widespread variety is Rkatsiteli. This variety of grapes is used for making such well-known wines as Tsinandali, Napareuli (white), Gurjaani, Vazisubani etc. It is also best for making Kakhetian traditional method wines. Because of its huge harvesting features and the resistance against diseases, this variety has heavily spread in East Georgia and has oppressed such quality grape varieties as Mtsvane Kakhuri, Kisi and Khikhvi etc. It is remarkable, that throughout recent years white grape harvest cannot fully satisfy the market demands. There is a shortage of Rkatsiteli and especially Mtsvane, Kisi and Khikhvi. In recent years spread of French grape varieties Chardonnay and Sauvignon Blanc has been observed too, in very low quantities though.

Among red grape varieties, Saperavi is the mostly spread one, of which most of the Georgian red wines are made of. Significantly big amounts of vineyards of this variety have been cultivated throughout the end of 1990's and the beginning of 2000's (before the closure of Russian market) and nevertheless its very high quality, Saperavi is being produced in higher quantities, than the demand is. Less spread is the Cabernet Sauvignon variety, which has mostly gathered in Teliani micro zone. Throughout the last years European grape varieties like Cabernet Sauvignon, Merlot, Malbec etc. are also spread.

## VINEYARD COMPOSITION BY GRAPE VARIETIES

**Kartli** – Rkatsiteli is also widespread here, but considerably in lower quantities, than few decades ago. It is preferable to present the local varieties Chinuri, Goruli Mtsvane (white grape varieties) and Shavkapito, Tavkveri (red grape varieties), together with Budeshuri (white and red grape varieties) for producing quality wine.

**Meskheti** – Despite the rich and unique history, viticulture here is nearly absent. If newer vineyards are to be cultivated, it is preferable for them to be the local ones, which will make this region attractive for tourists.

**Imereti** – traditional Imeretian varieties as Tsitska, Tsolikouri and Krakhuna are widely spread in this region, but because of high demand on them the producing companies can barely purchase them for processing. Though, of these grape varieties, a very interesting white wine can be produced for export. Though the Imeretian red grape variety Otskhanuri Sapere is rarely spread in the region, it is very noticeable. Also, a very interesting grape variety cultivated in specific micro zones is the red grape variety Aladasturi.

**Racha** – Exclusively high-quality wines are made of red grape varieties Aleksandrouli and Mujuretuli (e.g. Khvanchkara) from this region. There is a very high demand on these grapes and accordingly their price is among the highest in Georgia. Also a very good wine is made here of Dzelvashi variety, though in comparison to Aleksandrouli, less attention is paid to it and the price is less too. Among white grape varieties, Tsulukidzis Tetra (Rachuli Tetra) is the favorite, of which soft and aromatic wines are made. It is mostly used in making table wines in the region.

**Lechkhumi** – the most expensive grape variety in Georgia Usakhelouri is cultivated here. In spite of high reputation, this red grape variety is cultivated on a minor area. High enough demand is also on Tsolikouri from Lechkhumi region, which is used in making a well-known wine Tvishi. Other popular red grape variety here is Ojaleshi (Orbeluri Ojaleshi).

**Guria** – the most interesting grape variety here is the local red Chkhaveri. Wine made of it has the rose color and has a high potential on the local market. So is the Jani variety. Wide-spread white grape variety is Tsolikouri, which is used for making table wine for local consumption.

**Samegrelo** – viticulture in this region is almost forgotten, though it is rich with local grape varieties. Selected one is Megruli Ojaleshi (Ojaleshi) which has only survived in several vineyards. Tsolikouri is used here for making table wine for local consumption.

**Abkhazia** – this region has always been rich with local grape varieties. Throughout the last century Isabella has been widely spread here. There are in fact no vineyards left here anymore, though the exact information about viticulture in Abkhazia is unknown.

**Adjara** – viticulture has survived in so called mountainous Adjara, where the local residence is trying to preserve the local grape varieties Satsuri (Satsuravi) and Chkhaveri. Tsolikouri doesn't ripe enough and is therefore used for making local consumption wine. Like Meskheti region, viticulture in Adjara has more cultural meaning, than economical.



Grape variety	Vineyard area (1953, hectares)	Vineyard area (1961, hectares)	Vineyard area (2004, hectares)	Percentage %
Rkatsiteli	14 680	24 319	19 741	52.76%
Saperavi	2 163	3 411	3 704	9.90%
Mtsvane	1 184	1 918	249	0.67%
Kisi	-	-	20	0.05%
Khikhvi	52	91	5	0.01%
Cabernet	384	643	223	0.60%
Goruli Mtsvane	1 086	1 425	224	0.60%
Chinuri	1 140	1 644	955	2.55%
Aligote	549	798	97	0.26%
Pinot blanc	286	376	171	0.46%
Tavkveri	215	122	29	0.08%
Tsitska	5 290	6 037	2 839	7.59%
Tsolikouri	10 181	12 556	6 161	16.46%
Krakhuna	85	85	36	0.10%
Rko	890	-	-	-
Dondghlabi	993	-	-	-
Otskhanuri Sapere	97	95	5	0.01%
Tsulukidzis Tetra	426	482	152	0.41%
Aleksandrouli (with Mujuretuli)	617	815	219	0.59%
Usakhelouri	54	59	8	0.02%
Ojaleshi	157	199	25	0.07%
Chkhaveri	117	160	20	0.05%
Aladasturi	-	-	46	0.12%
Other varieties	7 656	14 107	2 490	6.65%
	48302	69342	37419	100.00%

### Microzones of Appellations of Origin

There are 18 Appellations of Origin stated by the Georgian regulation. 14 of them are located in Kakheti region and single in each of these regions: Kartli, Imereti, Racha and Lechkhumi. Names of viticulture regions are not protected yet, but on-going works are maintained concerning this topic.

Wines of Appellations of Origin are the subject of strict control procedures and are regulated from the beginning of grape production till the ending by export.

Viticulture region	Appellation of Origin			
	Red wines		White wines	
Kakheti	Mukuzani	Akhasheni	Tsinandali	Kardenakhi
	Napareuli	Kvareli	Napareuli	Tibaani
	Teliani		Gurjaani	Manavi
	Kindzmarauli	Kotekhi	Vazisubani	Kakheti
Kartli			Atenuli	
Meskheta				
Imereti			Sviri	
Racha		Khvanchkara	Tvishi	
Lechkhumi				
Guria				
Samegrelo				
Abkhazia				
Adjara				

### IV. Production and processing of grapes

Grapes are basically used for wine production in Georgia. Wine is produced in wine companies and also by households. In relatively lower quantities, grapes are used for making traditional Georgian sweets: Churchkhela, Pelamushi-tatara and other products. In low quantities grapes are also consumed as table grapes on Georgian market. Raisins are actually not produced in Georgia.

Officially accounted are only the grapes that are delivered to wine companies. However, we can assume that approximately 150-200 thousand tons of grapes are produced in Georgia, from which 30-40 thousand tons are processed in wine companies. Nearly 15 thousand tons are consumed as table grapes. The rest, more than 100 tons, is processed by unregistered individuals for producing "family wine". The obtained, 50-80 million liters of wine are also unaccounted and consumed in bulk.

### V. Harvest and overproduction of grapes

Wine export has increased between 1990 and 2005 from 5 to 40 million liters. The growth was especially significant through 2000-2005. Because of the rising demand on grapes, its price, especially of the red ones, has been significantly increasing. As a result, high quantities of Saperavi vineyards have been cultivated throughout these years mainly by wine companies. White grape varieties were planted in relatively low amounts. In 2006, because of the closure of the Russian market, demand on grapes has been reduced and the oversupply of grapes has been observed on the market. The government tried to solve the problem by subsidizing the harvest and additions have been allocated to grape suppliers since 2008. At the same time the government has started purchasing significant amount of grapes by itself too.

### VI. Wineries and wine producers

Wine is produced in different types of cellars in Georgia and accordingly, wines differ by style and quality.

The biggest amount of wine is produced in so called "family cellars". Each wine producer produces 20-1000 liters of wine on average. Despite small sizes, family cellars produce nearly

50-80 million liters of wine and hundreds of thousands of Georgian families are taking part in the process. Therefore, the wine produced is not officially accounted.

Second group of wine producers is represented by wineries that produce wine "officially" and sell it on local or foreign markets.

About 30 years ago more than 100 wineries (wine factories) were present in Georgia. They were divided into primary (processing of grapes) and secondary (wine production) factories. Since 1990's the majority of them have transformed to LTD's or JSC's and some of them even stopped working. At the same time new companies were established and new cellars were built. Some companies work only on export (often, they are also presented on the local market with bottled wines in restaurants and specialized stores parallel to export) and a small number of them work just on local market presented by bulk wine.

According to May 2006 census, 270 wine producing companies and enterprises were known in Georgia. Only 193 individuals and organizations out of them have shown wine stock in amount of 70 million liters totally. In 2006 wine has been exported by about 100 companies, but in 2007-2010 the number of exporters has reduced to 60-70. Basic players on the market do not change, their sales are stable and their export shares are significantly higher compared to other exporters. According to the data of recent years, half of the total wine export is done by 5 large companies and 90% of total wine export from Georgia is represented by approximately 20 companies.

### VII. Wine-making methods and styles

Wines produced in Georgia differ from each other by viticulture regions and used grape varieties, together with wine-making methods. Remarkable are the well-known wines varieties, such as Tsinandali, Mukuzani, Saperavi, Kindzmarauli, Khvanchkara, as well as Kakhetian traditional and widely spread so called "family wine" and Alazani Valley.

- Tsinandali – one of the oldest and well-known white wines is made of Rkatsiteli and Mtsvane grape varieties (85%-15%) from Tsinandali micro zone in Kakheti.
- Mukuzani - one of the oldest and well-known red wine with dark color, strong, full wine with velvety taste and often with oak tones is made of Saperavi grape variety from Mukuzani micro zone in Kakheti.
- Saperavi – made of Saperavi grape variety from Kakheti region. It is a soft wine full of varietal aromas.
- Kindzmarauli – naturally semi-sweet red wine is made of Saperavi grape variety from Kindzmarauli micro zone in Kakheti. To remain sweetness, fermentation is stopped at 40g/l. sugar. Wine is soft, pleasant, has dark color and sweeter taste. It is very popular on traditional markets (Russia, Ukraine etc.)
- Khvanchkara – is made like Kindzmarauli from Aleksandrouli and Mujuretuli grape varieties from Khvanchkara micro zones in Racha. It is also characterized with sweeter taste and pleasant aroma. Its color is lighter than the color of Kindzmarauli.
- Kakhetian traditional – is made of Rkatsiteli (or other) grape variety from Kakheti. White grapes are aged with grape skin after fermentation, what gives it exclusive characteristics. Wine has amber color together with strong tannins and taste.
- Alazani Valley – the best export selling semi-sweet white and red wine is made by adding concentrated must. Therefore the cost of this wine is considerably low.
- White "family wines" – is mostly made from Rkatsiteli grape variety (in East Georgia) and Tsolikouri grape variety (in West Georgia). In East Georgia, wines are often made using Kakhetian traditional method. Additional materials are barely used in the process of fermentation, even the Sulfur Dioxide. Therefore the wines are easily oxidized in color and taste. These wines are actually consumed in only Georgia, but in very high quantities.

