

## Business In Georgia BEVERAGES

- Working Name:** BIG Drinks 2011, Tbilisi  
**Date:** November (exact date TBD by end of July)  
**Sectors Represented:** Georgian Alcoholic and Non Alcoholic Beverages (Wine, Spirits, Beer, Water & Mineral Water, Lemonade)  
**Format:** Trade Show and B2B Matchmaking Forum  
**Rationale:** International High level Trade Show and B2B Matchmaking Forum in Tbilisi (Capital) to promote Georgia's trading potential.  
**Target group:** Around 200 foreign businesses, plus government and media representatives (including wine writers).  
**Target Countries:** China, South Korea, Gulf Countries, Japan, India

The Event will consist of four types of activities:

- **Tradeshow** – Georgian beverage producers will exhibit their products thematically in separate pavilions but in the same territory. Associated service providers will also represent their services.
- **B2B Matchmaking** – Visiting participants will have opportunity to agree Tet-a-Tet meetings with Georgian companies and also take company tours to see the manufacturing process.
- **Thematic Forums** – Presentations from Georgian Government on benefits of trading with and doing business in Georgia, sector overviews by associations.

Location	Time/Duration	Event
Business hall	Day 1, Morning	Opening event, presentations
Alcoholic Beverages Pavilion	2 days, permanent setup	Exhibition, tasting
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Companies	II half of 1 <sup>st</sup> day and Day 2 completely, in moderation and in groups	Company Tours
Business hall	II half of 1 <sup>st</sup> day and Day 2 completely, in moderation	B2B meetings

Investment Agency is hiring international companies in order to (1) establish contacts with potential buyers and ensure quality of handling the invitation process; (2) ensure international media coverage pre and post event;

## Tradeshow and B2B Matchmaking Forum Business In Georgia – Drinks (BIG Drinks)

There have been several attempts to hold similar events, but the activities undertaken either lack depth (in other words are good at awareness building but fail to showcase specific opportunities) or lack scale (B2B-type activities are ad hoc, duration of events is short and participants are few – both Georgian participants and potential foreign investors). In this light there clearly is a strong need for a marketing tool that would effectively respond to these challenges.

To ensure success and effectiveness, this marketing tool will have the following characteristics:

- Be sufficiently large scale
- Be international
- Be recurrent (annual)
- Last long enough to allow for follow-up site visits and tours
- Focus EARLY ON IN PLANNING TO attract high-level business representatives and targeted investors to participate
- Be B2B

In essence this event should become a strong brand that over mid-term will be well-established and well-known. It is critical that the first event is a major success and that the event is recurrent and provides high-quality services to the government and local and international business community continuously.

This type of event will have the following short and long term effects:

- Will allow the Government of Georgia to communicate directly to interested stakeholders about new initiatives and opportunities on permanent bases;
- Will allow Georgian business community to showcase their produce and projects, attract customers and partners at low cost on permanent bases;
- Will allow Georgian Government to show the leadership in beverage and real estate sector;
- Will aid building of positive image of Georgia as an attractive country for doing business among the key audience;
- Will galvanize local and over-time international media and trade press attention providing vast material for positive coverage;
- Will become a regular international event indirectly promoting potential of the country and directly attracting foreign businesses to tourism sector;
- Will spur business activity, due to the need of support services in organizing and delivering the event;

## Georgian Wine

### Sector overview

HS Codes: 2204, 2205

Globally, vineyard acreage has decreased by 0.5 percent between 2004 and 2010. Some of the more traditional wine countries contributed to this decrease including Spain, France and Portugal. The most significant increases were seen in Uzbekistan, China, Chile and Australia, all of which are deemed to be „new world“ wine regions. Georgia saw a modest increase of 3.5 percent. Over the same period, Georgia’s wine production increased by an impressive 15.8 percent, meaning that it performed better than New Zealand and Switzerland (countries producing similar volumes of wine).

Due to climate and soil characteristics, Georgia is divided into five main wine producing regions: Kakheti, Kartli, Imereti, Racha-Lechkhumi and the Black Sea Subtropical Zone. Although no liquid wine from the period has survived, scientists have now found and tested wine residues discovered on the inner surfaces of 8,000-year-old ceramic storage jars. They call ceramic storage jars “kvevri” in Georgia, the country of about five million, bridged between Europe and Asia, where wine is more of a cultural heritage rather than an alcoholic beverage.

In Georgia, wine is produced using both by traditional methods as well as modern „European“ techniques. These varied production styles contribute to a wide range of flavor profiles all produced from the same grape and appellation, resulting in a single variety having a greatly varied taste and quality.

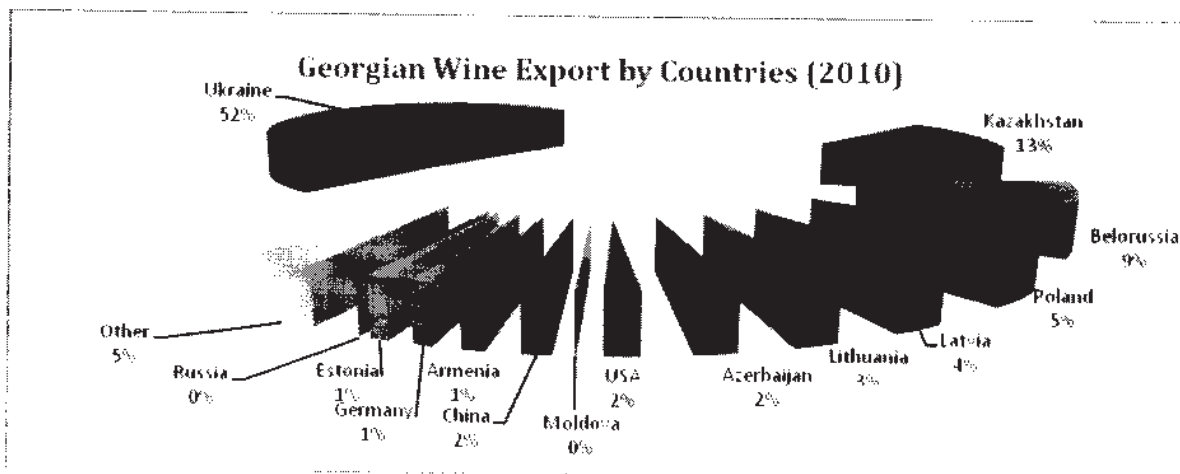
There are 180 wine companies functioning in the country, and 35 out of these are engaged in export activities. The key industry players are export-oriented and their export activities reach 80-95% of total production. Russia has been the largest importer of Georgian wines up until its 2006 embargo, believed to be due to political reasons, but Georgia started to diversify its export markets and regardless of war with Russia in 2008 and the world economic crisis, wine exports show a growing trend.

At present most of the companies are equipped with up-to-date production facilities; In Georgia there are advanced laboratories where all technological processes of winemaking are conducted.

### Competitive advantages

- ✓ Unique grape varieties
- ✓ Longest tradition of wine making
- ✓ High quality raw materials
- ✓ Advantageous price/quality correlation
- ✓ A stable and growing economy
- ✓ 0% entry tariff for Georgian wine in more than 50 countries

Georgian wine production (2010): 19,060,000 liters = 74,550,000 GEL (Average 2010 Exchange Rate 1USD=1.86GEL).



## Georgia as a Trading Partner

0% entry tariff for Georgian wine- Albania, Armenia, Austria, Azerbaijan, Belarus, Belgium, Bulgaria, Canada, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hong Kong, Hungary, Iceland, Ireland, Italy, Kazakhstan, Kyrgyzstan, Latvia, Lichtenstein, Lithuania, Luxemburg, Macao, Macedonia, Malta, Moldova, Netherland, Norway, Papua New Guinea, Poland, Portugal, Romania, Singapore, Slovakia, Slovenia, Spain, Sweden, Switzerland, Tajikistan, Tonga, Turkey, Ukraine, United Kingdom, Uzbekistan, USA.

0%-5% entry tariff for Georgian wine in - New Zealand, Philippines, Australia

5%-10% entry tariff for Georgian wine in - Chile, Peru, Bolivia, Haiti, Mayotte, Nicaragua, Kosovo

10%-15% entry tariff for Georgian wine - Panama, Costa Rica, Croatia, Cuba, Bosnia and Herzegovina, French Polynesia, Honduras, Republic of Korea, Lebanon, Mauritius

## Georgian Brandy & Spirits

HS Code: 2208

### Sector Overview

Georgia is renowned for its high quality wines made of unique grape varieties and with various traditional technologies of making brandy and other wine distillations. There are specific types of Georgian grapes that are ideal for the spirits used in production of brandy: Tsitska, Tsolikauri, Rqatsiteli, Mtsvane, Chinuri. It has been proved that they are very similar to the French grapes that are used for the production of Cognac and therefore a high quality brandy is made of them.

The main market players in Georgian brandy industry are a few but with the high standard equipment and possess long-term experience and traditions. The companies have given their products the French classification of brandy VS, VSOP, XO thus maintaining its quality standards to those of French Cognac.

**Georgian Brandy Production (2010): 618,000 liters = 8,644,600 GEL** (Average 2010 Exchange Rate 1USD=1.8GEL).

The spirits in Georgia are distilled using modern equipment and multiple filtration systems. Strict quality and laboratory control is carried out at all production stages, both in blending-production and bottling process. The companies are using raw material: wheat, bread, maize and oats. There are only several companies in the sector, i.e. Ushba Distillery, Gomi, which concentrate solely on Vodka production.

Georgia has its own traditional technology of distillation of spirits from grape pomace (material left after production of wine) called "D'Chacha", which is similar to Italian Grappa, Spanish orujo, French marc, etc. Production of this type of spirit is also practiced using figs, tangerines, oranges. D'Chacha has been renowned as a homemade product throughout centuries in Georgia and only recently wine companies started factory production, but not without success. The Estragon D'Chaha of company Binekhi was awarded with silver medal on the Mundus Vini, the world's biggest wine competition in 2007.

**Georgian Spirits Production (2010): 13,585,000 liters = 55,828,000 GEL** (Average 2010 Exchange Rate 1USD=1.8GEL).

### Competitive Advantages

- ✓ Unique grape varieties
- ✓ Longest tradition of making brandy and spirits
- ✓ Advanced technological production process and attractive packaging
- ✓ High quality raw materials
- ✓ Advantageous price/quality correlation
- ✓ A stable and growing economy
- ✓ 0% import tariff in more than 50 countries

**Georgian Vodka Production (2010): 5,164,000 liters = 17,271,000 GEL** (Average 2010 Exchange Rate 1USD=1.8GEL).

# INVEST IN GEORGIA

NATIONAL INVESTMENT AGENCY

Overall Export Trends of HS 2208 products 2009-2010 in \$000



## Georgia as a Trading Partner

0% entry tariff for Georgian spirits in - Albania, Armenia, Azerbaijan, Belarus Hong Kong (SAR China), Kazakhstan, Kyrgyzstan, Libyan Arab Jamahiriya, Liechtenstein, Macao (SAR China), Uzbekistan, Micronesia (Federated States of), Moldova, Republic of, Norway, Tajikistan, Tonga, Turkey, Ukraine, United States of America, Macedonia, The former Yugoslav Republic of.

0% -5% entry tariff for Georgian spirits in - Canada, Iceland, New Zealand, Estonia, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Austria, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, United Kingdom, Slovenia, Spain, Sweden, Slovakia, Croatia, Japan, Montserrat, Switzerland, Chinese Taipei, Botswana, Singapore, Namibia, Swaziland, Lesotho, Iran (Islamic Republic of), Australia, Kuwait, Mongolia, Saudi Arabia, Bahamas, Russian Federation

5%-10% entry tariff for Georgian spirits in - Chile, Peru, Haiti, Bolivia, China, Kosovo, Mayotte, Nicaragua, Morocco

10%-15% entry tariff for Georgian spirits in - Nicaragua, South Africa, Philippines, Honduras, Costa Rica, Panama, Mauritius

## Beer

HS Code: 2203

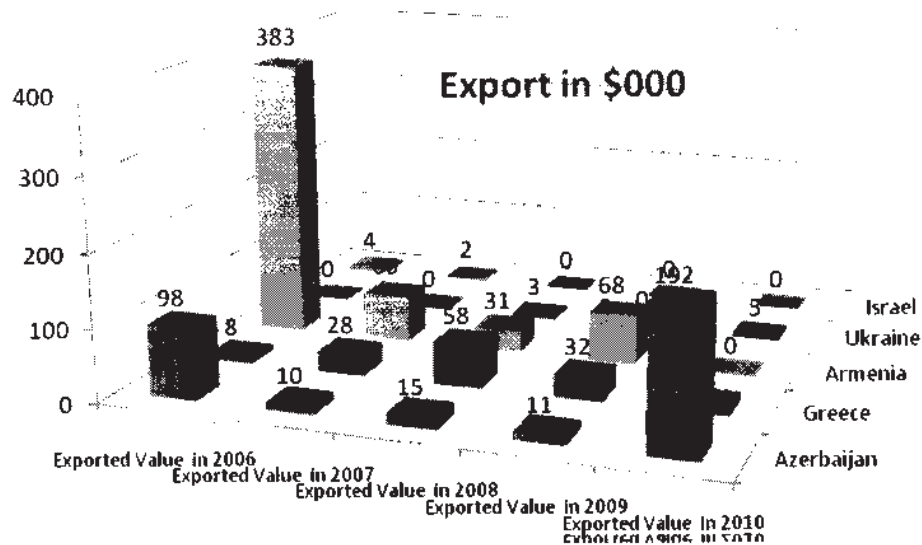
### Sector Overview

Beer is a steadily growing segment in Georgia with high potential on both local and foreign markets. The taste and quality of Georgian water is the main distinguishing factor of Georgian beer as a premium product. Vast investments have been made through the last two decades (Castel, Efes) in the sector and the main players of this segment include: Kazbegi JSC, Lomisi (Natakhtari Brewery) JSC and Castel - Georgia Ltd. The main export destination countries for Georgian beer are Azerbaijan, Armenia, Kazakhstan and Ukraine.

### Competitive Advantages

- ✓ Unique Water Quality
- ✓ Advantageous price/quality correlation
- ✓ Advanced technological production process and attractive packaging
- ✓ Highly skilled labor
- ✓ Vast export experience
- ✓ 0% Entry tariff from Georgia to more than 50 countries

Georgian Beer production in 2010 – 75,938,000 Liters = 92,557,200 GEL



### Georgia as a Trading Partner

0% Entry tariff for Georgian beer in - Albania, Armenia, Australia, Austria, Azerbaijan, Belarus, Belgium, Bulgaria, Canada, China, Chinese Taipei, Croatia, Cyprus, Czech republic, Denmark, Estonia, Finland, France, Germany, Greece, Hong Kong, Hungary, Iceland, Italy, Japan, Kazakhstan, Kyrgyzstan, Latvia, Libyan Arab Jamahiriya, Lichtenstein, Lithuania, Luxemburg, Macao, Macedonia, Malta, Moldova, Micronesia, Montserrat, Netherland, New Zealand, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland, Tajikistan, Tonga, Turkey, Ukraine, United Kingdom, Uzbekistan,

0%-5% Entry tariff for Georgian beer in - Iran Islamic Republic, Botswana, South Africa, Swaziland, Lesotho, Namibia

5%-10% Entry tariff for Georgian beer in - Chile, Peru

10%-15% Entry tariff for Georgian beer in - Bolivia, Haiti, Mayotte, Iceland, Kosovo, Israel, Saint Lucia, Costa Rica, Honduras, Mauritius, Nicaragua, Philippines, French Polynesia, Panama

## Water and Mineral Water in Georgia

HS Code: 2201

### Sector Overview

Georgia is home to over 2000 mineral water springs, but there are only several types in commercial production. Georgian mineral waters have exceptional and interesting tastes - very different from French and Italian varieties. The most famous Georgian mineral waters are Borjomi and Nabeglavi, both are protected Geographic Indications, but there is a plethora of less well-known springs located in small towns and alongside roads throughout the country that is worth sampling.

The mineral springs were discovered over one thousand years ago in the country and the use of Georgian mineral waters has been suggested by the Georgian and Russian researchers for complex treatment of several digestive diseases and diabetes mellitus. Despite the loss of the Russian market (Embargo in 2006) there is the steady growth of the export of sparkling mineral and still water.

The mineral water sector in Georgia had an approximately GEL 126 million output in 2010, 40% of which was exported.

### Competitive Advantages

- ✓ High Water quality
- ✓ Room for expansion (capacity can more than double)
- ✓ National pride, part of the Georgian culture, tradition
- ✓ Certified curative properties
- ✓ Well protected from forgery
- ✓ Vast export experience
- ✓ High recognition in former Soviet countries and rising popularity in US, UAE, EU

Mineral water production (2010): 155,380,000 liters = 126,244,100 GEL (Average 2010 Exchange Rate USD=1.8GEL).

### Georgia as a Trading Partner

0% entry tariff for Georgian water and mineral water in - Armenia, Austria, Azerbaijan, Belarus, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hong Kong, Hungary, Ireland, Italy, Japan, Kazakhstan, Kiribati, Kyrgyzstan, Latvia, Lichtenstein, Lithuania, Luxemburg, Macao, Malta, Moldova, Netherlands, Norway, Poland, Portugal, Romania, Singapore, Slovakia, Slovenia, Spain, Sweden, Switzerland, Tajikistan, Tonga, Turkey, Ukraine, United Kingdom, Uzbekistan, USA

0%-5% entry tariff for Georgian water and mineral water in - Canada, New Zealand, Israel

5%-10% entry tariff for Georgian water and mineral water in - Bahrain, Haiti, Indonesia, Kuwait, Mongolia, New Zealand, Qatar, Saudi Arabia, United Arab Emirates, Chile, Republic of Korea, Peru

10%-15% entry tariff for Georgian water and mineral water in - Kosovo, Philippines, Bolivia, Panama, Iceland, Costa Rica, French Polynesia, Honduras, Albania, Yemen

## Soft Drinks, Lemonade

HS Code: 2202

### Sector Overview

Soft drinks are very popular in Georgia, and beverages are important part of Georgian culture and history. With genuine Georgian water taste, soft drinks are prepared using classic recipes and high technology. Georgian soft drinks with unforgettable taste and flavor meet all modern standards.

Georgian carbonated soft drinks - lemonades, are flavored with cream, grape, peach, pear, lemon and tarragon. Tarragon (woodruff) is traditionally dyed green. Tarragon lemonade was invented in 19<sup>th</sup> century by a Georgian pharmacist Mitrofan Lagidze, who started adding carbonated water to his tarragon syrup mixes. It went into mass production in the Soviet Union in 1981 and gained exceptional popularity among all republics.

Today, there is tremendous expansion potential in the industry in Georgia. There are one billion potential customers within the range in the Caucasus, the Black Sea region, Central Asia, the Balkans and the EU and Georgia has beneficial trade regimes with most of the countries.

### Competitive Advantages

- ✓ Long Tradition and Experience
- ✓ High Water quality
- ✓ Low cost qualified labor force
- ✓ Rich in taste fruit concentrates
- ✓ High technological lines
- ✓ Attractive packaging

**Georgian soft drinks production (2010): 153,200,000 liters = 134,642,900 GEL** (Average 2010 Exchange Rate 1USD=1.8GEL).

### Georgia as a Trading Partner:

0% Entry tariff for Soft Drinks in - Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Macao, Moldova, Tajikistan, Turkey, Ukraine, Uzbekistan,

0%-5% Entry tariff for Soft Drinks in - Austria, Belgium, Bulgaria, Cyprus, Czech republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, UK, Norway

5%-10% Entry tariff for Soft Drinks in - Australia, Haiti, Indonesia, Kuwait, Mongolia, New Zealand, Oman, Qatar, Saudi Arabia, United Arab Emirates, Bahrain, USA, Chile, Mauritius, Republic of Korea, Philippines, Peru, Yemen, Croatia, Bolivia, Kosovo

10%-15% Entry tariff for Soft Drinks in - Israel, Japan, Costa Rica, Guatemala, Albania, Tonga, Panama

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*Contents of this brochure have been elaborated using the following sources: Ministry of Agriculture of Georgia, Department of Statistics of Georgia, USAID EPI Project, International Trade Center (ITC), Sabmiller.com, Wikipedia.org.*