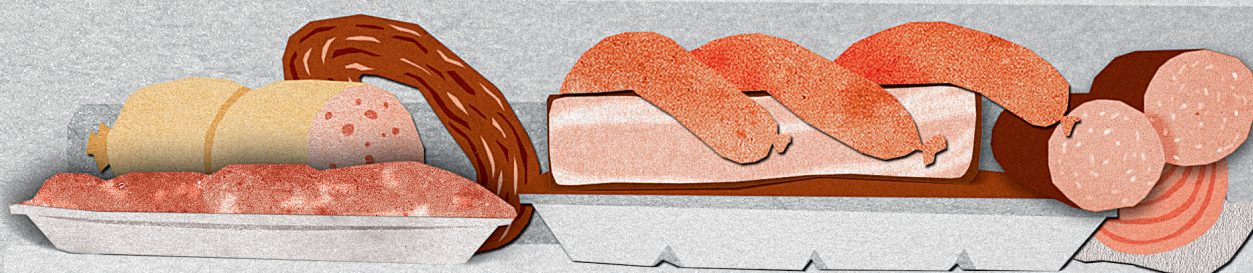


FOOD PROCESSING GUIDE ARMENIA 2014



FOOD PROCESSING GUIDE ARMENIA 2014



**THE MINISTRY OF ECONOMY
OF THE REPUBLIC OF ARMENIA**



**THE MINISTRY OF AGRICULTURE
OF THE REPUBLIC OF ARMENIA**



USAID
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EDMC
Enterprise Development &
Market Competitiveness Project

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WHY ARMENIAN FOOD PROCESSING SECTOR?

LONG ESTABLISHED
TRADITION OF PRODUCING
HIGH QUALITY PROCESSED
FOOD

6,000 YEARS OF HISTORY IN
GRAPE GROWING AND WINE
MAKING



EXPORT ORIENTED AND
DIVERSE AGRO-FOOD
PROCESSING SECTOR

SIMPLIFIED EXPORT AND
IMPORT REGULATIONS



SPECIAL TAX
AND CUSTOM
PRIVILEGES FOR
INVESTMENT
PROJECTS



ATTRACTIVE BUSINESS
ENVIRONMENT AND
EFFECTIVE SUPPORT
INSTITUTIONS

DEVELOPED
LOGISTIC AND
DISTRIBUTION
SERVICES



HIGHLY
COMPETITIVE
DAIRY SECTOR
WITH STABLE AND
STRONG GROWTH
POTENTIAL



FAVORABLE AND
UNIQUE SOIL AND
CLIMATE CONDITIONS
FOR GROWING OF
AGRICULTURAL
SPECIES



EFFECTIVE FOOD
SAFETY SYSTEM BASED
ON INTERNATIONAL
AND EUROPEAN
STANDARDS

OPEN AND COMPETITIVE
FOOD PROCESSING
SECTOR AND
PLENTIFUL INVESTMENT
OPPORTUNITIES IN
EVERY SUB-SECTOR



STRONG SCIENTIFIC AND
R&D POTENTIAL

HIGHLY EXPERIENCED,
CREATIVE AND WELL-
EDUCATED WORKFORCE





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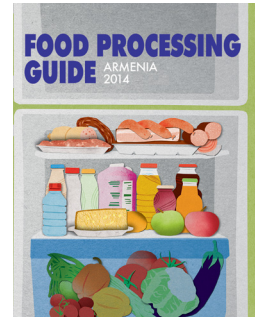
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**KAREN
CHSHMARITIAN
THE MINISTER
OF ECONOMY OF
THE REPUBLIC OF
ARMENIA**



DEAR COLLEAGUES,

Each country is as strong as its economic foundation. One of the most important components of Armenia's economic foundation is its processing industry, which is not only a major factor in Armenia's economy, but also represents a significant share of the country's population with its unique traditional culture.

The processing industry is closely interconnected with the agricultural sector, since the largest section of the processing industry is the food industry. These two segments of Armenia's economy greatly affect each other. The development of the processing industry is highly dependent on the growth and production capacity of the agricultural sector.

The processing industry has its own unique niche in the economy of Armenia, making up a large share of both gross agricultural output and GDP. Although the processing sector is well developed, it is nevertheless important to improve value chains, regional integration, development of new technologies, strategic planning and other services.

The processing sector also makes up a significant share of non-utilized resources, and the rational use of these resources can lead to significant results. In December 2011 the Government of the Republic of Armenia approved "The Export-Led Industrial Policy Strategy", in which agricultural food processing was treated as a sector of crucial significance.

Given the importance of the sector and its need for governmental support, Armenia closely cooperates with industry enterprises, creating opportunities to strengthen their cooperation with one another as well as with foreign partners, thereby helping to achieve the objectives of the strategy.

This Guide will serve as a useful information source both to local and foreign agricultural food processing companies. It is aimed at increasing the efficiency of the food processing and related sectors, with the goal of establishing favorable conditions for further development of the processing industry, increasing productivity, enhancing investments, and increasing export volumes in this traditional, yet young, sector.

YOURS SINCERELY,

KAREN CHSHMARITIAN

THE MINISTER OF ECONOMY OF THE REPUBLIC OF ARMENIA

**SERGO
KARAPETYAN**

**THE MINISTER OF
AGRICULTURE OF
THE REPUBLIC OF
ARMENIA**



DEAR INVESTOR,

Due to Armenia's climate, food products manufactured in Armenia acquire high quality and taste features enjoyed by many countries around the world. With increasing competition in the global food market, Armenian food manufacturers continuously introduce new technologies to improve efficiency at all levels of the supply chain, including manufacturing, packaging, processing and marketing of its agricultural products.

The publication of this Guide is of great importance, as it provides comprehensive information to all players in the food value chain. It will contribute to improved cooperation between rural households, agro-food processing companies, and agricultural product marketing entrepreneurs; to the development of new projects and ideas aimed at improving the quality of agricultural products; and to the production of new high value and competitive products.

The Government of the Republic of Armenia is constantly expanding and improving public support tools for the agro-industrial complex, for both rural households and companies that process agricultural food and export finished products. This support enables small rural households to receive greater value added by means of creating, expanding and merging co-operatives and ensuring rational use of scarce land resources.

I know that this Guide will be a useful source of information to businesses operating in Armenia's agro-industrial complex, and that it will help them achieve the above mentioned goals as well as increase the level of food safety and self-sufficiency in Armenia.

YOURS SINCERELY,

SERGO KARAPETYAN

THE MINISTER OF AGRICULTURE OF THE REPUBLIC OF ARMENIA

INTRODUCTION



Food processing is one of Armenia's leading economic sectors and is a high priority for the Government of Armenia. The sector's strengths include the high quality of local agricultural products, modern production capacity, availability of qualified workers, and relatively low labor costs. Experts consider the Armenian food processing sector to have high development potential, particularly through the promotion of foreign cooperation and investments.

Armenia's food processing industry makes up about 6% of its GDP, or 900 million USD, with an annual growth rate of 10% over the past five years. Exports of Armenian processed foods have been increasing immensely over the last five years, at a rate of 30% per annum for all sub-sectors. Investments in the sector amount to about 45% of the country's total industrial investment. As the sector continues to experience this rapid growth, significant efforts are underway to implement legislative and institutional reforms that will improve

the quality and safety of food produced in Armenia as well as boost export volumes and geographical expansion.

There are opportunities for manufacturing high-value and organic production, processed and unprocessed fruits and vegetables with modern packaging and compliance with the international food safety standards.

This Guide to the Armenian Food Processing Sector presents an overview of the food processing sector in Armenia, the conditions under which food processing companies operate, and investment opportunities. It is intended to supplement the broader "Investment Guide • Armenia 2013" for investors specifically interested in the food processing sector. The Guide focuses on six specific food processing sub-sectors: wine and brandy; juice; meat and meat products; dairy; dried fruits; and, processed fruits, vegetables and herbs. ■

MAIN MACROECONOMIC INDICATORS, 2009-2013

	2009	2010	2011	2012	2013
Gross Domestic Product (USD billion)	8.7	9.3	10.1	9.9	10.4
Gross Domestic Product per capita (USD)	2,666	2,844	3,102	3,290	3,447
Industry	-6.9	9.2	13.5	7.0	6.8
Agriculture	6.0	-16.0	13.7	9.5	7.6
Services	-3.3	4.1	5.0	6.5	3.6
Inflation (year-end)	6.5	9.4	4.7	3.2	6.6
Investment (USD million)	935.5	702.6	816.3	751.8	567.4
Exports FOB (USD million)	710.2	1,041.1	1,329.5	1,380.2	1,478.8
Imports CIF (USD million)	3,321.1	3,749.0	4,151.4	4,261.2	4,385.9
USD/AMD exchange rate (average)	363.3	373.7	372.5	401.8	409.6

SOURCE: NSS, MINISTRY OF FINANCE OF RA

**FOOD PROCESSING IS
ONE OF ARMENIA'S
LEADING ECONOMIC
SECTORS**



VINEYARDS IN THE ARARAT VALLEY



FRUIT WASHING LINE



BRIEF HISTORICAL OUTLINE AND THE CURRENT STATE



Armenia, with eight geographic regions, eight climates, nine altitudes, and 16 soil zones; over half of all plant species in the South Caucasus; and two-thirds of all bird species found in Europe; is a stunning land. Armenia's rich diversity of terrain includes Dry Sub-Tropic, Mediterranean, Desert, Semi-Desert, Mountain Steppes, Mixed Forest, Sub-Alpine and Alpine vegetation zones. The diversity is due in part to Armenia's weather system, which mixes moisture from heavy snowfalls in the mountains and the Black and Caspian Seas with hot blasts of air from the Syrian and Iranian plateaus.

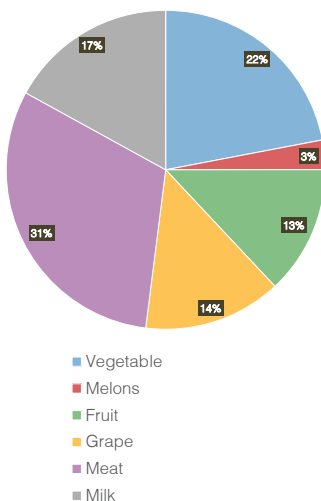
Armenia's agro-industry is a very important sector for the country's economy. It is largely composed of small businesses created after the privatization of former state-owned food processing enterprises. The sector started to markedly improve in 1998 with the help of private sector investments and support from international agencies. Private farmers are the main suppliers of raw materials

to processing units, producing over 98 percent of the country's gross agricultural product.

Armenia is one of the most ancient lands historically noted for grape growing and winemaking. The grapevine, in fact, is an indigenous plant in the valleys of Armenia. The wild vine *Vitis Vinifera Silvestris* (ancestor of the cultivated vinifera vine species) was established in this region over a million years ago, and grapes have always been an important crop throughout Armenia's history.

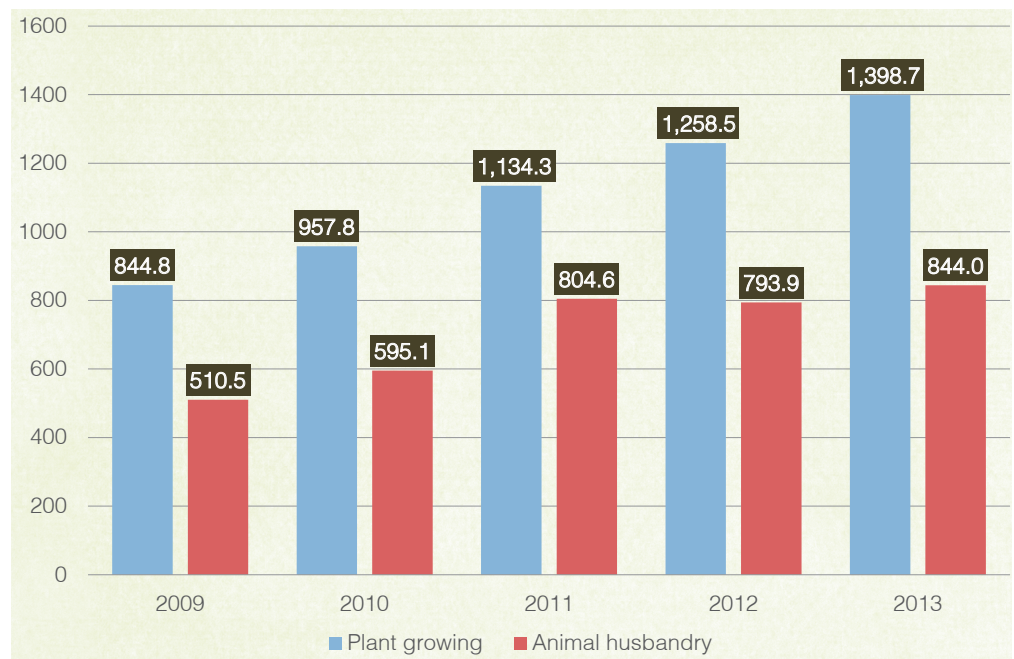
During excavations of "Karmir Blur" (Red Hill), located in the vicinity of Armenia's capital Yerevan, more than 400 ancient wine barrels were found. This discovery proved that winemaking here was already a well-developed industry over 3,000 years ago. Most impressive of all, however, was the discovery of the world's oldest winery, dating back 6,100 years. It was found during excavations of the Areni-1 cave, found in the Yeghegnadzor region of Armenia. ►

FIGURE 2. AGRICULTURE PRODUCTION STRUCTURE, 2012



SOURCE: NSS OF THE RA

FIGURE 1. AGRICULTURAL PRODUCTION, USD MILLION, 2009-2013



SOURCE: NATIONAL STATISTICAL SERVICE OF THE REPUBLIC OF ARMENIA (NSS OF THE RA); 2014

This is considered to be the world's oldest complete wine production facility and the first historical evidence of winemaking on an industrial scale ever found.

Grapes of some 40 varieties grow throughout the country, although mainly in the Ararat valley. Due to its rich history of viticulture and winemaking, Armenian wine is of high quality.

Vineyards for table and industrial grapes are located in several regions (marzes) that can be regrouped into three main zones:

- Ararat Zone (includes Ararat, Armavir and Aragatzotn Marzes)
- Daralaghias Zone (includes Vayots Dzor and Syunik Marzes)
- Northeast Zone (includes Lori and Tavush Marzes)

Additional production in other zones is of minor importance compared to these three.

Starting in 2003 vineyards began to increase, giving new breath to the wine and brandy sector. Vineyards covered 16,250 hectares in 2006, which increased to 17,415 hectares in 2012. Grapes are produced not only by small-scale farmers, who own 95 percent of the vineyards in the

country, but also by large farms. Most grapes go to brandy production, which along with wine is the largest part of Armenia's food processing industry.

Milk production and processing in Armenia have increased sharply over the last decade. The industry is still operating at only 30 percent of capacity, creating great opportunities for investors to introduce new production technology. Cheese production accounts for the largest share of milk processing. Armenia produces over 30 types of cheese and 80 types of other dairy products. In 2012, Armenia's dairy production was 321 metric tons, 5% (17.6 metric tons) of which being cheese.

Fruit and vegetable processing has recovered in Armenia over the last 10 to 12 years due to the support of donors and private investments. There are about 28 fruit and vegetable canning enterprises operating across the country. Armenia has an exceptionally wide range of locally grown fruits and vegetables suitable for canning, which are in demand in many countries. According to the Ministry of Agriculture, the volume of processed fruits and vegetables in 2013 were 28,300 metric tons and 59,400 metric tons, respectively. ■

**DURING
EXCAVATIONS OF
"KARMIR BLUR",
IN THE VICINITY OF
ARMENIA'S CAPITAL
YEREVAN, MORE
THAN 400 ANCIENT
WINE BARRELS WERE
FOUND**



INTRODUCTION TO THE ARMENIAN FOOD PROCESSING SECTOR



Armenia's food processing industry is one of the country's most vital economic sectors and the driving force for the development of the agricultural sector.

Armenia's agriculture is mainly focused on crop production, which is growing quite rapidly. Livestock production experienced record growth in 2011 of more than AMD 120 billion (USD 292.7 million). Armenia's dairy and meat production have also increased significantly in recent years.

The agro-food processing industry of Armenia is quite diverse, focused on export, and includes almost all the sectors of the food industry. The largest branches of the industry are fruit and vegetables, dairy, and tobacco processing. The sector has

great potential for development and increasing production, as present production is only at 50% capacity. In 2013, processing of agricultural raw materials reached 34.7% of capacity, and manufacturing of food products from raw materials reached 58.7% capacity.

Estimated to be worth USD 900 million, Armenia's food processing sector is one of the largest industries in Armenia, directly employing about 21,000 people. The sector is growing at an average annual rate of more than 10% (see Table 3). Growth stems from a number of factors, including an increase in agricultural production in recent years. Agriculture makes up more than 20% of Armenia's GDP and employs almost 45% of the country's population. ►

TABLE 1. AGRICULTURE GROSS PRODUCT IN USD MILLION

Year	2009	2010	2011	2012	2013
Agriculture, including	1355.3	1552.9	1938.9	2052.4	3083.5
Crop production	844.8	957.8	1134.3	1258.5	2240.4
Livestock production	510.5	595.1	804.6	793.9	843.1

SOURCE: NSS OF THE RA; 2014

TABLE 2. IMPORT AND EXPORT VOLUMES OF AGRICULTURAL PRODUCTS, USD MILLION

	Export				Import			
	2010	2011	2012	2013	2010	2011	2012	2013
Livestock and products of animal origin	24	30	33	54.4	101	133	136	144.7
Vegetable production	16	23	35	51	214	242	260	244.8
Animal or vegetable fats and oils	0.03	0.03	0.06	0.05	49.2	58	60	60.6
Prepared foodstuffs	131	182	255	309	309	348	357	396
Total agricultural product	171	237	323	414	674	782	813	846
Weight in total exports and imports respectively	16.4%	17.8%	22.6%	28.5%	18.0%	18.9%	19.0%	19.9%

SOURCE: NSS OF THE RA; MINISTRY OF FINANCE OF THE RA (MOF); 2014

**ARMENIA IS ONE OF
THE MOST ANCIENT
CRADLES OF GRAPE
GROWING AND
WINEMAKING**

Wine, canned fruit and vegetables, natural juices, cheese, dried fruits and other food products are exported from Armenia. Thanks to their high quality, these products have great potential for both export volume growth and geographical expansion. Current production is mainly exported to CIS countries, particularly Russia. Although current volumes are quite low, exports to the U.S., Middle East and EU markets have excellent growth prospects.

Exports of processed food from Armenia have grown dramatically at a rate of more than 30% per annum between 2009 to 2013. In 2013, exports increased by USD 55 million, 22% more than 2012. Alcoholic beverages and spirits make up the biggest share of Armenian

processed food exports, accounting for 69% in 2013 and processed foods and preserves about at 6%. All processed food categories have shown a significant increase in exports from 2009 to 2013. Exports of confectionary products increased more than twelve-fold meat, fish and crustaceans 3.2-fold. In 2012, exports of processed fruits and vegetables increased by 33% over 2011, and exports of meat, fish and crustaceans increased by 140% over 2011, mainly due to the rapid growth of fish and crayfish production in Armenia.

In 2013, exports of food products reached USD 309.6 million, an increase of 21.5% over 2012. Imports of food products into Armenia reached USD 396.3 million in 2013, ►

TABLE 3. FOOD PROCESSING SECTOR PRODUCTION VALUE AND GROWTH RATE, USD MILLION

	2009	2010	2011	2012	2013
Production value	592.2	697.0	829.3	879.5	1,070.5
Growth rate of production value	-1%	15%	22%	6%	22%

SOURCE: NSS OF THE RA; 2014

TABLE 4. SHARE OF PROCESSED FOOD GROUP IN EXPORT 2009-2013, USD THOUSAND

	2009	2010	2011	2012	2013
Beverages, spirit and vinegar	80,086.5	109,017.5	147,094.6	186,536.0	213,037.4
Processed fruits and vegetables	7,743.9	8,675.2	12,873.6	17,176.7	18,268.5
Meat, fish and crustaceans	1,179.5	1,348.6	1,678.8	4,011.5	3,867.4
Miscellaneous edible preparations	889.1	917.5	1,319.6	1,862.0	1,880.9
Cocoa	489.2	789.9	990.3	1,505.1	1,591.7
Cereals, flour or starch	381.4	316.5	470.7	879.7	1,224.1
Sugar and confectionary	95.4	1,562.0	2,912.5	844.3	1,178.3
Food residues and waste	88.5	71.5	108.7	37.6	52.4
Total, processed food	90,953.5	122,698.8	167,448.8	212,852.7	241,100.9

SOURCE: NSS OF THE RA; 2014

EXPORTS OF PROCESSED FOOD FROM ARMENIA HAVE GROWN DRAMATICALLY FROM 2009 TO 2012, AT A RATE OF MORE THAN 30% PER ANNUM

an increase of 11.4% over 2012.

The Armenian food processing sector accounted for 45% of the country's total industrial investment in 2012. The agricultural industry of Armenia, while already experiencing dynamic growth, has tremendous potential for further growth. To realize this growth, Armenia is creating favorable conditions for investments, joint-ventures, commercial and other types of cooperation. At the same time, Armenia is working to establish legislation and standards that meet WTO and EU standards for safety and quality. To realize this growth, Armenia is creating favorable conditions for investments, joint-ventures, commercial and other types of cooperation. At the same time, Armenia is working to establish legislation and standards that meet WTO and EU standards for safety and quality.

Armenia's food processing sector receives strong support from the Armenian Government and many international organizations such as the World Bank, USAID, World Vision, Swiss Development Co-operation, Austrian Development Agency and others.

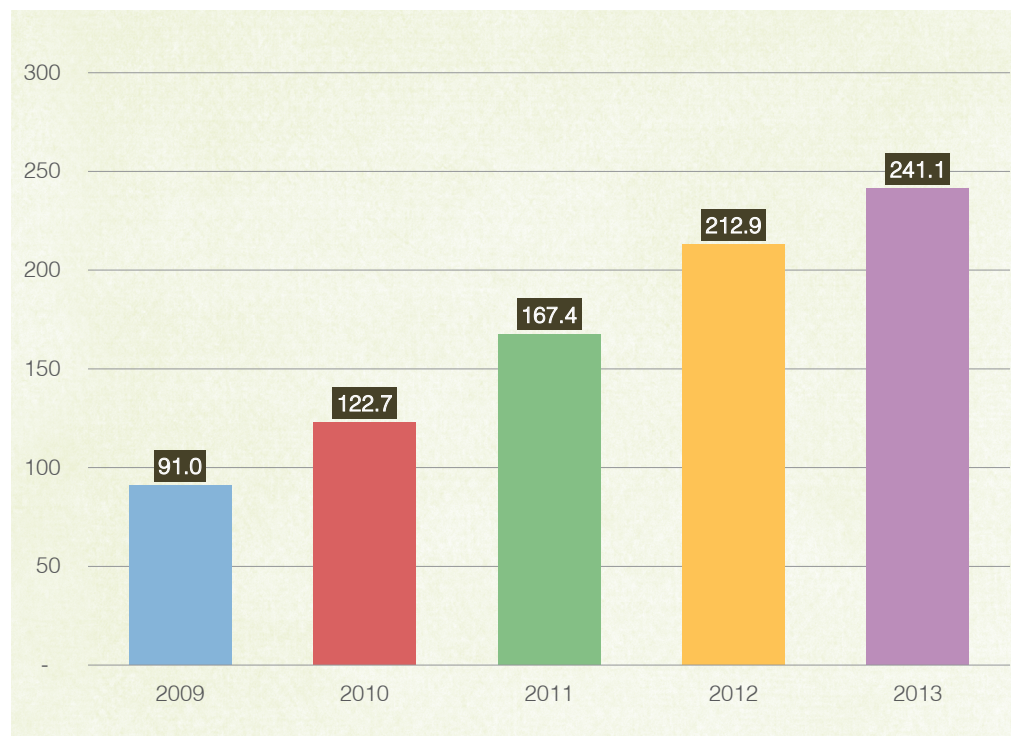
ORGANIC AGRICULTURE

Organic agriculture is a priority of the Armenian government's agro-food policy and is part of Armenia's sustainable development concept. Organic farming is an excellent business opportunity for farmers and investors involved in agriculture and food production.

There is a growing market in Armenia for organic products. A number of food processors have already invested in organic orchards and certification. Consumer prices of organic products are typically 20-25% higher than non-organic counterparts. ►

ESTIMATED TO BE WORTH USD 900 MILLION, ARMENIA'S FOOD PROCESSING SECTOR IS ONE OF THE LARGEST INDUSTRIES IN ARMENIA, DIRECTLY EMPLOYING ABOUT 21,000 PEOPLE

FIGURE 3. EXPORT OF PROCESSED FOOD DURING 2009-2013, USD MILLION



SOURCE: NSS OF THE RA; 2014

Of 1,100 hectares of organically certified areas in Armenia, 600 hectares are agricultural land, and the rest is for wild collection and conservation areas. The main organic agricultural activities include the production of fruits, berries, alfalfa, grains and vegetables, along with the collection of wild species and beekeeping. The main local organic products are juices, nectars, concentrates, purees, quick frozen products, bread and honey. There are 13 certified organic farms and seven certified organic processing and import enterprises in Armenia.

The main public agencies involved in organic agriculture are the Ministry of Agriculture, Forest Agency, Ministry of Nature Protection, Agency for the Management of Natural Resources and Ministry of Economy. The Ministry of Agriculture is in charge of developing and enforcing policy and legislation on organic agriculture. The Law “On Organic Agriculture”, adopted in 2008, is based on the Codex Alimentarius organic guidelines and EU organic regulations. The law dictates the process of organic production and the main provisions on labelling

requirements for organic products.

The certification body ECOGLOBE is one of two certification bodies in the whole EECCA region that has achieved international recognition (acceptance in both EU and U.S. markets). ECOGLOBE is accredited by DAkkS1 according to EN45011 and EU regulations 834/2007 and 889/2008. ECOGLOBE is also an Accredited Certifying Agent of the U.S. National Organic Program. In addition, there are several non-governmental organizations (NGO) in Armenia that promote and support organic agriculture.

It is expected that sales of Armenian organic products may reach USD 100 million in 2020, the main export markets being Russia and European Union. In ten years, the domestic market is expected to consume 10 to 20 percent of Armenia's organic products, while 80 to 90 percent will be exported. Investment in organic agriculture, both local and foreign private investment, is growing in many regions of Armenia. Foreign investment comes mainly from the Armenian diaspora in Russia, USA, and Europe. ■

**ARMENIA HAS A
LONG ESTABLISHED
TRADITION OF
PRODUCING HIGH
QUALITY PROCESSED
FOOD**





PACKAGING PROCESS AT SPAYKA LLC

**BUSINESS
ENVIRONMENT
FOR ARMENIA'S
FOOD PROCESSING
SECTOR
19-54**

QUALITY STANDARDS



As a WTO member, Armenia has joined the main international agreements concerning food safety and is taking measures on plant diseases, pests and animal diseases, as specified by the International Plant Protection Convention (IPPC) and the World Organization for Animal Health (OIE).

Armenia has been a member of the Codex Alimentarius Commission since 1994, and is also a member of the International Organization of Standardization (ISO). Armenia became a party to the IPPC in June 2006. Armenia became a member of the OIE in 1997.

In 2011, Armenia adopted a strategy and action plan to bring its food safety system into line with EU standards. Armenian food legislation includes the Law “On Food Safety,” the Law “On Veterinary Medicine,” the Law “On Animal Feeding,” the Law “On Phytosanitary Measures,” the Law “On Trade and Services,” the Law “On Ensuring Sanitary and Epidemiological Safety of the Population,” the Law “On Ensuring Uniformity of Measurements,” the Law “On the Protection of Consumer Rights,” the Law “On Standardization,” the Law “On Conformity Assessment,” and the Law “On Organizing and Implementing Inspections in the Republic of Armenia.” There are also relevant secondary legislative acts on food hygiene, fish products, technical rules on food additives, hazard analysis of food stuffs, veterinary drugs and phytosanitary registration.

The Armenian food safety system is guided by the following standards: Armenian (AST), international (ISO), European (EN) and Interstate (GOST). These standards cover: plant and animal food production; food storage, packaging, transportation, labeling and other stages of the production chain; quality and safety requirements; test methods; and, elimination of hazards.

Recently, Armenia began to introduce quality management standards, such as HACCP and SPS, aimed at capacity development, harmonization of regulations, and increased competitiveness, sales and exports. This effort was supported by international donor organizations, most notably USDA, IFC and the EC.

Armenia has agreements with CIS countries, Georgia, Iran, Bulgaria, Romania, India and China on cooperation in the fields of standardization, metrology and certification as well as on conformity assessment of imported and exported products.

LICENSING

The law “On Licensing” requires businesses to be licensed for the production of distilled alcoholic beverages, ethyl spirit from fermentation substances, wines from grapes, apples or other fruits or berries, and beer.

Licenses for the production of distilled alcoholic beverages (with certain exceptions listed below) and for the production of ethyl spirits from fermentation substances are issued by the Ministry of Agriculture, according to Decree No. 968-N of the Government of Armenia adopted on August 2, 2012.

In order to obtain a license, the applicant must include in their application a declaration on the availability of laboratory for chemical and technological control of the products. Applicants may submit required documents either by visiting the Ministry of Agriculture, or through the online licensing system (www.e-gov.am/licenses).

Assuming there is no reason to reject an application for a license, the Ministry of Agriculture issues the license within 23 working days of receiving the application. These licenses are for an unlimited term. ►

LICENSES FOR PRODUCTION OF DISTILLED ALCOHOLIC BEVERAGES ARE ISSUED WITHIN 23 WORKING DAYS OF RECEIPT OF THE APPLICATION

Licenses for producing the following products are issued by the Ministry of Finance and are for an unlimited term:

- Liqueurs classified under code 220870 of the General Nomenclature of Foreign Economic Activity (GN FEA) and other spirituous beverages with an alcoholic strength of 9% vol. or less as classified under code 220890;
- Wines from grapes, apples or other fruits or berries;
- Distilled alcoholic beverages with an alcoholic strength of 40% vol. or more made from fruits and berries only (except for grapes) and classified under code 2208 of the GN FEA; and,
- Beer.

In order to obtain a license, applicants may submit the application and required documents either by visiting the Ministry of Finance, or through the online licensing system

(www.e-gov.am/licenses). The Ministry of Finance issues the license within 16 working hours of receiving the application and all required documents.

QUALITY CONTROL AND CERTIFICATION INSTITUTIONS

Three institutions are mainly responsible for food control in Armenia:

- The Ministry of Agriculture, with its State Service for Food Safety (SSFS), is the state authority for food control. SSFS has three inspectorates: the Veterinary Inspectorate, the Phytosanitary Inspectorate, and the Food Safety and Quality Control Inspectorate. SSFS has 11 regional centers and nine border inspection posts, including at the main airport;
- The Ministry of Health, with its State Health Inspectorate; and,
- The Ministry of Economy, with its National Institute of Standards. ▶

TABLE 5. STATE DUTIES FOR OBTAINING LICENSES IN ARMENIA

Type of license	State duty (AMD)
For the production of distilled alcoholic beverages (except for liqueurs classified under code 220870 of the GN FEA, other spirituous beverages with an alcoholic strength by 9% vol. or less as classified under code 220890, as well as production of distilled alcoholic beverages with an alcoholic strength of 40% vol. or more made from fruits and berries only (except for grapes) as classified under code 2208) and for the production of ethyl spirits from fermentation substances	AMD 15,000,000 per year (approx. USD 36,600)
For the production of liqueurs classified under code 220870 GN FEA and other spirituous beverages with an alcoholic strength of 9% vol. or less as classified under code 220890	AMD 1,000,000 per year (approx. USD 2,400)
For the production of wines from grapes, apples or other fruits or berries	AMD 25,000 per year (approx. USD 60)
For the production of distilled alcoholic beverages with an alcoholic strength of 40% vol. or more made from fruits and berries only (except for grapes) and classified under code 2208 of the GN FEA	AMD 50,000 per year (approx. USD 120)
For the production of beer	AMD 500,000 per year (approx. USD 1,200)

LICENSES FOR PRODUCTION OF LIQUEURS, WINES FROM GRAPES, APPLES OR OTHER FRUITS OR BERRIES, DISTILLED ALCOHOLIC BEVERAGES MADE FROM FRUITS AND BERRIES (EXCEPT FOR GRAPES), AND BEER ARE ISSUED WITHIN 16 HOURS OF RECEIPT OF ALL REQUIRED DOCUMENTS

State Service for Food Safety of the Ministry of Agriculture (www.sfs.am) is the state regulator of food safety, veterinary and phytosanitary in Armenia. The Service's activities are prescribed by the laws "On Veterinary Medicine," "On Phytosanitary Measures," "On Conformity Assessment," among other legislative acts. The core functions of the Service are:

Control

- Compliance of food, food contact materials and food additives, raw materials of animal origin, feed, feed supplements, feed mixtures and feed additives, plants and plant production
- Compliance of phytosanitary documents provided by exporting countries during importation into Armenia, as well as compliance with requirements for the transportation of plants and products of plant origin and other regulated items
- Export, import, maintenance, transportation, marketing, and use of pesticides and fertilizers, as well as compliance with requirements of phytosanitary norms and rules
- Plant protection and quarantine activities on land and in production, commercial and storage places
- Pest control activities after the evaluation of monitoring results and phytosanitary situation
- Import, export, transit, domestic transportation, production, processing, maintenance and marketing of animals, food and raw materials of animal origin, feed, feed additives and veterinary medicine
- GMO food, food contact materials, food additives, plants, plant products and regulated items during import, export, marketing and production
- Provision and registration of, and application for, veterinary and food safety certificates
- Compliance with requirements of normative documents concerning

food safety in all phases of food production, maintenance, transportation, processing and marketing

- Compliance with the requirements of compliance assessment and marking in import, export, production, maintenance, transportation, processing and marketing of food, food contact materials, feed, complementary feed, feed additives and feed mixtures
- Compliance with requirements for the quality, safety, and consistency in import, export, production, maintenance, transportation, processing and marketing of plants, plant products and regulated items

Analysis

- The condition of agricultural, decorative and forest plants, providing information to the government and local self-governing bodies (if necessary), as well as other physical and legal entities, about the detection of hazardous organisms and the application of complex control measures

Permission and consultation

- Provides permission to physical and legal entities for the import of plants, plant products, regulated items, pesticides and fertilizers, as well as grants phytosanitary certificates of import, export and re-export of plant, plant products and regulated items
- Conducts state phytosanitary registration of physical and legal entities involved in the production, sale, import and export of plant products and regulated items
- Maintains database on the detection of hazardous organisms
- Provides consultation on herd management, operation of barns, and agreements for permission of barn construction; controls ►

**ARMENIA HAS BEEN
A MEMBER OF CODEX
ALIMENTARIUS
COMMISSION
SINCE 1994**

maintenance of zoo hygiene and veterinary-sanitary norms and standards

The Service also assists in HACCP introduction and its control. A detailed description of the functions and activities performed by the Service can be found on its website.

The State Health Inspectorate of the Ministry of Health of Armenia. The main objective of the Inspectorate is sanitation and epidemiological control in Armenia. It has an important role in the implementation of the Protocol on Water and Health, whose main objectives are reducing water-borne diseases to ensure a safe drinking ►



water supply, improving discharge services, and protecting water sources from pollution.

The general requirements for sanitary-epidemiological safety of Armenia's population from water-borne diseases are specified in the law "On Provision for Sanitary-Epidemiological Safety of Republic of Armenia Population", as well as other laws, several Government Resolutions, and inter-agency decisions.

The Inspectorate may impose sanctions for breach of healthcare, work safety and labor legislation standards and provisions.

The National Institute of Standards

(www.sarm.am) is a standardization body under the jurisdiction of the Ministry of Economy of Armenia. A state Closed Joint Stock Company (CJSC), the Institute works on the development, research, publication and dissemination of national (AST), interstate (GOST) and international (ISO, EN, CEN) standards. Scientific and methodical work in the field of standardization are an important part of the Institute's activities, which include conformity assessment, standardization, laboratory testing, training and qualification.

The national accreditation body accredited the Institute as a certification body in the fields of food and non-food products, services, quality management systems (ISO 9001), and environmental management systems (ISO 14001). Recently, the Institute has been enlarged, adding to its main center in Yerevan three regional branches in the northern, eastern and southern regions of Armenia, with about 10 different testing laboratories, allowing it to ensure the highest quality and efficiency in providing conformity assessment services in Armenia.

The National Institute of Standards maintains a database of standards of the Republic of Armenia, which contains ISO, GOST, EN, AST and other

state standards. An electronic database system of implemented standards enables organizations and persons to obtain normative documents needed for their business.

The National Institute of Standards operates a Training Center with top rated trainers and experts in Armenia. It provides training for Armenian experts and checks their qualifications in the fields of standardization, metrology and conformity assessment.

Armenia established a risk assessment center, comprised of a network of specialized laboratories and trained staff. Risk assessments are performed by two bodies: the Scientific Center on Risk Assessment and Analysis in the Field of Food Safety, which is a state non-commercial organization under the SSFS, and the Information-Analytical Center for Risk Assessment of Food Chain of the National Academy of Sciences of Armenia. Inspections of food production and plants are conducted annually through examinations and interviews. These inspections include monitoring the production process, analyzing results, and evaluating and disclosing risks. In the event of violations, administrative penalties are imposed in accordance with the Code "On Administrative Offences".

SUPPORTING INSTITUTIONS

There are a number of regional farmer associations supporting local farmers, creating favorable conditions for agricultural development in the regions, protecting farmers' rights, and promoting cooperation with other organizations and value chain players.

The Agricultural Support Republic Center CJSC (ASRC, www.asrc.am)

was established by the Armenian government in 2002. It provides agricultural extension and information services to farms throughout Armenia. ASRC cooperates closely with marz Agricultural Support Centers (ASC), ►

**THE NATIONAL
INSTITUTE OF
STANDARDS IS A
MEMBER BODY OF
THE ISO SINCE 1997**

local self-governance bodies, research centers, agricultural and agribusiness enterprises, and a number of international agencies.

The main goal of ASRC is to facilitate and support capacity building for researcher, advisor and farmer links by providing hands-on information and advice on the latest research and technology achievements. ASRC, jointly with ASCs and researchers active in the agrarian sector, have implemented more than 1,000 participatory projects based on surveys conducted by ASCs on priority research needs. The results were provided to farmers through fact sheets, AgroLratu newspaper, AgroGitutyun magazine, and Agro-TV programs on a regular basis. Information on technology assessment programs, together with data on researchers, is maintained in ASRC's database.

The Federation of Agricultural Associations Union of Legal Entities

(FAA, www.faa-ule.am) was established on December 29, 2001 by the initiative of eight local Farmers Organizations in Armenia. At present, FAA has 23 member associations, representing more than 1,400 farmers. The member associations are registered as Consumer Cooperatives.

The main activities of FAA are:

- Representing the interests of its members and protecting their rights when dealing with other organizations including judicial bodies and government organizations;
- Providing training and consulting sessions for its member organizations and their farmers;
- Establishing centralized systems of data collection and analysis, consulting, and providing legal services;
- Financing and investment services, supplying inputs and equipment for agricultural production, and product marketing; and,

- Contributing to the development and utilization of new technologies and innovations in agriculture.

Armenian Agrarian Peasants' Union

The Union mandate is to: promote reforms in agriculture and farming; coordinate efforts of members to improve the quality of agricultural products and their marketability; promote cooperation for the realization of agricultural products and encourage small and medium enterprise development in rural areas; develop marketing relationships; inform members about tax regulations; implement projects for economic development of rural communities; and, provide information and training to its members.

SATSIL Seed Producers Association

SATSIL's mission is to unite seed producers in Armenia and improve the quality of seed supplied to farms and individual farmers, as well as to promote application of new technologies in agriculture.

Association of Dried Food Producers

(www.driedfood.info.am)

The Association of Dried Fruit Producers was established in 2003 and unites 52 organizations producing dried food. The organization's mission is to support the development of dried food production in Armenia, installment of modern technologies, and protection of producers' and consumers' interests in foreign and domestic markets. The main activities of the association are:

- Developing a data bank that can summarize and expand the experience of leading producers;
- Organizing tasting sessions of dried food;
- Providing support to members for participating in fairs, conferences and other events abroad;
- Providing training and consulting sessions for dried food producers operating in all regions of Armenia; and,
- Carrying out marketing studies and providing marketing services. ■

**THE NATIONAL
INSTITUTE OF
STANDARDS
IS A PARTNER
STANDARDIZATION
BODY OF THE CEN
SINCE 2007 AND
AFFILIATE MEMBER
SINCE 2008**



BRANDY DISTILLER AT YEREVAN
BRANDY COMPANY



PACKAGING AND LABELING REQUIREMENTS



Labeling and packaging requirements are regulated by the Law “On Food Safety” and by the technical regulations for specific products.

Labeling for foodstuff, materials in contact with food and food additives produced, processed and packaged in the Republic of Armenia must be in Armenian. The labeling must contain the following information:

- Name, net weight or volume if pre-packaged;
- List of the main ingredients;
- List of the food additives;
- Day, month and year of production, storage terms, special instructions for storage (if any) and the date of minimum durability;
- Instructions for use of the foodstuff, materials in contact with food and food additives (when it would be impossible to make an appropriate use in the absence of such instructions), special conditions of use (if any), information about contraindications (if any);
- Contact details of the manufacturer;
- Country of origin of the foodstuff;
- Materials in contact with food and food additives;
- Alcoholic strength by volume for alcoholic beverages;
- Nutritional value of foodstuff for particular purposes; and,
- Information on “genetically modified food” if applicable.

Labeling of foodstuff, materials in contact with food and food additives imported into Armenia must contain relevant information as determined by the Armenian Government. The labels may not be modified unless the ingredients of the product have been modified. The information on the package, label, additional labels or inserts must be understandable and accurate.

The packaging of foodstuff, materials in contact with food and food additives must ensure safety and prevent contamination at all stages of production and circulation. The label

must indicate the shelf life for foodstuff. Armenian law forbids the marketing of any foodstuff with damaged packaging.

DOCUMENTED FOOD SAFETY PACKAGING MATERIALS

No packaging materials in contact with food or food additives may be imported, incorporated into production or placed on the market in Armenia unless the following documents proving their safety are provided:

- Certificate of conformity or declaration of conformity
- Accompanying veterinary sanitary documentation for materials of animal origin

Packaging materials in contact with food and food additives placed on the market in Armenia are subject to compulsory certification of conformity with the law. The list of the products and services subject to compulsory certification of conformity is approved by the Government of Armenia.

Unsafe packaging materials in contact with foodstuff and unsafe food additives may not be produced, imported, or placed on the market. If discovered, they are withdrawn from the market, separated, registered, stored and analyzed. ■

**LABELING FOR
FOODSTUFF,
MATERIALS IN
CONTACT WITH FOOD
AND FOOD ADDITIVES
PRODUCED,
PROCESSED AND
PACKAGED LOCALLY
MUST BE IN
ARMENIAN**



DISTRIBUTION AND LOGISTICS



Collection of raw material for food processing varies greatly from sector to sector and depends on remoteness, prices and volume. Wine and brandy companies usually procure directly from farmers located around the processing sites. Some companies have established primary processing facilities next to grape production areas around the country. Milk for dairy production is collected through collection points located around Armenia, which are owned by the milk processing companies or by farmer cooperatives. Transportation of milk to the processing site is handled by the processing companies. Fruits and vegetables are supplied depending on the type of produce, volume, price and seasonality.

Raw materials are supplied by middlemen, the company's collectors or by the farmers, but approximately 80% of all fruits and vegetables are supplied by the farmers. More than 90% of local meat production uses imported meat, with only a small volume of local beef used for traditional products, such as basturma and sujukh. Beef and pork meat used for production is imported from India, Brazil, Italy and other countries by locally-based companies.

The distribution of ready products within Armenia is handled by the producing companies regardless of the sector they represent. Each company has its own distribution network around Armenia. Smaller companies unify their capacities to minimize costs in reaching remote regions.

There are more than 100 international and local companies offering logistics and freight forwarding services, including land, railway, sea and air transportation to and from Armenia. Among the international companies are UPS, DHL, South Caucasus Railway, TNT, Austrian Airlines and Czech Airlines. Some

larger companies, such as Apaven, also offer warehousing and customs brokerage services. More information about freight forwarding companies and the services they offer can be found through the Armenian yellow pages (www.spyur.am).

Spayka LLC (www.spayka.am) is one of the biggest companies in Armenia offering cargo and international freight forwarding services for local companies. Established in 2001, Spayka LLC started as a cargo and international freight forwarding services provider, but since 2009 has been involved in the collection, consolidation, packaging and export of fresh fruits and vegetables. Spayka has also begun producing packaging materials from polystyrene foam. In 2011, the company started to produce canned food, primarily for the export market. Spayka plays an important role in the fresh fruits and vegetables value chain. Currently, the company's products are represented by the following brands:

- Spayka Transport: freight forwarding services to CIS and EU states by vehicles meeting international standards (VOLVO and IVECO); any type of cargo transportation, from perishables to special-purpose out-of-gage loads;
- Spayka Plastic: production of polystyrene and polypropylene boxes, euro pallets and thermo-insulating sheets of various sizes;
- AraratFruit: fresh and processed fruits and vegetables for CIS and EU markets; and,
- AraratFood: more than 60 varieties of pickles and preserves from local fruits and vegetables; the company uses Italian equipment for canned production to ensure high quality. ■

**MORE THAN 100
INTERNATIONAL AND
LOCAL COMPANIES
OFFER LOGISTICS
AND FREIGHT
FORWARDING
SERVICES IN
ARMENIA**

TAX AND CUSTOMS REQUIREMENTS



TAXATION

The tax system in Armenia is generally favorable for business. Under Armenia's tax structure most taxes are federal and are paid directly to the budget, unlike the tax systems in several other CIS countries. Armenia has seven main taxes: value added tax (VAT), profit tax, income tax, property tax, land tax, the so-called turnover tax, and excise. Local budgets receive revenue only from taxes on property in municipalities, several duties and local payments, and federal budget subsidies. More detailed and comprehensive information on Armenia's taxation system is presented in the "Investment Guide • Armenia 2013".

According to a PwC report entitled "Paying Taxes 2014," Armenia reduced the number of payments for vehicle, land and property tax, has introduced a mandatory electronic filling and payment system, and has reduced the frequency of tax payments from monthly to quarterly payments, all of which have made tax compliance easier for firms. As of 2012, Armenia is party to 35 double-tax treaties. The VAT rate is 20 percent.

CUSTOMS REQUIREMENTS

The Ministry of Finance of the RA is responsible for tax collection and customs administration. Customs regimes and procedures are defined by the Customs Code and other legal acts. Armenia has been a member of the World Customs Organization since 1992.

Armenia is in the process of modernizing its customs administration. Thus far, the online customs declaration system has improved efficiency and an upgrade of the customs software system has simplified and expedited certain customs procedures related to valuation.

The Armenian Customs Tariff applied in 2013 is based on HS2007 classification. Import duties are levied on the c.i.f. (cost/insurance/freight) value of goods. Armenia applies MFN tariffs to all WTO Members. The average applied MFN tariff rate was 3.5% as of 2012. Based

on the WTO definition, the average applied rate for agriculture was 7%. Approximately 30% of tariff lines for agricultural products are duty-free. Maximum applied tariff for agricultural products is 10%. Armenia does not have tariff quotas or restrictions on quantities of imports or exports (source: WTO).

According to the World Bank's Doing Business Project 2014, it took an average of 16 days to complete Armenian export customs procedures in 2013.

Detailed information related to Armenia's customs code and regulations is presented in the "Investment Guide • Armenia 2013".

Food products are exported in accordance with the import requirements of the importing country, and are allowed as long as the exporter has a safety certificate issued by the SSFS. To be certified, products must undergo laboratory analysis carried out by the Republican Veterinary and Phytosanitary Laboratory Services Center State Non-commercial Organization (SNCO) of the RA. The analysis is completed within three days. The state duty for the analysis is AMD 35,000-90,000, VAT excluded.

Imported products must meet veterinary-sanitary, phytosanitary and veterinary requirements. The import of food and foodstuffs that are subject to veterinary control are controlled by the SSFS through its border control points operating in all customs houses and entry-points of Armenia.

For checks on the consignments of imported food products and food of animal origin, and for analyzing the accompanying documents, the following fees are charged:

- AMD 1,000 for 500-1000 kg weight
- AMD 300 for each ton in excess of one ton
- No fee for up to 500 kg weight ▶

TWENTY-FIVE ORGANIZATIONS FROM VARIOUS SECTORS OF THE ARMENIAN ECONOMY RECEIVED TAX PRIVILEGES FROM 2009 TO 2013

THE AVERAGE APPLIED TARIFF RATE FOR AGRICULTURE WAS 7% IN 2012

Importation and use in production or selling of any food product, food additives and materials intended to come into contact with foodstuffs, is strictly prohibited without accompanying documents substantiating their safety and traceability. The ability to track the movements of the food additives, substances in contact with food, livestock feed and initial production output at all stages of the food chain is required.

All imported food products whose labeling contains the word “organic” or equivalent words such as “ecological”, “ecologically pure”, “biological” or their short versions, “eco” and “bio”, or any other forms, must be accompanied by original copies of the organic certificate for imported organic food, issued by the last certified body of the exporting country.

The importation of food consignments that have the “organic” label but not the accompanying certificate with all required information, or of batches that don't have organic certification at all, is strictly prohibited.

Fresh and processed fruits, vegetables and berries are exported in accordance with the phytosanitary and food safety requirements of the importing country. Exportation from Armenia is allowed as long as the exporter has a phytosanitary certificate, which is issued for every consignment by the SSFS. If the phytosanitary passport is presented, the certificate is issued immediately. If not, the consignment undergoes a careful examination, which lasts three days, before the SSFS issues the certificate. If necessary, the Republican Veterinary and Phytosanitary Laboratory Services Center SNCO will conduct a laboratory analysis. Fees (VAT excluded) for these analyses are:

- AMD 75,000 – for fresh, dried, frozen, salted, marinated, pickled products
- AMD 80,000 – for canned food
- AMD 85,000 – for juices and juice products

The phytosanitary certificate is issued free of charge and is valid for 14 days from the day of issuance. ■

ACCORDING TO THE WORLD BANK DOING BUSINESS REPORT 2014, IT TOOK ONLY ONE DAY TO COMPLETE ARMENIA'S EXPORT CUSTOMS CLEARANCE PROCEDURES IN 2014

EXPORTATION OF FRESH AND PROCESSED FRUITS, VEGETABLES AND BERRIES FROM ARMENIA IS ALLOWED AS LONG AS THE EXPORTER HAS A PHYTOSANITARY CERTIFICATE



HUMAN RESOURCES AND LABOR COSTS



The population of Armenia is approximately 3.03 million, and Yerevan, the capital, is the largest city with 1,066,300 inhabitants.

Armenia has a relatively large pool of workers, with a reported labor force of 2.26 million in 2012, and a labor force participation rate of 83%. Thirty four percent of the Armenian workforce is in Yerevan, and workers continuously migrate from rural to urban areas in search of jobs. About 65% of the workforce is urban. Thirty-seven percent of the workforce is involved in agriculture, and 45% in the service sector. Six percent of the workforce is involved in construction.

Armenia's manufacturing and service sector workforces are well qualified, with 23% percent of all employed persons having secondary specialized education, and 21% graduating from higher education institutions.

One of the key investment advantages of Armenia is well educated, skilled, easily trainable and creative workforce, increasing every year with new graduates from Armenia's internationally recognized universities.

Armenia provides a quality public education, particularly in the specialties of agriculture, IT, and technical and engineering professions. Armenia has more than 140 vocational educational institutions and 65 higher educational institutions, which provide approximately 100,000 new specialists annually.

Due to the economic recession the

unemployment rate in Armenia is still high, with more than 225,500 unemployed in the country, a rate of 16.2% (National Statistical Service, 2013). There is thus a significant labor pool available to start-ups and newly established businesses.

LABOR COSTS

The labor cost for an employee depends heavily on location, industry, education, level of experience and language skills. English-speaking graduates tend to earn higher wages.

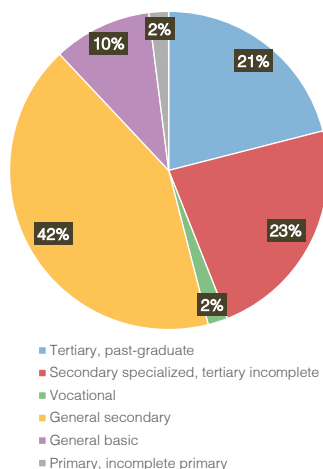
Salaries are paid at least once a month. Social contributions and personal taxes are withheld by the employer. Wages and other payments to Armenian employees must be paid in the local currency, dram (AMD).

As of January 2014, the minimum monthly salary in Armenia was AMD 45,000 (USD 110). The minimum salary level is increased on a regular basis.

According to the National Statistical Service, in 2013 the average monthly salary in Armenia's agricultural sector was AMD 100,751 (USD 246) and in manufacturing, including the food-processing sector, AMD 149,141 (USD 364). The average monthly salary in Armenia was AMD 158,967 (USD 388).

Average managers' wages in the agricultural sector were 86% higher than regular employees; in the manufacturing sector managers' wages were 2.4 times those of regular employees. ■

FIGURE 4. DISTRIBUTION OF WORKFORCE BY EDUCATION



SOURCE: NSS OF THE RA

TABLE 6. AVERAGE MONTHLY WAGES BY SECTORS, 2009-2013, AMD

	2013	2012	2011	2010	2009
Armenia	158,967	113,163	108,092	102,652	96,019
Agriculture	100,751	83,636	70,099	72,853	72,867
Manufacturing	149,141	110,977	101,546	100,324	91,214

SOURCE: NSS OF THE RA; 2014



HAND-HARVESTING OF GRAPES FOR
WINEMAKING

RESEARCH AND EDUCATION



The Ministry of Agriculture of the Republic of Armenia is developing an agricultural research, education, and extension system to ensure adequate improvement in the food and agriculture sectors. The key objective is to determine the priority directions of agrarian science and research, taking into consideration the peculiarities of Armenian agriculture, existing resources, research potential, goals of socio-economic development, and the international best practice and development trends.

Seven research institutions operate within the Ministry of Agriculture system. They are staffed by 249 research workers including 25 with doctor's degrees and 122 with candidate's degrees.

These research centers closely collaborate with a number of international research centers (CGIAR, ICARDA, CIMMYT, IPGRI, ISNAR, AZJRO, CIP), as well as with research organizations from Greece, Iran, Egypt, and other countries.

EDUCATION

The Armenian National Agrarian University (ANAU) is the only higher education institution providing Armenia's agro-food sector with university-degree specialists.

Eight state colleges operating in seven marzes, including Yerevan, offer bachelor's degrees in the agro-food field. In six state regional colleges (Kotayk, Ararat, Lori, Gegharkunik, Shirak and Syunik) the courses are designed based on regional agricultural and production peculiarities. Five colleges (Masis, Goris, Vanadzor, Gavar and Nor Geghi) offer vocational training.

Some new specialties have been introduced in recent years to meet the demand of agro-food enterprises, including Quality Examination of Consumer Goods; Canning and Food Concentrates Technology; Agrarian Management; Fermentation Technology

and Winemaking; Meat and Meat Product Technology; Translation and Customs Service; Calculus and Automated System Software.

The state colleges offer the following bachelor degree courses:

- Merchandising;
- Forestry and forest economy;
- Canned food technology;
- Meat and meat production technology;
- Construction and management;
- Land management;
- Agriculture;
- Veterinary;
- Agriculture machinery;
- Agriculture machinery and equipment management;
- Land improvement, soil and water resource protection;
- Consumption food quality expertise;
- Transportation and logistics;
- Management;
- Economy, accounting and audit;
- Finance;
- Law; and,
- Translation and customs brokerage.

Vocational training courses are agricultural technical support and computer knowledge.

State colleges:

- Yerevan State Agriculture College
- Nor Geghi State Agriculture College After Academician G. Aghajanyan
- Gavar State Agriculture College After Academician A. Tamamshei
- Stepanavan State Agriculture College After Professor A. Kalantar
- Vanadzor State Agriculture College
- Shirak State College After Academician M. Tumanyan
- Goris State Agriculture College After Professor Kh. Yeritsyan
- Masis State Agriculture College

Among the mentioned-above educational institutions, the Agribusiness Teaching Center (ATC) plays a special role in preparing specialists to meet today's market economy challenges. ■

**SEVEN RESEARCH
INSTITUTIONS, ONE
HIGHER EDUCATION
INSTITUTION
AND EIGHT STATE
COLLEGES OFFER
EDUCATION AND
RESEARCH ACTIVITIES
IN ARMENIA'S FOOD
PROCESSING SECTOR**



QUALITY CONTROL LABORATORY

H. PETROSYAN RESEARCH CENTER FOR SOIL SCIENCE, AGROCHEM- ISTRY AND MELIORATION

CONTACTS

Director:

Hunan Ghazaryan

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24 Isakov Street,
Yerevan, Armenia

Phone:

(+374 10) 778890

Established in 1958, the center is involved in wide-ranging soil research in Armenia, including the classification of soil types based on genetic-geographical properties. Two hundred twenty eight soil groups were distinguished, described, classified and mapped by the Petrosyan Center. The technology of chemical melioration of saline-alkali soils developed by the Center has received worldwide recognition. The Center has developed and proposed soil protection and fertility enhancement measures, regularities for the rational use of macro- and micro-bacterial, organic and other fertilizers and growth stimulators. The Center's research subjects include no-till technology application, methods of re-cultivation of depredated and man-caused polluted lands, and the dynamics of organic carbon dependence on global processes of desertification and climate change.

"FOOD SAFETY RISK ASSESSMENT AND ANALY- SIS SCIENTIF- IC CENTER" SNCO

CONTACTS

Director:

Kh. Sargsyan

Address:

107/2 Masis Street,
Yerevan, Armenia

Phone:

(+374 236) 61462

Founded in 2011 by joining the Research Center for Animal Husbandry and Veterinary Services and the Scientific Center of Agriculture and Plant Protection. The Scientific Center consists of the following subdivisions:

- Animal health subdivision;
- Food and feed safety subdivision;
- Plants health subdivision; and,
- Animal breeding subdivision.

The animal husbandry department is involved in preserving gene pools of cattle, sheep, pigs and birds, improving animal productivity, and developing feed production. The Center's veterinary department is involved in studying viral diseases of agricultural animals, including microbiology and cell culture, as well as diagnosis and treatment of infectious diseases. The Center also examines biological preparations, provides means of diagnostics, and trains research personnel.



"REPUBLICAN VETERINARY- SANITARY AND PHYTOSANITARY LABORATORY SERVICE CENTER" SNCO

CONTACTS

Director:

Arman Gevorgyan

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Yerevan, Armenia

Phone:

(+374 10) 454031

The Center controls animal origin and foodstuff, foodstuff laboratory analysis, monitoring of animal diseases after vaccination, and quality of medicine and vaccines procured in Armenia. It is the only organization in Armenia providing laboratory analysis of animal diseases, animal origin foodstuff, and food safety. The Center has 282 employees, including scientists and researchers. The Center provides services in all marzes and regions of Armenia and border checkpoints. The Center has the following departments:

- Veterinary research laboratory;
- Food safety research laboratory;
- Phytosanitary research laboratory;
- Regional laboratories (10); and,
- Border control points (Bagratashen, Agarak, Bavra, Tashir, Ayrum).

RESEARCH CENTER FOR VITICULTURE, HORTICULTURE AND WINEMAKING

CONTACTS

Director:

Firdus Harutyunyan

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Armavir marz,
Armenia

Phone:

(+374 10) 734321
(+374 10) 777549

Founded in 1927, this research center has received over 150 certificates of ownership for creating new grape varieties and over 100 certificates of ownership for new fruit varieties. The Center was also awarded a copyright license in 2006 for producing vintage wines, and two licenses for aging of brandy spirits in 2008 and 2009. The Center regularly publishes guides and research books on viticulture and grape growing. The Center's specialists have developed the draft law of the Republic of Armenia "On Alcoholic Beverages Produced from Grape Raw Product" and 80 sub-legislative acts related to alcoholic beverages from grapes.

RESEARCH CENTER FOR VEGETABLE AND TECHNICAL CROPS

CONTACTS

Director:

Gayane Sargsyan

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Ararat marz, Armenia

Phone:

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E-mail:

biotechlab01@yahoo.com

Website:

www.rcvc.agro.am

This research center was initially established as a Pedigree Seed Production National Station in 1949 by famous plant breeder Anahit Ananyan. It was renamed in 1998 as the Research Center for Vegetable and Technical Crops. The Center has 27.5 hectares of land, 21 of which are arable. The Center currently has five departments and a biotechnology laboratory, and offers over 80 varieties and hybrids of vegetable and melon crops. Variety trials have been implemented to introduce high-value, non-traditional crops like Brussels sprouts, Chinese cabbage, Beijing cabbage, broccoli, kohlrabi, and others. The Center cooperates with international agencies such as AVRDC, ECPGR and others.

RESEARCH CENTER FOR AGRICULTURE AND PLANT PROTECTION

CONTACTS

Director:

Hrachya Hovsepian

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Street, Echmiatsin,
Armavir marz,
Armenia

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(+374 231) 53454,
(+374 231) 52320

Established in 1926 in Vagharshapat, Armavir marz, this center is involved in selection, seed breeding, agro chemistry, biochemistry, agro technology, physiopathology and pesticide residues studies. The Center mainly focuses on the development of more efficient crop technologies for short crop rotations, legumes production, mineral fertilizers, and pest, disease and weed management. The Center cooperates closely with international organizations such as ICARDA, CIMMYT, ICRISAT, IPGRI and others, experimenting with winter wheat, winter barley, chickpea, lentil, soybean, peanut, and other crops. Some of the resistant and productive varieties are introduced to local farmers.

RESEARCH CENTER FOR AGROBIO- TECHNOLOGIES

CONTACTS

Director:

Hrachya Hovsepian

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Yerevan, Armenia

Phone:

(+374 10) 524541

In 2004, the Biotechnological Laboratory, which had previously functioned within the Research Center for Agriculture and Plant Protection, became the separate and independent Research Center for Soils Science, AgroChemistry and Melioration. In 2005, the Ministry of Agriculture established the Gene Bank of Plant Genetic Resources within this Center. The Center's mandate includes mass propagation of virus-free potato planting material by use of tissue culture; development and application of biotechnological methodologies for rapid propagation of prospective crop varieties represented by single samples; immunodiagnosics of plant viruses; collection, evaluation and storage of PGRFA accessions; and Gene Bank maintenance. The Center has been actively cooperating with USDA, FAO, WB, CGIAR, and with research institutions from Russia, the Netherlands, Czech Republic, Moldova, Georgia, Slovakia, Japan, Belgium, Poland, India and Uzbekistan.

TABLE 7. RESEARCH ORGANIZATIONS, INCLUDING MAIN RESEARCH DIRECTIONS AND STAFF

Organization	Main research directions	Number of research specialists	Out of Which	
			Doctors	Candidate doctors
Research Center for Agriculture and Plant Protection, SNCO	<ul style="list-style-type: none"> • Winter wheat and barley selection with seed production; • Agro-technologies in field crop growing; and, • Development and application of effective methods to fight diseases and pests management. 	66	5	36
Research Center for Vegetable and Technical Crops, SNCO	<ul style="list-style-type: none"> • Improvement in technologies of receiving new elite and super-elite varieties of vegetable crops; and, • Development of new vegetable and technical crop varieties. 	23	2	12
H. Petrosyan Research Center for Soil Science, Agricultural Chemistry and Land Improvement, SNCO	<ul style="list-style-type: none"> • Identification of land origin and geographic appropriateness; • Study of land fertility showings and nutrition conditions; and, • Establishment of soil erosion processes, soil salination rates, and optimal fertilizer amounts. 	53	6	27
Research Center for Horticulture, Viticulture and Winemaking, NCO	<ul style="list-style-type: none"> • Creation of new and more valuable varieties of grape vines and fruit trees; and, • Development of agro-techniques for grape and fruit tree maintenance. 	41	6	19
Research Center for Livestock Management and Veterinary Research Center, SNCO	<ul style="list-style-type: none"> • Improvement of genetics and productivity of locally bred agricultural animal breeds; and, • Development of methods for controlling infectious and non-infectious diseases of agricultural animals. 	47	4	22
Research Center for Agro-BioTechnology, SNCO	<ul style="list-style-type: none"> • Development of bio-technological methods for seed potato production; • Research on biotechnological growth of vegetable crops, valuable forest trees and decorative plants; and, • Improvement of modern bio-technological methods existing in the agriculture sector. 	10	-	3
Technical Crop Experimental Center, SCJSC	<ul style="list-style-type: none"> • Development of new varieties of technical crops and seed selection. 	9	1	3

THE RESEARCH CENTER FOR VITICULTURE, HORTICULTURE AND WINEMAKING HAS RECEIVED OVER 150 CERTIFICATES OF OWNERSHIP FOR CREATING NEW GRAPE VARIETIES AND OVER 100 CERTIFICATES OF OWNERSHIP FOR NEW FRUIT VARIETIES



GRADUATES OF THE ANAU



**ARMENIAN
NATIONAL
AGRARIAN
UNIVERSITY
(ANAU)**

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The Armenian National Agrarian University, the only higher educational institute in the agrarian sphere in Armenia, celebrated its 80th anniversary in 2010. In 1994, Armenian Agricultural Institute and Yerevan Zootechnical Veterinary were unified to form the Armenian Agricultural Academy.

ANAU provides education in 36 specialties. The university has seven departments of daytime studies with 46 chairs, master and PhD degree studies, an Agribusiness Department (Agribusiness Teaching Center), a correspondence study department, a center for lifelong learning, training, supplementary education and strategic planning, a base school with classrooms in regions, and a state agricultural college. The university has over 10,000 students.

Five specialty councils certified to award scientific degrees operate in the university: agronomy: vet: livestock management: engineering; and, economics. The university's nine problem-based laboratories conduct research aimed at enhancing the

efficiency of agricultural production. ANAU has two test/demonstration farms in Kotayk and Armavir marzes. The Bulletin of the Armenian National Agrarian University has been published since 2003, and with English and Russian versions, is accessible to a large number of specialists in many countries. The Bulletin publishes articles by authors from many countries. Two student newspapers, "Hask" (Ear) and "Student's View" are also published by the university.

The total number of students in 17 specialties is presently nearly 2,200. The day-time courses of seven faculties have nearly 4,400 students in 37 specialties, and nearly 5,800 students in 77 specialties in the Department of Distance Learning. Over 450 students study in the Department of Master Studies. More than 240 post-graduates perform educational and experimental research in the University. Base Lyceum and College operate in the university as structural subdivisions.

Since 2000, the Armenian-American Agribusiness High School has been operating in the university. ANAU has branches in Sisian and Vanadzor. ►

TABLE 8. STUDENTS DYNAMICS IN ANAU BY FACULTIES IN 2013-2014

	Total	By faculties						
		Agronomy	Agrobusiness and Marketing	Economics	Foodstuff Technology	Veterinary Medicine and Sanitary Expertize	Agriculture Mechanization and Automobile Transportation	Hydro Melioration, Land Management and Land Cadaster
Number of students (1 January 2013)	2766	167	707	919	369	159	239	206
Number of students (1 January 2014)	2806	165	758	1086	281	133	182	201
Alumni, 2013	821	72	166	220	130	52	84	54
Admitted, 2013	663	42	151	270	56	36	4	62

SPECIALTIES PROVIDED BY ANAU

Agronomy faculty	Agronomy
	Plant protection
	Selection and Genetics of Crops
	Agriecology
	Forestry and Landscape Gardening
Foodstuff Technologies faculty	Bread, Confectionery and Macaroni Production Technology
	Fermentation Technology and Wine-making
	Canning and Food Concentrate Technology
	Meat and Meat Product Technology
	Milk and Dairy Product Technology
	Fish and Fish Product Technology
	Children's and Functional Nourishment Technology
	Leather and Fur Technology
	Agricultural and Foodstuff Product Packing Technology and Design
	Agricultural Raw and Food Stuff Expertise, Standardization and Certification
Hydro Melioration, Land Management and Land Cadastre faculty	Land Reclamation, Use and Storage of Soil and Land Resources
	Land Management and Land Cadastre
	Life Support and Safety in the State of Emergency
Agriculture Mechanization and Automobile Transportation faculty	Agriculture Mechanization
	Agricultural Machinery and Equipments
	Organization and Management of Transportation in Agrifood System
	Organization and Management of Transportation and Road Traffic
	Agriculture Electrification and Automation
Veterinary Medicine and Sanitary Expertize faculty	Veterinary
	Animal Husbandry
	Veterinary Sanitary Expertize
Agribusiness and Marketing faculty	Agribusiness and Marketing
	Agrarian Policy and Regional Development
	Consultation and Information of Agrifood System
	Insurance
	Commodity Research and Commodity Quality Expertise
Economics faculty	Economics and Management of Agrarian Production
	Accountancy and Audit of Agrifood System
	Economics and Management of Food Industry
	Finance Management of Agrifood System
	Land and Property Relations

NINE PROBLEM BASED LABORATORIES OF THE ANAU CONDUCT RESEARCH AIMED AT ENHANCING THE EFFICIENCY OF AGRICULTURAL PRODUCTION

To meet the need for highly qualified specialists in Armenia's agrifood system, more than 17 new specialties have been formed in the university over the last 15 years. International collaboration programs are a significant part of the ANAU's development, with more than 25 collaborative educational, scientific and consulting programs.

FACULTY OF FOODSTUFF TECHNOLOGIES

ANAU is the only higher education institution in Armenia that trains specialists in agricultural production and raw material processing.

During the 1964-1965 academic year, the Horticultural, Fruit and Vegetable Growing Faculty started to train wine-making and canning technologists. In 1995, the Faculty of Technology was founded in the Armenian Agricultural Academy, and in 2002 the Faculty of Food Stuff Technologies was founded in ANAU comprised of the following chairs: Animal Husbandry Product Processing Technology; Plant Growing Product Processing Technology; Food Industry Equipment; Packing and Leather and Fur Technology; General Chemistry; Physics and Thermotechnics; and, Physical Training.

ANAU awards bachelor and master degrees in Techniques and Technology for the following specialties:

- Bread, Confectionery and Macaroni Production Technology;
- Fermentation Technology and Wine-making;
- Canning and Food Concentrate Technology;
- Meat and Meat Product Technology;
- Milk and Dairy Product Technology;
- Fish and Fish Product Technology;
- Children and Functional Nourishment Technology;
- Leather and Fur Technology;
- Agricultural and Foodstuff Product Packing Technology and Design; and,

- Agricultural Raw and Food Stuff Expertise, Standardization and Certification. ►

The faculty provides the material-technical base meeting the requirements for implementation laboratory, practical work and research. The students' practical training and internships are held in the leading food processing companies in Armenia, as well as in ANAU scientific centers.

The faculty co-operates with the State Agrarian University of Russia after K.A. Timiryazev, Moscow State University of Applied Biotechnology, and Moscow Dairy Production Scientific Research Institute.

FACULTY OF AGRIBUSINESS AND MARKETING

ANAU's Faculty of Agribusiness and Marketing was established in 2007 and is comprised of the following chairs and fields of study:

Chairs

- Agrarian Policy and Consultation
- Agribusiness Management
- Commodity Research and Marketing
- Statistics and Biometry
- Law and Political Science

Specialties

- Agrarian Policy and Regional Development
- Consultation and Information of Agrifood System
- Insurance (in Agrifood System)
- Agribusiness and Marketing
- Commodity Research and Commodity Quality Expertise

About 900 students study in the faculty. Improved educational plans, curricula, and new technical means provide the faculty's students with an opportunity to study agricultural markets, discuss their activity characteristics, and get acquainted with problems of the agricultural market and organizations. In all of the faculty's chairs, scientific research is conducted on the development of regional agrarian policy.



INTERNSHIP IN BRANDY MAKING
COMPANY

**THE CURRICULUM OF
THE ATC IS BASED ON
THE UNDERGRADUATE
AND GRADUATE
AGRICULTURAL
ECONOMICS
CURRICULUM
OF TEXAS A&M
UNIVERSITY (USA)**

Courses on business programs, information, new electronic business models, market capitalization, and elaboration of risk strategies are held periodically. In these courses, students learn about economic management, marketing, effective allocation of resources, formulation of insurance systems, market regulating mechanisms, consultation, and other important areas. Five professors, 21 docents, 16 lecturers and 27 assistants work in the five chairs of the faculty. The faculty closely collaborates with the Agribusiness Teaching Center, which cooperates with Texas A&M University. Once their second year is completed, students with excellent grades and foreign language skills get an opportunity to continue in the Agribusiness Teaching Center of ANAU, and later in agrarian universities in the U.S. and Europe.

Other faculties of ANAU are the: Faculty of Agronomy; Faculty of Hydro Melioration, Land Management and Land Cadaster; Faculty of Agricultural Mechanization and Automobile

Transportation; and, Faculty of Veterinary Medicine and Sanitary Expertise.

The Agribusiness Teaching Center (ATC) was established in August 2000 through joint efforts of the Armenian National Agrarian University, Texas A&M University and the U.S. Department of Agriculture. The ATC provides agribusiness education to achieve sustainable entrepreneurial activities in the food and agriculture sector of Armenia. It prepares agribusiness specialists with broad economic, marketing, and managerial skills, up-to-date communication abilities, and a good knowledge of English.

The ATC was established as a department within ANAU and offers bachelor and master degree programs with only one concentration, Agribusiness and Marketing. The curriculum is western-structured, based on the undergraduate and graduate agricultural economics curriculum of Texas A&M University. Courses are taught in English by American and Armenian instructors. ■



GOVERNMENT PROGRAMS AND INCENTIVES



The Government of Armenia has an open and positive attitude towards foreign investment. The objective of providing incentives for foreign investment is to increase the country's export potential and employment, thereby ensuring sustainable economic growth. Armenia underwent myriads of reforms aimed at stabilizing the macroeconomic situation and developing infrastructure and economic growth. These reforms contributed to Armenia's foreign investment policy.

The Government of Armenia has adopted a set of documents that articulate the country's national and agricultural development priorities, including "Perspective Development Strategic Program for 2012-2025," "Strategy on Sustainable Development of Armenia's Agriculture," and the "Strategy on Food Safety Policy." In November 2010, "The Strategy on Sustainable Development of Armenia's Agriculture 2010-2020" was approved by the Government of Armenia, identifying the following major priorities for the country's agro-food sector:

- Addressing the effects of the logistics crisis in agriculture and agro-food industry; strengthening the integration links;
- Developing agricultural inter-field cooperation for the establishment of a diverse farm management system;
- Improving agricultural and agro-processing product sales and increasing export volumes;
- Enhancing agricultural competitiveness and fostering "know-how" technologies;
- Effective use of land, water, labor and intellectual resources to improve the productive potential of the agriculture sector;
- Developing a food safety system that meets international standards;
- Expanding non-agricultural employment in rural areas;
- Improving farm income of rural population;
- Developing community infrastructures in rural areas;
- Strengthening agricultural support services and improving their

accessibility;

- Improving the branch structure of agriculture and promoting the production of high-value products; and,
- Protecting natural and environmental landscapes, an activity that includes developing agro-tourism and organic agriculture.

The Strategy of "Export-Led Industrial Policy of the RA" adopted in 2011 indicates 11 sectors that have significant export potentials. The long-term goal of the Strategy is to form new "export driver" sectors by expanding not only current export industries, but also those with major export potential; as well as improving the regulatory framework for doing business, eliminating barriers to trade, modernizing infrastructure, increasing the competitiveness of Armenian products, and attracting foreign investment.

The country's priority for developing a diversified export industry includes sectors with the greatest growth potential, established export markets, and the sectors with the largest export volumes in recent years, since these have strong prospects for increasing production volumes significantly with moderate additional capital investment.

Within the framework of the Strategy six sector-specific action plans have been developed (brandy manufacturing, winemaking, pharmaceuticals and biotechnologies, precision engineering, light industry, and jewelry) and are being implemented now.

The main strategic directions of the action plan for brandy manufacturing are:

- Quality Assurance;
- Access to new markets;
- Capacity building;
- Transport infrastructure; and,
- Development of supply base.

Armenia's winemaking sector has great growth potential. It has been announced as one of the priority sectors for the Government of Armenia to be boosted ►

THE GOVERNMENT OF ARMENIA HAS ADOPTED A SET OF DOCUMENTS THAT ARTICULATE THE COUNTRY'S NATIONAL AND AGRICULTURAL DEVELOPMENT PRIORITIES

in the period between 2010 and 2020, which is reflected in the “Winemaking Development Strategy and Action Plan” developed within the framework of the “Export-Led Industrial Policy” strategy.

Through this Action Plan, the Government intends to triple grape-wine production volumes in Armenia from 5.6 million liters in 2011 to 17.5 million liters in 2020 (see Table 9). This is planned by growing internal consumption and exports, establishing Armenia as a traditional country of viticulture and oenology, and producing wines of high quality targeted at average and above-average price segments.

For the achievement of desired results, the following activities are foreseen:

1. Supply of raw material
 - Availability of comprehensive information on vineyards and results of viticulture
 - Establish mechanisms to foster the creation of new vineyards and improve cultivation for current vineyards
 - Selection of Armenian grapes and improvement of their quality
2. Improvement of legal framework and quality control system
 - Approximate the current legislation and regulations with European standards
 - Create an independent laboratory for performing complex analyses
 - Armenia's membership in the International Organization of Vine and Wine
3. Development of special financing mechanisms for vineyard expansion and production upgrade

4. Training of winemakers and capacity building
5. Promotion in international markets
 - Development of Armenian wine image in target markets
 - Promotion of Armenian wine in target markets
 - Development of self-regulating mechanisms to improve the quality of exported wine
6. Fostering internal consumption of wine and organization of wine festivals and fairs

State support tools also include tax privileges for a number of companies, VAT payment delay for up to three years for investment exceeding 200 million AMD, simplified customs procedures for the import of machinery and equipment for industrial purposes, and promotion of a leasing system to encourage investment in new technology.

The Ministry of Economy is responsible for implementing Armenia's economic, industrial and investment policy and for improving the business environment. Priorities of the Ministry include expanding exportable sectors, developing favorable conditions for export, and implementing reforms aimed at improving the business and investment climate. Based on these priorities, the following are planned:

- State assistance program for Small and Medium Entrepreneurship in 2015;
- Program on the improvement of business environment of Armenia in 2015; and,
- State assistance program for the implementation of the export-oriented industrial policy strategy. ►

WINEMAKING IS ONE OF THE PRIORITY SECTORS FOR THE GOVERNMENT OF ARMENIA BETWEEN 2010 AND 2020

THE GOVERNMENT OF ARMENIA INTENDS TO INCREASE GRAPE-WINE PRODUCTION VOLUMES IN ARMENIA FROM 5.6 MILLION LITERS IN 2011 TO 17.5 MILLION LITERS IN 2020

TABLE 9. TARGETS FOR PRODUCTION GROWTH OF WINE FOR 2015 AND 2020

	2011	2015	2020
Production	USD 11.8 mln	USD 27.1 mln	USD 55.3 mln
Production (mln liters)	5.6	10.0	17.5
Exports	USD 2.5 mln	USD 10.7 mln	USD 29.5 mln
Export (mln liters)	0.7	3	7.4
Export share	21%	40%	53%

SOURCE: MINISTRY OF ECONOMY, WINEMAKING SECTOR STRATEGY AND ACTION PLAN, 2013

FREE ECONOMIC ZONES

Free economic zones (FEZs) in Armenia offer a unique opportunity for entrepreneurs to establish businesses in strategic sectors of the economy and to process, produce and export goods with a reduced tax burden. FEZs allow the export of goods without any restrictions. The law “On Free Economic Zones” and tax legislation, adopted in 2011, grant tax exemptions to companies operating within FEZs (see list below).

The first Free Economic Zone was opened on August 1, 2013, in the territory where RAO Mars CJSC and the Yerevan Scientific Research Institute of Mathematical Machines are located, and specializes in production and export of innovative technology and research and development. The main priorities are electronics, precision engineering, pharmaceuticals and biotechnologies, information technologies, alternative energy, industrial design and telecommunication. The Armenian government is planning to open a second FEZ with an agricultural sector orientation near Zvartnots International Airport. This FEZ will focus on the storage, grading, deep freezing and packaging of fresh fruits and vegetables.

Companies operating within FEZs receive full exemption from:

- corporate income tax
- profit tax
- VAT
- property tax
- customs duty

(For more information about FEZs, please visit www.fez.am)

BUSINESS ENVIRONMENT

According to the OECD SME Policy Index assessment in 2012, the Armenian government has pursued a pro-active approach to supporting SME growth since 2000. Armenia has achieved the highest scores in the areas of operational environment as a result of recent and extensive deregulation initiatives.

Armenia offers effective SME support tools such as business services and training and information centers, particularly for start-ups, through its SME Development National Center. Armenia actively supports SMEs in building export and innovation capabilities.

According to the WB Doing Business Report 2014, the Armenian economy was ranked 37 (out of 189 economies), which is three spots higher than in 2013. Registering property is ranked number 5, protecting investors 22, and getting credit 42. One of the main improvements has been making it easier to start businesses by establishing a one-stop shop that merged the procedures for name reservation, business registration and obtaining a tax identification number, as well as by introducing online company registration, for which Armenia was ranked 6.

The development of a knowledge-based economy, promotion of Research and Development (R&D), and innovation are core long-term strategic objectives of the Government of Armenia. The Government has created a strategy for research and innovation, focusing on the following sectors: information and communication technologies; life sciences; food security and quality; environment; energy; and, nanotechnology.

The National Center of Innovation and Entrepreneurship, operating under the Ministry of Economy, plays an important role in the implementation of Armenia’s innovation policy. The Center supports the realization of innovative ideas and projects.

According to the Global Competitiveness Report 2013-2014, Armenia is at the Transition Stage 1 to 2, ranked 79 overall in the Global Competitiveness Index among 148 economies (up from 82 in 2012-2013 among 144 countries). Armenia is ranked 45 (score 4.1) for agricultural policy costs, with three procedures to starting a business, 25 for strength of investor protection, and 24 for transparency of government policymaking. ■

**THE GOVERNMENT
OF ARMENIA
PLANS TO OPEN
AN AGRICULTURAL
SECTOR-ORIENTED
FEZ NEAR ZVARTNOTS
INTERNATIONAL
AIRPORT**



"ARMPRODEXPO 2013"; THE ANNUAL
SPECIALIZED EXHIBITION OF FOOD
PROCESSING SECTOR



INVESTMENT ENVIRONMENT



The Armenian government strongly supports and promotes investment in the country with an “open door” investment policy. Investors are protected by the law “On Foreign Investments” that creates one of the most open investment environments among emerging-market countries. The attractiveness of Armenia as a place to invest lies in the constant improvement of the business climate, to which the following factors contribute:

- Stable macroeconomic situation
- Sustainable banking system in line with international standards
- Highly experienced, creative, cost efficient, and well-educated workforce
- Strong Armenian Diaspora
- Hospitality and safety.

Efforts at improving the investment climate are focused on increasing the competitiveness of the Armenian economy in order to take advantage of opportunities afforded by open markets. The law “On Foreign Investments” includes the following attractive incentives:

- 100% ownership;
- No screening and no specific authorization required to make an investment;
- The right of companies registered by a foreigner in Armenia to buy land (foreign citizens are only allowed long-term lease contracts);
- VAT deferred for three years on import of goods intended for use in investment projects and exceeding the value of 300 million AMD;
- No export restrictions and duties;
- Zero rating for goods and services exported under “Free Turnover” and “Re-exportation” customs regimes;
- Guarantees of a five-year grandfather clause, national treatment and nondiscrimination for foreign investors;
- No tax and customs restrictions in Free Economic Zones;
- Free exchange of foreign currencies;

- No restrictions on remittances;
- No restrictions on repatriation of profit, capital, dividends, interest, royalties, management or technical service fees;
- No restrictions on staff recruitment; and,
- No sector-specific or geographic restrictions on investments.

Armenia is a signatory to the 1958 Convention on the Recognition and Enforcement of Foreign Arbitral Awards, and is also a signatory to the International Convention on Investment Disputes.

Foreign investors can make the following types of investments:

- Establishment of a fully foreign-owned company (including representations, affiliates and branches), or the purchase of an existing company;
- Establishment of a new joint venture company with the participation of Armenian companies or citizens, or the purchase of shares in an existing company;
- Purchase of different types of securities;
- Procurement of permits to use land, or a concession agreement for the use of Armenian natural resources with the participation of Armenian companies or citizens;
- Procurement of other property rights; and,
- Other forms of investments.

FOREIGN INVESTMENTS

Armenia's food processing sector has shown steady growth during recent years, including increased sales in both the domestic and export markets, which are attributed to significant investment. Foreign Direct Investment (FDI) in the agricultural sector amounted to USD 7.17 million in 2013, or 2.64 % of the country's total FDI. Investment in the food processing sector was estimated at USD 29.4 million (10.8% of total FDI) in 2013. ►

ARMENIA IS A SIGNATORY TO THE CONVENTION ON THE RECOGNITION AND ENFORCEMENT OF FOREIGN ARBITRAL AWARDS

Several multinational companies operate in Armenia, including Coca-Cola, Pepsi-Co., British-American Tobacco, Pernod Ricard, Philip Morris, Carrefour, Marriott International, and Hyatt Place. A number of food processing companies have established joint ventures by attracting foreign investments from private and institutional investors.

Investments in the food processing sector and rising exports have created incentives for the establishment of internationally recognized certification institutions. The services provided by Armenian consulting companies include business and management consulting in HACCP and ISO 22000:2005 based on the Quality Management System Design & Implementation; ISO 9001:2008 standard based on the Management Systems Design & Implementation and Human Resources Management System Implementation; Management and Product Implication for other sectors; organic certification; and, training related to management, quality standards, HR, sales and other areas.

INVESTMENT OPPORTUNITIES AND COMPETITIVE ADVANTAGES

As a country with an open economy, Armenia continues to take steps to attract FDI. The country has enacted legislation that not only ensures equal footing for foreign investors vis-à-vis their domestic counterparts, but also provides numerous incentives to attract such investments. The Ministry of Economy and the Armenian Development Agency are keen to attract and assist foreign investors. The country has also concluded a number of investment protection treaties and other multilateral conventions that impose protective standards for foreign investors.

The food processing sector is one of the fastest growing sectors of the Armenian economy. There are ample resources for expansion, including low labor and energy costs, a highly qualified and

readily available workforce, laboratories and supporting infrastructure, and industrial plots at low prices. Investment opportunities are plentiful in almost every sub-sector, from relatively low value-added to high value-added production like organic juices and preserves. Food processing enterprises apply a variety of approaches to their international expansion, tailoring their strategies based on local opportunities and requirements. Armenian food processing companies welcome investment opportunities and expansion strategies, including acquisition, joint ventures with international partners, and “green-field” investments. Some key players in various food processing sub-sectors, which can serve as local partners with foreign investors, are discussed in the corresponding sections of this guide.

Logistic and storage businesses are fragmented and operate within single companies. Margins are relatively large so that many food processing companies organize their own logistics for fruit and vegetable processing and distribution within the country. Investment in collection and consolidation centers in the main fruit and vegetable production areas can significantly improve the quality of collected fresh produce. At the same time, packaging that meets international standards can increase the shelf-life of, and opportunities to export, Armenian fruits and vegetables. Thus far, very few investments have been made in this direction, as Spayka is the only organization that covers the entire process, from fruit and vegetable collection, to consolidation, sorting, grading, packaging and storing.

As Armenia begins to export more processed and unprocessed food, the demand for high-quality packaging and labeling products will increase substantially. Currently, these operations are handled by retailers and exporters at a low level, and thus there is a lack of appropriate packaging for transportation, creating a strong ►

INVESTMENT OPPORTUNITIES INCLUDE LOGISTICS FOR FRESH FRUITS, VEGETABLES, DAIRY AND MEAT PRODUCTS; COLD-CHAIN OPERATIONS FOR DAIRY AND MEAT PRODUCTS; AND STORAGE FACILITIES AND PACKING CENTERS FOR FRUITS AND VEGETABLES

demand for packaging and labeling that meets international and EU packaging and labeling requirements.

Investment opportunities include logistics for fresh fruits, vegetables, dairy and meat products, cold-chain operation for dairy and meat products, storage facilities and packing centers for fruits and vegetables, and local distribution service providers.

Investments made in the food processing sector have a great impact on increasing production volume and quality, product range, and expansion of export volumes and geography. Along with these developments, there are untapped investment opportunities in the sector, such as in winemaking, dairy production, meat production and processing, and fruit and vegetable processing. Opportunities exist for investing in both the manufacturing process to improve the quality and volume of production for export (introduction of new technologies, improvement of packaging materials (modern looking twist jars, aseptic and pet packaging for export production), and the production of higher-value goods. One such opportunity is in high-value tomato processing, building on the existing capacity and the ample availability of high-quality tomatoes. There is also strong growth in higher value-added dairy and meat products, such as processed cheeses, fruit yogurts, and Armenian meat delicacies. Investment opportunities exist in dried fruit production and organic agriculture. The consumption of dried fruit and organic products is gradually increasing in Armenia. Lack of technology, modern equipment and packaging slows down production of dried fruit.

Recent FDI in winemaking proved successful and resulted in positive feedback from wine critics around the world. Strong winemaking traditions and high technology have boosted the Armenian winemaking industry. The Armenian government has developed

a wine sector strategy, which aims at the expansion of production capacities, improvement of the production process and quality to meet international standards, investment in primary production, expansion of production of fruit wines, and investment in production of organic wines. Opportunities in brandy production are similar to those in the wine sector

Brandy and wine consumption is growing rapidly in Russia and China. Armenian export-oriented companies, including food processors, have a strong presence in the Russian market with a developed distribution network through privately held companies or branches. The entry process to the China market started a few years ago, and there have already been some successful examples of Armenian production reaching China. While the domestic Armenian wine market has great potential, it is too small to consume the quantities that major wineries in Armenia are currently producing. For Armenia, wine has become one of a number of promising sectors that will contribute to the country's long-term growth.

Investment opportunities exist not only in the food processing sector itself, but also in services provided to food processing companies. Following is a list of major investment opportunities:

- Increasing raw supply by addressing problems related to irrigation, land fragmentation, establishment of cold storage and collection points, and day-to-day work with the farmers to change their mentality (contract farming).
- Small production batches are limiting orders of local food processing companies from Russia, Europe and other big markets. A single operator is limited and outsourcing to different producers is difficult because the finished products are not uniform. Cooperation under an umbrella brand with standard production will expand export opportunities. ►

**THE WORLD BANK
"DOING BUSINESS
2014" REPORT
RANKED ARMENIA
AS THE 37TH EASIEST
COUNTRY TO DO
BUSINESS OUT OF
189 COUNTRIES
SURVEYED, THE BEST
RANKING AMONG CIS
COUNTRIES**



THE PRESIDENT OF ARMENIA
SERZH SARGSYAN AND MINISTER OF
AGRICULTURE SERGO KARAPETYAN AT
"ARMPRODEXPO 2013"

**A DIVERSE OFFERING
OF FRUITS AND
VEGETABLES,
ALONG WITH THEIR
EXCEPTIONAL
TASTE, DISTINGUISH
ARMENIAN PRODUCTS
FROM OTHER
COUNTRIES' PRODUCE**

COMPETITIVE ADVANTAGES

Armenia's new industrial policy is the strategic framework for achieving greater competitiveness and sustainable growth. It addresses the country's economic diversification and prioritizes the development of industrial sectors with strong export potential. The policy is based on 11 sectors including the agricultural and food processing sectors, particularly wine, brandy, canned and dairy products. To support the development of these sectors, the Armenian government envisages mid-term and long-term support, regulatory framework improvement, trade barrier elimination, and infrastructure development. The government also applies an open-market policy, as reflected in its membership in the WTO, a free trade agreement with Commonwealth of Independent States (CIS), and future participation in the Eurasian Customs Union.

The Armenian government has also been open to new approaches. It has entered a unique public-private partnership with a group of private sector representatives from the U.S., Russia, EU states, and the Middle East to lend support to some sectors. The result of this partnership was the establishment of the National Competitiveness Foundation of Armenia in 2008. The main activities of the National Competitiveness Foundation are policy development, investment mobilization, and the implementation of projects that can lead to positive change in the prioritized sectors.

FAVORABLE BUSINESS ENVIRONMENT

Armenia is a relatively easy country in which to do business, placing 37th out of 189 countries in the World Bank study "Doing Business 2014", the best ranking among CIS countries. Food-processing and agriculture are among the priority sectors, with the government undertaking various activities, including new legislation, to create favorable conditions for their growth. Armenia doesn't impose any export duties on agricultural production and processed food, and there is also no volume limitation on export quantities.

LOW LABOR AND ENERGY COSTS

The average wage in Armenia is less than those in Western and Eastern Europe, the overall South Caucasus region, China and nearby Turkey. Human capital is regarded as the country's most valuable resource. The literacy rate is 99.4% for the entire population. Energy tariffs are competitive throughout the region. Armenia has significant domestic electricity-generating resources: a nuclear power plant, gas-fired thermal power stations, hydro power, cogeneration and wind power stations.

HIGH QUALITY FRUITS AND VEGETABLES

The complex landscape of the country makes Armenia a unique location where cultivation of many agricultural products is possible. A wide range of fruits and vegetables, along with their exceptional taste, distinguish Armenian products from other countries' fruit and vegetable-based production. These include wine, brandy, canned vegetables and fruit preserves, natural juices, dairy and meat products. Although Armenia's production of fresh fruits and vegetables is growing each year, there is still an unmet demand for its fresh and processed fruit and vegetable products.

R&D INSTITUTIONS

Armenia's food processing sector receives strong support from the country's research and educational institutions. Currently, seven research institutes with more than 400 researchers are involved in research and development activities in the areas of agriculture, food safety, food processing, animal health control and disease prevention, technical crop protection, and others. The Armenian National Agrarian University and eight agriculture colleges prepare highly qualified specialists for both the agricultural and food processing sectors. Annually, ANAU prepares nearly 3,000 multi-profile specialists. ■

**THE FOOD
PROCESSING
INDUSTRY IN
ARMENIA
55-128**

WINE AND BRANDY

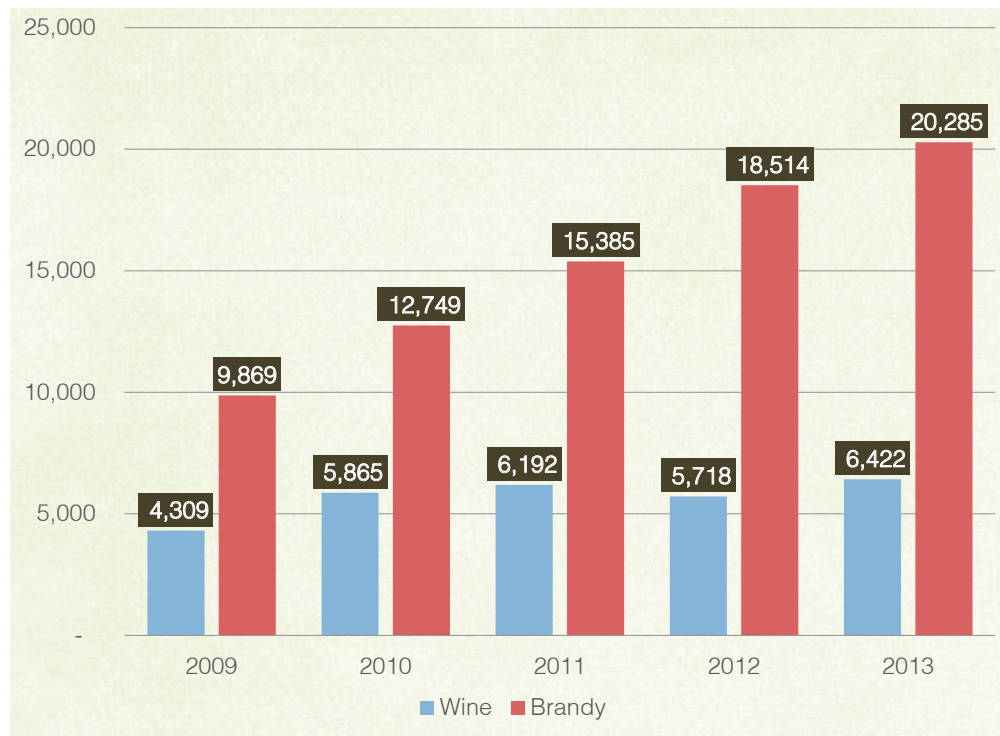


Armenia's quality of wine is referenced throughout history. In one of the Holy Bible's most notable stories, Noah descended from his ark sheltered on Mount Ararat after the Great Flood and planted a grape vineyard in the heart of Armenia – Ararat Valley. Further recordings include rock carvings in the Armenian Plateau, irrigation channels surviving from Urartian times, and grape and wheat seeds surviving in 3-6,000-year-old casks that have been discovered during recent archeological digs, all of which prove that Armenian agriculture has a history of thousands of years.

The Urartian kings of the eighth century BC referred to Armenia as “the land of the vineyards”, while Greek historians Herodotus (5th century B.C.), Xenophon (5th - 4th century B.C.), and Strabo (1st century B.C. - 1st century A.D.) described the river trade on the Tigris by Armenian merchants who exported their excellent wines downstream to the Assyrians and beyond.

Armenian brandy has been recognized worldwide for its quality for hundreds of years by such Russian Czars and British Prime Ministers alike. It is Armenia's second largest export, after copper concentrate, and contributes significantly to Armenia's export production, accounting for close to 14.4 million liters with a total customs value of USD 166 million. Armenia's share of the world's brandy export market is 2.8% and it is the sixth largest exporter in the world. Brandy production increased steadily from 2009-2013 at an annual average growth rate of 13%. According to the National Statistical Service of Armenia, around 20.3 million liters of brandy were produced in 2013, a growth of 9.6% compared to 2012. Finished product realization totaled AMD 80.5 billion (USD 196.3 million), an increase of 14.9% from 2012. Armenian brandy manufacturing is an export-oriented sector. Export comprises around 90% of the whole production (USD 170 million was exported in 2013). The targeted export markets, however, are limited and not-diversified: the main ►

FIGURE 5. PRODUCTION OF WINE AND BRANDY IN 2009-2013, THOUSAND LITERS



SOURCE: NSS OF THE RA; 2014

TABLE 10. SHARE OF WINE AND BRANDY IN EXPORT, USD THOUSAND

Type/year	2009	2010	2011	2012	2013
Brandy	66,650.7	83,328.6	105,696.7	126,711.9	140,701.3
Grape wines	1,489.2	2,873.1	2,462.5	4,131.8	4,256.5
Fruit wines	1,762.1	1,813.1	1,046.4	3,035.7	3,759.7
Ethyl spirit	153.8	306.1	2,800.3	1,566.5	5,474.2
Total	70,055.8	88,320.9	112,005.9	135,446.0	154,191.7

SOURCE: NSS OF THE RA; 2014

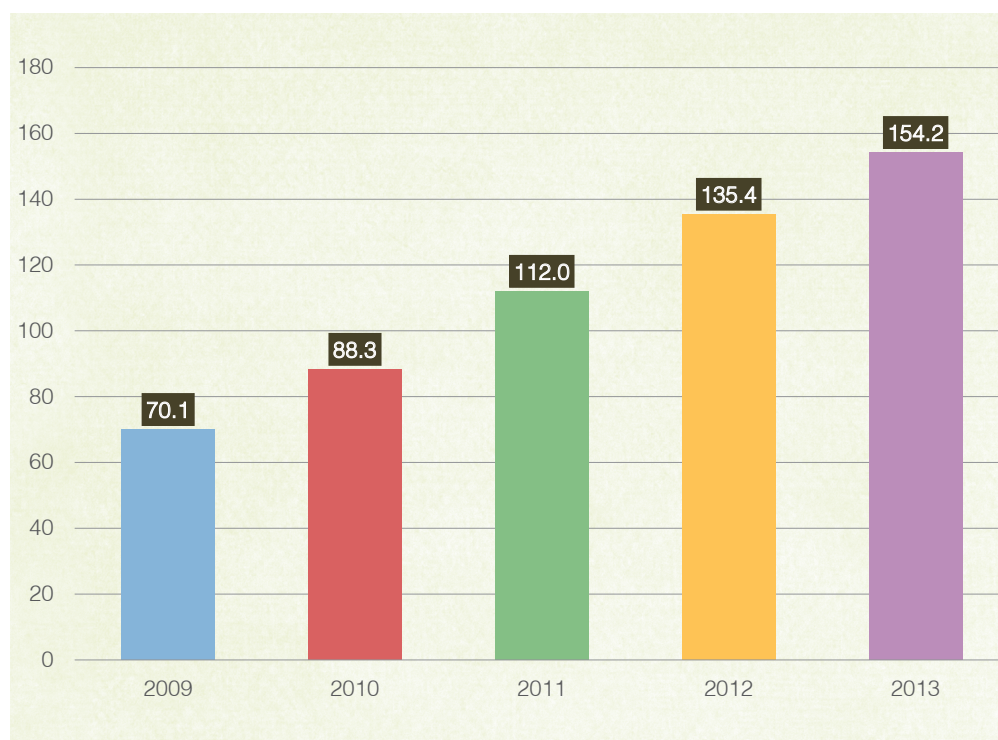
export market is Russia and CIS, comprising 80% of the Armenia's brandy exports.

Armenian brandy is regulated by the Standard of the Republic of Armenia. According to this law, brandy must be made from specific Armenian grape varieties and must follow a regulated production method. All stages of production of Armenian brandy must take place in Armenia. Legislation governs the varieties of grapes that can be used in production of Armenian brandy. There is a minimum three-year aging process, and a multitude of technical requirements.

Except for a few large brandy companies, most small producers lack the laboratory and bottling equipment needed to produce high quality brandy. This is changing, however, as the market share of small producers exporting to Russia is expanding, which consumes more than 80% of Armenian brandy production.

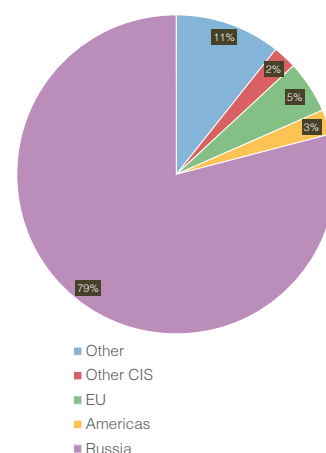
With a growing demand for high quality brandy, Armenian enterprises have an excellent opportunity to increase export volumes to the Russian, European and Chinese markets. ►

FIGURE 6. WINE AND BRANDY EXPORT DURING 2009-2013, USD MILLION



SOURCE: NSS OF THE RA; 2014

FIGURE 7. EXPORT OF WINE BY REGIONS, 2013



SOURCE: MOF OF THE RA; 2014

Armenia's brandy sector is represented by more than 20 companies in Armenia and overseas.

Although brandy is its best-known beverage product, Armenia produces a remarkable variety of grapes under soil and climate conditions perfect for fermenting excellent dry wines. Nonetheless, the largest selections of wines are semi-sweet to sweet wines. In the southeastern region of Armenia, in Vayots Dzor, 1,800 meters above sea level, grows one of the world's oldest varieties of grape: Areni. Areni grape wine is the most popular wine in Armenia.

Armenian wine production has shown positive growth during recent years, from 4,309,000 liters in 2009 to 6,422,000 liters in 2013, with average annual growth of 15% (see Figure 5).

According to statistical information grape wine production (in comparable prices) was approximately USD 18.3 million in 2013, with growth of 36.7% compared to 2012. Realization of finished product totaled USD 13.4 million, out of which 5.4 million, about 40%, was exported). The main products are red and white wines produced from local grape varieties. The most popular varieties are Areni (red), Kangoun and Voskehat (white).

Overall, 1.4 million liters of wine with a customs value of USD 4.3 million were exported in 2013. Since 2004, Armenia's wine exports have been growing by an average annual rate of 35%. Exports of fruit wines have grown more rapidly than grape wines.

Russia and CIS countries are the main export markets for Armenian wine (80%). Armenian wine producers are attempting to enter new markets such as China, Asia and Africa, but export to these places has been sporadic (See Figure 6).

There is good potential for Armenian wine production to respond to growing consumption in the Russian market. Investment in modern equipment and technology will open new horizons for Armenian wines worldwide.

Each year, the Areni village hosts a traditional "Wine Festival," that not only draws in crowds from local areas, but representatives of various international, national and local organizations and tourists as well. The Areni Wine Festival opens with a bright and spectacular parade of the best winemakers, and includes a number of wine competitions. ■





VINEYARD IN ARENI VILLAGE
(VAYOTS DZOR MARZ)



THE VINEYARDS OF ZORAH WINES
ARE SITUATED IN THE RIND VILLAGE
(YEGHEGNADZOR, ARMENIA), 1,400
METERS ABOVE SEA LEVEL





ARMENIA WINE

ARMENIA WINE LTD

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196

Armenia Wine LTD's factory was established in 2008 in Sasunik village, Aragatsotn marz. The company produces a wide range of grape and fruit wines and vodka. Experienced wine and cognac makers, technologists and other skilled professionals are employed in the company, whose manufactured grape wine assortment includes dry and semisweet types of red, rose and white, and special editions of white and red wines. Raw grapes are supplied by the company's vineyard. The company also produces pomegranate dry and semisweet varieties

Armenia Wine uses Bucher Vaslin, Della Toffola, and Fimer equipment and production lines. In 2013 the company launched a new bottling plant which allowed it to double its production capacity, reaching up to 6,000 bottles

an hour. The company constantly manages and controls production quality.

Armenia Wine's distribution network covers all of Armenia, and its products are exported to Russia and CIS countries. It has the biggest export share in the Armenian wine category.

Armenia Wine is internationally recognized and has won many awards: Gold Medal in Muscats du Monde competition, Silver Medal in Vyno Dienes competition, and Gold and Silver medals in Armenia Prodexpo competition.

One of the future goals of the company is to build a hotel complex near the factory and introduce visitors to Armenian wine and brandy-producing traditions. ■





GOLDEN GRAPE ARMAS LLC

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Number of employees:

40-250

Golden Grape ArmAs LLC was founded by Armen Aslanian in 2007 to produce wine based on Armenian viticulture and winemaking traditions.

The company's facility is built to withstand the most strenuous weather conditions. The equipment is the latest and of the highest quality by international standards. The terroir of the ArmAs Estate was selected in Nor Amanos of Aragatsotn Province, based on soil analyses.

The free run, or noble juice, of harvested grapes is reserved for ArmAs wines. The state-of-the-art winery is held to the highest international standards and boasts the latest enological equipment, as well as hundreds of traditional oak barrels for aging. The full winemaking process is strictly controlled by the company's

Italian specialist.

Golden Grape ArmAs released its first vintages in 2013. The selection includes ArmAs White Dry Wine (Kangun-Rkatsiteli), ArmAs Voskehat Dry Wine, ArmAs Rose Dry Wine (Karmrahyut), ArmAs Areni Dry Wine, ArmAs Red Dry Wine (Karmrahyut), and ArmAs White Semi-Sweet Wine (Kangun). Reserves will be released by the end of 2014. In 2013 the ArmAs winery produced 250,000 bottles of wine, and production is forecasted to increase in the future.

There are many possibilities for growth and expansion at the ArmAs Estate. The company focuses on production, edification and education, charity and development, striving to enhance the community and the contemporary culture. ■





**TIERRAS DE
ARMENIA CJSC**

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Number of employees:

329

Armavir vineyards estate, Tierras de Armenia was established in 2003. It is located 1,000-1,100 meters above sea level and covers approximately 2,300 hectares, with over 400 hectares allocated to the planting of the vineyards. Both international and indigenous varieties are planted in the vineyards, including Chardonnay, Viognier, Sauvignon Blanc, Kangun, Voskehat (for whites) and Malbec, Tannat, Merlot, Cabernet Franc and Cabernet Sauvignon (for reds). The first commercial vintage was produced in 2010. International winemakers and wine consultants are involved in the production of the vineyard's Karas brand, with each stage of production strictly controlled.

Armavir Vineyards currently offers three different varieties of wine:

- Karas Classic White – a blend of Chardonnay 50% and Kangun 50%
- Karas Classic Red – a blend of Malbec, Syrah, Petit Verdot, Tannat and Montepulciano
- Karas Reserve – a blend of Syrah,

Petit Verdot, Tannat, Malbec and Montepulciano. Barrel aged.

The product list of Armavir Vineyards is expected to grow with two more varieties: Karas Moscato and Karas Sparkling wine.

Starting in 2014, Tierras de Armenia doubled its production, reaching 400,000 bottles, and plans to double this production in 2015 and surpass one million bottles by 2016.

The company's export market is wide, with the primary targets being CIS countries as well as the Armenian Diaspora market all over the world.

Tierras de Armenia is the only winery in Armenia that works with the highest quality European grape varieties on such a large scale. The primary competitive advantage of Karas wines is that they bring the familiar tastes of popular European grape varieties with the unique identity of Armenian terroir to the global wine consumer. ■



Maran was founded in 1991 with a pilot pressing of wine from Areni grapes, and started selling it in 1993 under the Noravank brand. In 1996, the company embarked on a new development with a French enologist, and the combination of Armenian tradition and French technology yielded new wines. In 2002, Maran started to produce pomegranate wine under the M.Parajanov brand. In 2007 the company started producing hawthorn, apricot and cornelian cherry vodka, based on ancient Armenian recipes.

Maran produces dry, semi-dry, semi-sweet and sweet varieties, which are mostly made from Black Areni

cultivated in Vayots Dzor. Dry and semi-sweet wines are aged for 1.5 years in oak barrels. The company also produces pomegranate and apricot wines with raw material collected from Armenia.

The company is continuously updating its production capacity to maintain high quality and to remain current with market developments. In addition to serving the Armenian market, the company exports to France, Poland, China and Russia, and is interested in expanding its business to all of Eastern Europe.

The company's main advantage is the high quality of its products. ■



MARAN LLC

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19





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Yerevan Brandy Company – the exclusive producer of ARARAT Armenian Brandies – is the direct successor of the first guild merchant Nerses Tairian, considered the founder of Armenian wine-making and brandy-making. In 1999 the factory joined the Pernod Ricard Group, a worldwide co-leader in the wines and spirits sector. The company's main facility is located in Yerevan, and it has three branches located in different regions of Armenia. The company is fully equipped to carry out the entire process of brandy production, from grape purchase to bottling. This enables Yerevan Brandy Company to maintain the highest standards at the every step of production. The mass production range of ARARAT Brandies consists of:

- ARARAT 3 stars (Aged 3 years)
- ARARAT 5 stars (Aged 5 years)
- ARARAT Ani (Aged 6 years)
- ARARAT Otborny (Aged 7 years)
- ARARAT Akhtamar (Aged 10 years)
- ARARAT Vaspurakan (Aged 15 years)

- ARARAT Nairi (Aged 20 years)
- ARARAT Dvin (Collection Reserve, Aged 10 years).

The company is certified for Quality Management according to ISO 9001:2008 international standards, for Environment Management according to ISO 14001:2004 international standards, and Health and Safety Management according OHSAS 18001:2007 British standards. Currently, over 90 percent of ARARAT brandies are exported to some 35 countries.

ARARAT Brandies have been awarded approximately 200 Gold, Silver and Bronze medals in international tastings and exhibitions.

Yerevan Brandy Company's advantages include unmatched quality, the leading market position in the category of "Armenian Brandy" and a reputation as socially responsible. ■





BRANDY TASTING HALL AT YEREVAN
BRANDY COMPANY



YEREVAN ARARAT BRANDY-WINE- VODKA FACTORY OJSC

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Number of employees:

291

Yerevan Ararat Brandy-Wine-Vodka Factory was built by the first guild merchant Nerses Tairyan in 1877 on the former site of Erivan fortress. In 1920 the factory was nationalized and renamed Yerevan Ararat Brandy-Wine-Vodka Factory. In 2002 the company was purchased by a multi-group concern, and after two years of reconstruction started production of brandy and vodka.

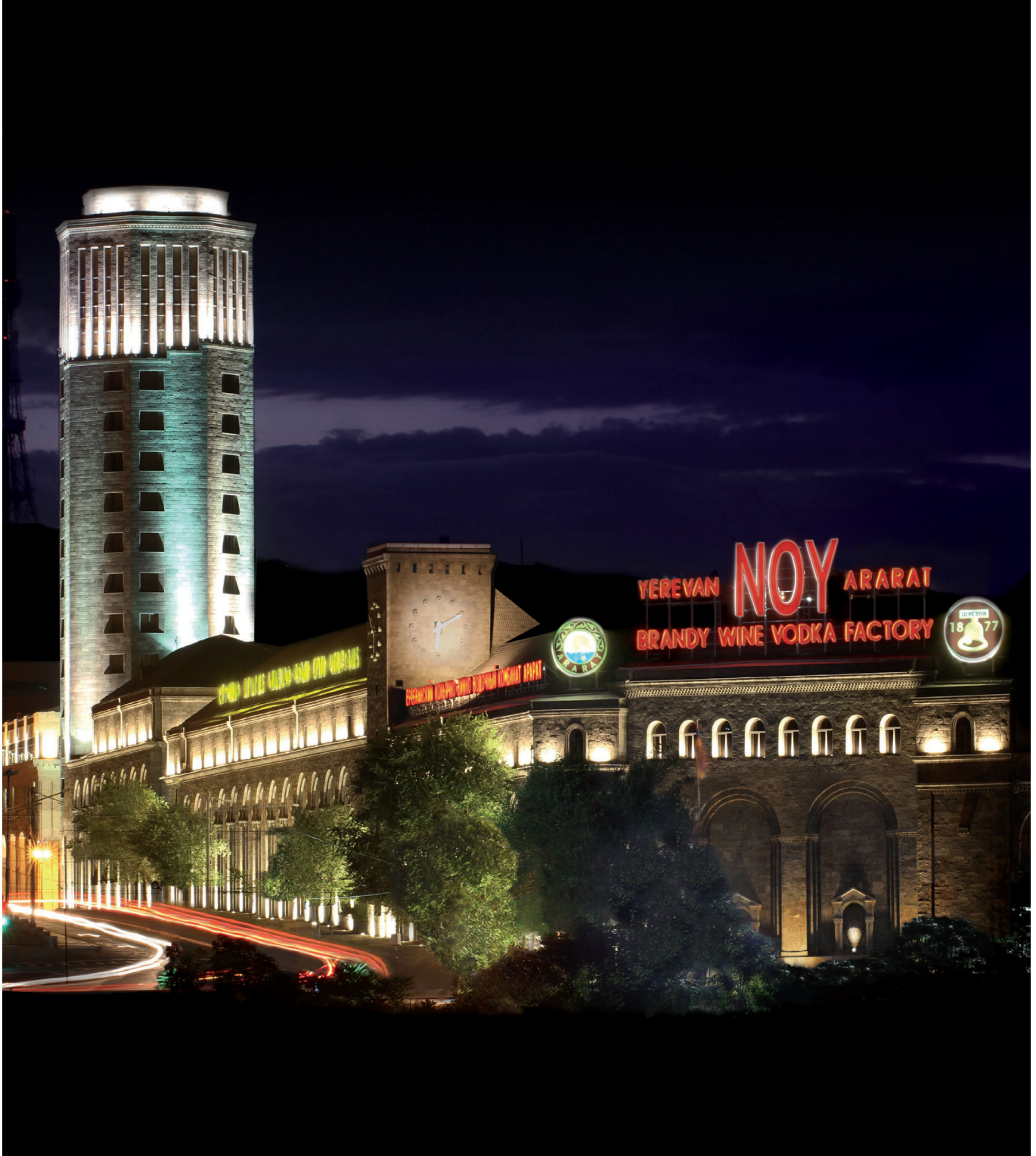
Yerevan Ararat Brandy-Wine-Vodka Factory's products include ordinary and vintage brandies under the trademark "NOY". The "NOY" brandies are based on the ancient traditions of Armenian brandy production. The company produces 5, 7, 10, 15 and 25-year aged brandies. The company's scientific center has an accredited laboratory meeting international standards. In 2012 an "Armenian Standard" joint-

venture between Yerevan Ararat Brandy-Wine-Vodka Factory and the Republic of Belarus was opened in Minsk. In the joint venture company 3 and 5-year aged brandies are bottled.

Yerevan Ararat Brandy-Wine-Vodka Factory complies with ISO 9001, ISO 14000 and ISO 22000 international standards. In 2012 Yerevan Ararat Brandy-Wine-Vodka Factory was granted a certificate of compliance with Kashrut (kosher) standards.

Taking part in many international exhibitions and closed degustation, the "NOY" brand has been awarded with various Grand-Prix awards, gold medals and diplomas. The company has been the official supplier of the Kremlin since 2006. The company's main export markets are Russia, CIS and EU countries. ■





YEREVAN ARARAT
BRANDY-WINE-VODKA FACTORY



VINEYARDS OF ARENI NOIR GRAPE,
REDISCOVERED FROM ANCIENT VINES
FROM THE ABANDONED VINEYARDS OF
A XIII CENTURY MONASTIC COMPLEX





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259

The territory of Proshyan Brandy Factory is merely 75,000 square meters. The company manufactures a wide variety of alcoholic beverages including brandy, wine, vodka, sparkling wine and liqueur. Italian bottling automation is used in the production of wine, sparkling wine and brandy. The company produces mainly Armenian brandies, extracted from grapes grown in the Ararat valley. The company's brandies range from 3 to 30-year aged.

Proshyan Brandy Factory has branches in Armavir and Artashat, with an area of 25,000 square meters, where grape procurement and primary processing is performed before transport to

the main factory. The factory uses modernized ion-exchange devices for wine and cognac filtration, and reverse osmosis for water processing in cognac blending. The company's laboratory utilizes modern equipment.

Proshyan Brandy's products have participated in many international expos and competitions and have received numerous awards and medals.

The company's products are exported to Russia, Ukraine, Belarus, Georgia, Germany, USA, Greece, Poland, Israel, South Korea, Kazakhstan, Tajikistan and the Baltic countries, among other countries. ■



The Shahnazaryan Wine and Brandy Factory was established in 2005 as a family enterprise operating in the Parakar Wine and Brandy Factory. The company has a vineyard with an area of 50 hectares. Brandy produced by Shahnazaryan is made with Garandmak, Rkatsiteli and Mshali grapes. Custom equipment is used for brandy production to preserve quality and taste. Ripening is in casks made only from Caucasian oak at least 40 years old. Only un-distilled spring water is used.

The company's brandy products include Armenian Brandy, Gayason, Shahnazaryan and Zhemchuzhina Armeni, which are aged from 3 to 7 years. In a competition organized by the X5 Retail Group Shahnazaryan brandy received the highest rank (87 points out of 100) in an open competition of the best Armenian brandy makers. The company holds an ISO 22000 certificate, and

its production complies with AST (Armenian) standards.

Shahnazaryan products are exported to Europe, Russia, Kazakhstan, Ukraine and other countries.

Among the company's customers are major companies such as Stavropolsky Wine and Brandy Factory, Usovo Wine and Brandy Cellars, and Moscow Champagne Plant.

The company's strategic goals are:

- Expanding the consumer market in Central Asian countries and China;
- Strengthening its position in the European market, increasing its market in other countries, and expanding exports; and,
- Creating premium-class production in the immediate future.

Shahnazaryan's advantages include the high quality of its products, and traditional manufacturing technology. ■



SHAHNAZARYAN
WINE-BRANDY
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ASTAFIAN
WINE BRANDY FACTORY

MANCHO GROUP
LTD

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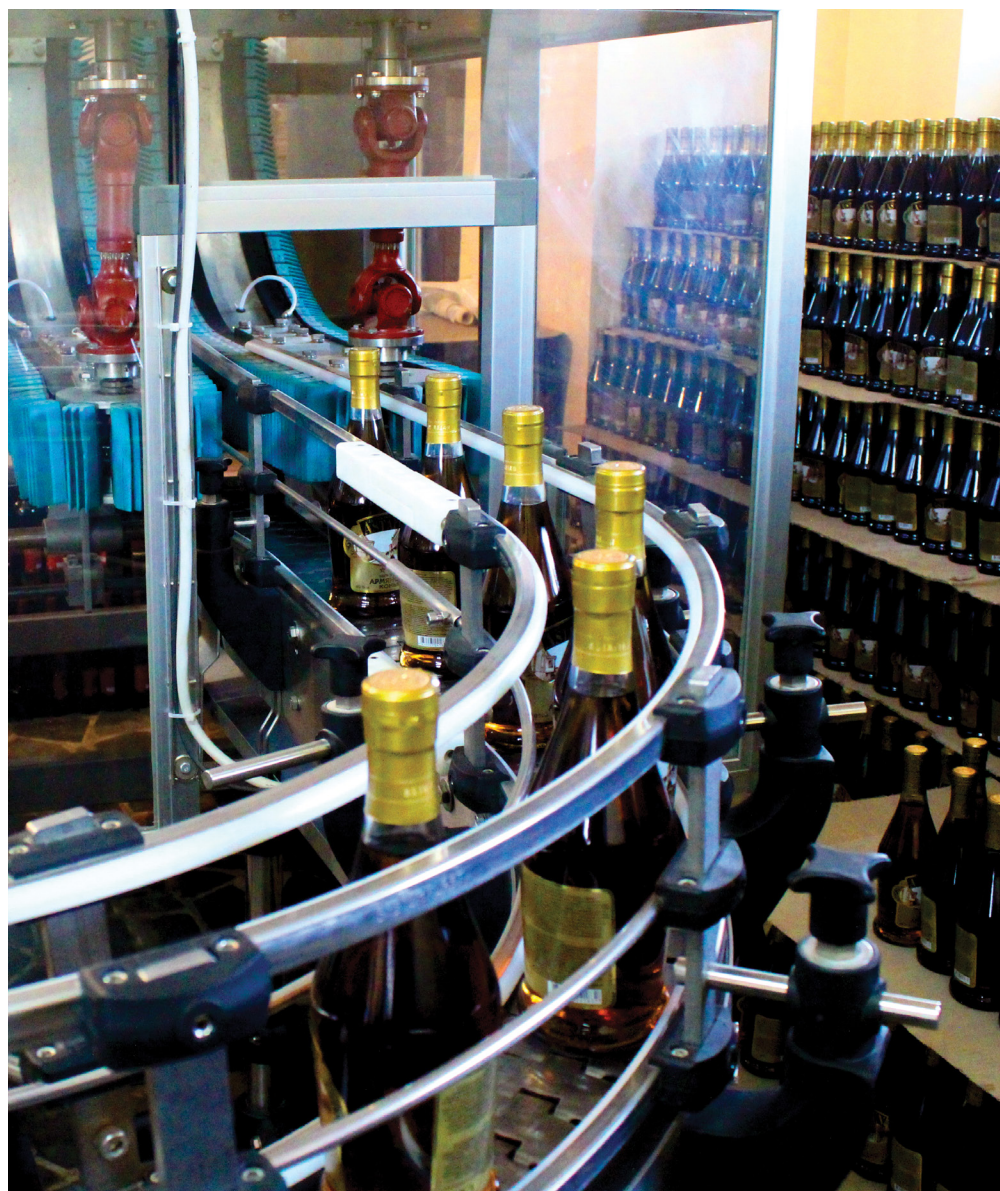
300

Mancho Group LTD was founded in 2001 and is involved in various activities, including the production of alcoholic beverages, and importation and processing of grain, wheat flour and confectionery. The company specializes in the production of brandy, wine and vodka. The company's Astafian brand cognac is made based on classic technology from high-quality brandy spirits aged in oak barrels.

The company uses Mskhali, Rkatsiteli, Stoya, Kakheti, Megrabuir, Van, Areni and Voskehat varieties of local grapes for wine and brandy

spirit production. The production area is five hectares, which includes its own vineyard. Along with grape wine the company produces fruit wines under the Willa Wine and Amor brands. All production meets Armenian quality standards and food safety requirements.

Mancho Group has a representative office in Moscow, and business relationships in Georgia and Kazakhstan. The company plans to expand its export market to China, Ukraine, USA, Germany and other EU countries. ■



ZORAH

ZORAH WINES

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Zorah Wines was established in 1998 by Italian-Armenian businessman Zorik Gharibyan to produce boutique wines from Armenian grape varieties. The production team includes Italian winemaker Alberto Antonini (who is on the list of Forbes' five best winemakers in the world) and an agronomist/viticulturist, who bring international expertise and experience. The company owns 15 hectares of vineyards, which lie at an elevation of 4,500 feet beneath snow-capped mountains with a view of Mount Ararat. The soil is rocky and limestone-rich, and because there is no phylloxera in the region the vines are non-grafted. The company grows and uses only native Armenian grape varieties, particularly Areni Noir, which is an ancient grape variety in the South Caucasus. Grapes are hand-harvested, de-stemmed and lightly crushed, before being fermented in tanks for ten days.

Zorah Wines are made with intense devotion, using only the purest

indigenous grapes and thus remaining true to their origins. The wines are aged not only in French oak, but also in much denser Armenian oak barrels. Zorah embraces the ancient local tradition of aging its wines in distinctive clay amphorae known as "karas", which are sealed with wax and dug deep into the earth to preserve the intense flavors and authentic varietal purity of the wine.

Karasi Areni Noir is the winery's only wine that is currently available for purchase. It is exported to the UK, Germany, the Netherlands, Italy, France, U.S., the Baltic states and Russia, and will also soon be sold in Australia and Greece. Karasi Areni Noir was included in one Bloomberg author's list of top ten wines of 2012.

A second wine, produced from the first grapes harvested from a 200-year-old abandoned Areni vineyard high in the remote mountains one mile above sea level, is planned to be released in 2015. ■



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**ARMENIA'S SHARE
OF THE WORLD'S
BRANDY EXPORT
MARKET IS 2.8%,
MAKING IT THE SIXTH
LARGEST EXPORTER IN
THE WORLD**

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“Meghri” Wine Factory	32 Gortsaranain Street, Meghri, Syunik marz, Armenia	Phone: (+374 286) 43105 (+374 94) 042803 E-mail: meghrigini@mail.ru
“Armen Alco” LLC	Aygeshat village, Armavir marz, Armenia	Phone: (+374 91) 425642 E-mail: armenalco@rambler.ru Website: www.armenalco.am
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**ARMENIAN BRANDY
IS A LEGENDARY
DRINK AND WAS THE
FAVORED CHOICE
OF SIR WINSTON
CHURCHILL**

JUICE SECTOR



Fruit growing is one of the leading sectors of Armenian agriculture. Favorable climatic zoning allows non-simultaneous ripening of fruits, resulting in prolonged shelf life and less seasonal tension in the fruit supply. Due to climatic changes at different altitudes, some varieties of fruits have a unique flavor for which they are famous both in Armenia and abroad. Juice production is a growing sector of Armenia's food processing and packaging industry. Armenia produces high quality fruits and vegetables, which are grown mostly in the fertile Ararat Valley. Over the past five years the Armenian fruit juice industry has expanded rapidly, and domestic production has almost entirely replaced imports. In 2013, packaged-natural juice production increased by 17% percent over the previous year. Juice production more than doubled between 2009 and 2013.

According to statistical data, exports of locally produced juices amounted to USD 2.8 million in 2013, 8% above 2012. In the same year, imports were lower by 7% compared to 2012, amounting to USD 5.7 million. As shown in Figure 10, 70% of Armenian exports go to Russia, 5% to EU countries, and 4% to the USA and Canada.

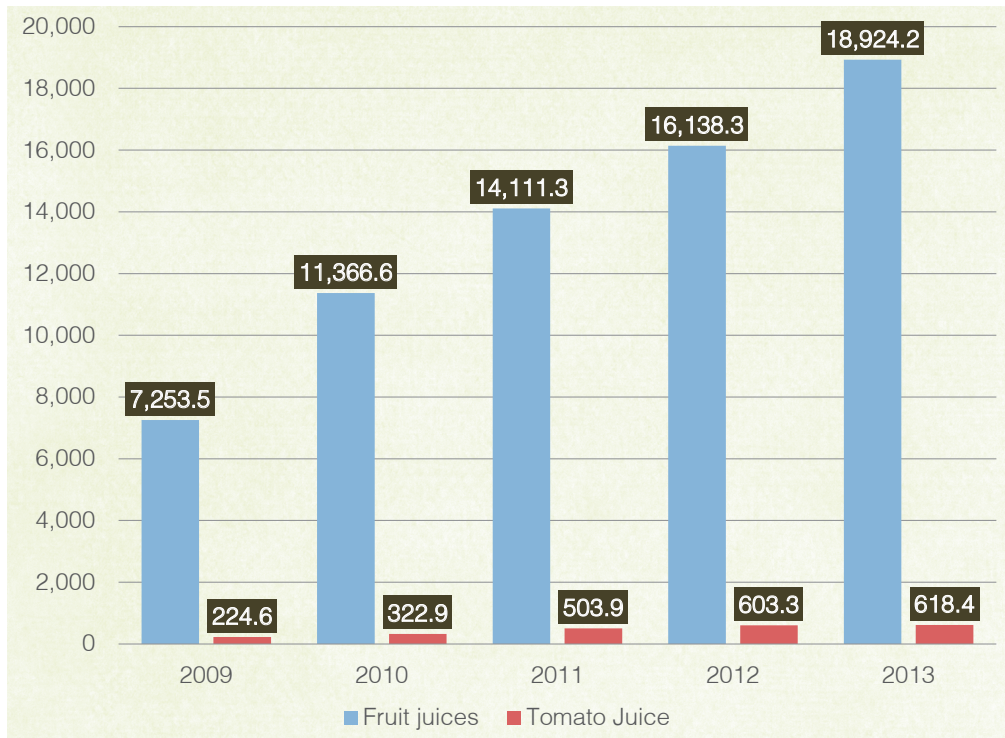
Several fruit juice producers have renovated old facilities, installed new processing and packaging lines, and used both locally produced and imported concentrates to produce higher quality juices and nectars. Two juice companies have introduced international food safety standards, including ISO 22000, HACCP/GMP, and ISO 14000. Juice packaging includes glass jars, tetra packs and PET bottles. Three companies produce organic juices for external markets. The local market is highly competitive, and juices are produced under different brands for low to high-end customer segments. The main juice varieties produced from local fruits and berries are apricot, peach, apple, rosehip and sea buckthorn. Other varieties are produced from imported concentrate for the local market. A small volume of tomato juice is produced to cover local market demand.

Niche opportunities exist mainly at the premium end of the local market and in export markets. Co-investing in new brands with an established producer is likely to be the most effective way to enter the market. ■

**ARMENIA'S FRUITS
HAVE UNIQUE FLAVOR
FOR WHICH THEY
ARE FAMOUS BOTH
IN ARMENIA AND
ABROAD**

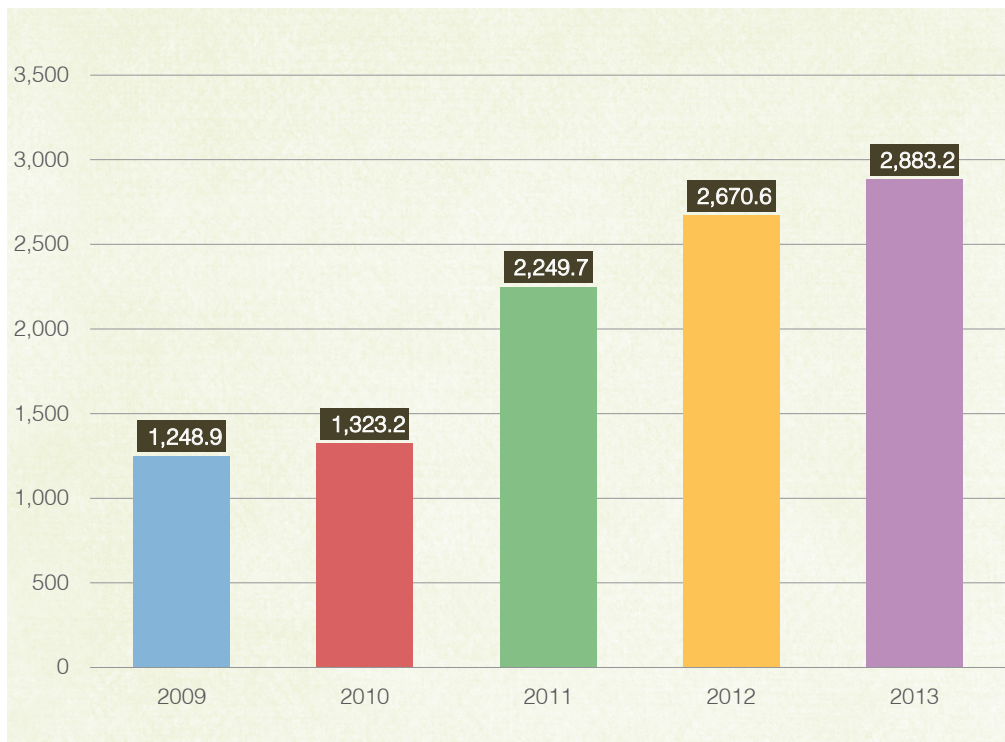


FIGURE 8. JUICE PRODUCTION, 2009-2013, THOUSAND LITRES



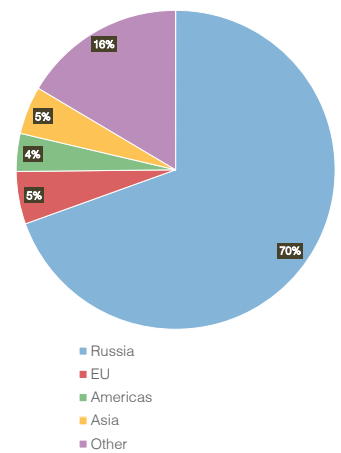
SOURCE: NSS OF THE RA; 2014

FIGURE 9. JUICE EXPORTS 2009-2013, USD THOUSAND



SOURCE: MOF AND NSS OF THE RA; 2014

FIGURE 10. EXPORT OF ARMENIAN JUICE BY REGIONS; 2013



SOURCE: MOF OF THE RA; 2014



PRODUCTION OF JUICES ACCORDING
TO INTERNATIONAL QUALITY
STANDARDS, ARARAT FOOD FACTORY





SIS NATURAL CJSC

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Number of employees:

124

SIS Natural CSJC was established in 1999 as a producer of juices and fruit preserves. The company offers a large range of products including fruit, berry and vegetable juices, preserves, marinades and jams. The company is the producer of Yan, SIS and Jusis brands, each focusing on a different target market.

SIS Natural manufactures Yan juice products in glass bottles, SIS juice products in plastic bottles, and Jusis juice products in cartons, in addition to making jams and preserves. It employs both traditional and organic production, implements ISO 22000 and HACCP quality control systems, and has a certificate of kosher production.

The last few years have been productive for the company in developing new brands, and it has received certificates attesting to the

quality of management and production, including ISO 9001:2008, IQNet, an "Organic" certificate for its pomegranate and sea-buckthorn juices and rosehip drink. The company has also a Kosher certificate for several products.

The company distributes products to the USA, Ukraine, Russia, CIS countries, Hungary, Belgium and other EU countries.

The main goals of the company are to expand its production, maintain high quality and export its products to foreign markets. The company is constantly expanding its assortment of high quality products.

The competitive advantages of the company are its high quality of production, traditional and organic production, and its quality control system throughout the production process. ■



Tamara Fruit CJSC was established in 2002, and is the first enterprise in Armenia producing deep-frozen fruits and vegetables, along with organic fruit juices. In addition, Tamara Fruit produces a wide range of conventional juices, compotes, preserves, jams and canned vegetables (more than 300 types of products), quick-frozen products, and fruit and herb-flavored iced teas and iced coffees.

Raw materials are gathered from the mountain forests and valleys far from polluted and crowded industrial areas. For organic production, natural juices are squeezed from fresh or frozen fruits and vegetables. The company forbids any kind of preservatives (besides natural), artificial flavorings or dyes in its products.

Fruit juices can be produced with pulp and/or sugar.

Tamara Fruit received a Master Certificate for its entire organic production as a result of a thorough inspection process held in July 2009. This certificate was issued on the basis of Green Caucasus's "Standard for Production, Processing, Labeling and Marketing of Organically Produced Food," which is equivalent to the requirements of Regulation (EC) No. 834/2008 and Regulation (EC) No. 889/2008, and corresponds to IFOAM, Codex Alimentarius organic norms.

Tamara Fruit's products are exported to Russia, Hungary, Czech Republic, France and the USA. ■



TAMARA FRUIT CJSC

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FACTORY LTD**

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Number of employees:

111

Ararat Food Factory LTD was founded in 2011. The company produces a wide range of products: juices; nectars; herbal and classic teas; iced teas; canned vegetables; jams; and, compotes. There are four manufacturing facilities on the plant's territory: juice packing; teas; compote processing; and, fruit and vegetables. There are two production lines for juices: one for bottling juices in glass bottles; the other for carton containers. In 2013, the company acquired a new production line with a capacity to process seven metric tons of fresh fruits and vegetables an hour.

To maintain high quality, Ararat Food Factory has installed a quality and safety control system and the

production process is carried out with modern equipment and only the most qualified specialists.

The company's juices and canned foods are exported to Russia, Georgia, Turkmenistan, Iraq, Kazakhstan, USA, France, Germany, Poland and Belarus.

The main goal of Ararat Food Factory is expanding exports. During its three years of activity, the company has expanded sales both inside and outside of Armenia.

High quality production, beautiful design and packing, and a flexible price policy are the main advantages of Ararat Food Factory. ■



Noyan

EUROTHERM CJSC

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In 1998, Eurotherm, a Russian-Armenian joint enterprise, signed an agreement with Swedish company Tetra Pak, the largest liquid food packaging equipment-producer, to begin the production of natural juices with aseptic packaging. The main production facility was reconstructed and re-equipped in accordance with international standards. The company manufactures natural juices, nectars, fruit preserves, canned vegetables, purees and concentrates under the "Noyan" brand.

Eurotherm provides high quality raw materials and pure water, and performs detailed analysis of fruit and vegetables. The production site is capable of processing all kinds of fruit into semi-finished products and concentrates.

The company uses a unique cold squeeze method that preserves the original flavor and vitamins in sun-ripened fruits, and modern processing and filling aseptic (closed) technology. As a result, Noyan juices, nectars and

drinks do not contain any preservatives, artificial colors or aromas.

Another advantage of Noyan is the fact that they offer completely new, fresh and exclusive juice and nectar flavors such as pomegranate, sea-buckthorn, rose-hip, cornelian cherry, plum and others that are produced by very few manufacturers but have recently become popular worldwide due to their magnificent taste. The company implements ISO 9001, ISO 14000 and ISO 22000 standards, and has a kosher certificate.

Eurotherm's products are exported to many countries including USA, Canada, Australia, Japan, EU countries, Ukraine and Russia. Noyan recently opened a new processing facility for baby food and fruit concentrate production, with a total capacity of 15,000 tons annually. Noyan products have been acknowledged by numerous Grand Prix and have been awarded gold, silver and bronze medals at various international trade fairs. ■



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**ARMENIA'S JUICE
PRODUCTION MORE
THAN DOUBLED
BETWEEN 2009 AND
2013**



TOMATO SORTING LINE AT THE
EUROTHERM (NOYAN) FOOD
PROCESSING COMPANY

MEAT PRODUCTS



Animal husbandry has also been practiced in Armenia for thousands of years. Studies have indicated that the Armenian Highland was one of the cradles of domestication of wild cattle and sheep. Armenia's mountainous pastures, spacious grasslands and Alpine meadows have created favorable conditions for animal husbandry. In addition to cattle and sheep, ancient Armenians kept a large number of goats, poultry, horses, mules, and donkeys.

In the plains, especially in marshy places, buffalo breeding was developed. But Armenia was mostly famous for horse breeding. There is historical evidence of "runner" type horses being exported in large numbers from the Armenian Highland. The historian Strabo (64 BC – 24 AD) wrote that, to his delight, Armenian horses were tall and had "unequaled beauty".

Armenian meat consumption is the highest in the South Caucasus region – 45.5 kg per capita (2012). The major meat groups are poultry, beef, pork, sheep, and a small

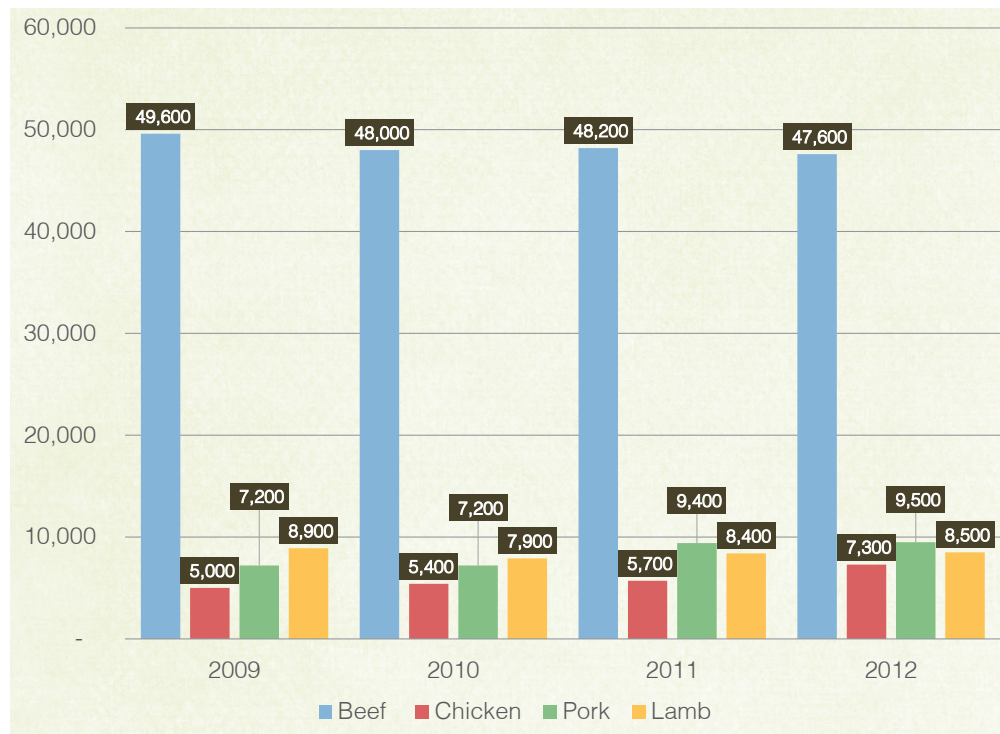
quantity of goat. Armenians consume chicken moderately, estimated at 40,000 tons per year with local production limited to 8,000 tons per year. Through various market channels, some 130,300 tons (live weight) of meat and poultry was consumed in 2012.

Meat production in Armenia experienced moderate growth of 5% between 2009 and 2012. Cattle production during this period increased by 16%. Beef has the biggest share of Armenia's meat diet, accounting for 65% of all meat production. The import of bovine meat in 2012 was 8,335 tons with a value of USD 20 million. Bovine meat is consumed primarily by Armenian meat processors, as the production cost for local beef is relatively high.

Pork is used for traditional BBQ and has seasonal demand which increases during the summer. Local pork is quite tender and tasty, although it is 60% more expensive than imported frozen pork. Locally produced pork accounts for about 67% of Armenia's pork consumption. In 2012,

**THE ARMENIAN
HIGHLAND WAS ONE
OF THE CRADLES OF
DOMESTICATION OF
WILD CATTLE AND
SHEEP**

FIGURE 11. MEAT PRODUCTION, TONS, 2009-2012



SOURCE:

TABLE 11. MEAT PROCESSING VOLUMES, TONS, 2009-2013

Year	2009	2010	2011	2012	2013
Meat (not including domestic consumption by farms)	57,740	54,497	60,987	65,896	72,012
Meat products	4,147	3,954	4,489	4,672	4,757
Semi-prepared meat	394	545	499	499	633

SOURCE: NSS OF THE RA; 2014

Armenia's imported pork meat was valued at USD 11.4 million. The use of pork in processing is very limited.

Sheep production in Armenia increased by 32% between 2009 and 2012 and reached 687074 animals in 2013. Local lamb consumption is limited, and more than 74% of locally produced lamb is exported to Iran and other Islamic countries. Two halal slaughterhouses were recently established in Armenia that export chilled lamb meat to Iran. Armenia has export restrictions on live sheep of 500,000 animals per annum, which is intended to protect the local market from price fluctuations. Sheep meat consumption in Armenia is strictly seasonal and is around 2.5 kg per capita.

There are more than 70 meat processing entities operating in Armenia. The seven largest processors have more than 80% of the market share. Meat processing grew overall by 11% between 2009 and 2012. Production includes more than 70 types of sausages and processed meat. High-growth categories include raw, cooked, semi-smoked and smoked sausages, raw smoked meat products, bacon, jerky, and

traditional Armenian products. Imported meat is the primary raw source used by meat processors, with locally produced meat supplying Armenian processors only 3% of their raw meat.

Armenian processed meat consumption is estimated at 10,500 tons per annum, of which imports account for about 48% at a value of USD 7.7 million. In the last three years, the volume of export of meat products has approximately doubled. Georgia is the main export market for Armenian processed meat.

There is potential to improve Armenian animal breeding technology, such as breeding new types through artificial insemination, introducing new meat producing varieties, and applying a carcass grading system.

In meat processing, there appears to be an opportunity for developing a niche market of high value products made of local meat. There is also the potential to expand the export of local products to existing and new markets, although considerable promotional support for overseas markets is required. ■

TABLE 12. SHARE OF PROCESSED MEAT PRODUCTS EXPORTED DURING 2009-2013, USD

Type/year	2009	2010	2011	2012	2013
Sausages	436,735	460,240	844,049	1,414,521	2,015,210
Canned meat	418,096	584,561	327,871	1,384,163	601,764
Meat and edible meat offal	n/a	55,804	23,841	83,397	142,576
Poultry meat and offal	n/a	n/a	n/a	45,710	140,497
Salted, dried or smoked meat	13,955	12,949	23,800	19,037	2,079
Total	868,786	1,113,554	1,219,561	2,946,828	2,902,126

SOURCE: NSS OF THE RA; 2013

**ARMENIA'S
MOUNTAINOUS
PASTURES, SPACIOUS
GRASSLANDS AND
ALPINE MEADOWS
CREATE FAVORABLE
CONDITIONS FOR
ANIMAL HUSBANDRY**



MEAT PROCESSING AT THE
BARI SAMARATSI COMPANY





BACON

MEAT PRODUCTS

BACON PRODUCT
LTD

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Bacon Product LTD, founded in 1995, manufactures meat products and convenience food. It started in a small factory, and currently operates in modern production facilities developed by prominent Austrian specialists that meet international standards.

Bacon Product is a high-quality meat production company that uses top European equipment. The entire production process is computer controlled and quality control is performed at all stages. The product range includes sausages and deli meats. Along with traditional Armenian meat products, Bacon Product also produces specific types of Italian and Spanish sausages. In 2010, the company started a close collaboration with the Russian Meat Union, resulting in the development of new products under the "Doctor" brand. Products under the "Doctor" brand have fat content up to 5.6 percent, and are made from locally bred fat-free meat.

Bacon Product is the first company in Armenia to organize trips to the production site so visitors can witness the sausage making process and sanitary conditions, see the raw materials, taste the products, and express their opinions about the quality and taste. In November 2012 the company formed a customer service department. Currently the company exports to Georgia, and is actively working to expand export volume. During its 18 years of operations, the company has received numerous diplomas and awards.

The mission of the company is to: provide consumers with healthy and safe food; improve production quality; unite the best specialists; be innovative; achieve the highest standards in order to contribute to the development of the Armenian meat products market; and, be responsible towards all strata of society. The company is continuously developing its production capacity, and maintains a leading position in the Armenian market. ■





PACKAGING OF SAUSAGES AT THE
BACON PRODUCT [REDACTED]
MEAT PROCESSING COMPANY



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Number of employees:

160

Atenk meat processing and packing factory was founded in 1993 by the Hayr & Vordi Yeritsyanner company. Starting with the production of three types of sausages, the factory gradually expanded both its assortment and production volumes. In 2009, a new owner made large investments in modern European equipment and increasing production capacity. Atenk currently makes more than 100 varieties of meat products including cooked sausages, small sausages, semi-smoked sausages, raw smoked sausages and delicacies.

The company uses fresh meat, natural ingredients and spices in its products. The sausages are smoked using Armenian beech wood. The raw materials are subject to laboratory examination, and control of the

company's production facility and warehouses is performed regularly to ensure sanitary-hygienic conditions. Atenk's production complies with international standards of quality control management. The company employs environmentally safe production practices.

The use of modern equipment and technologies enables Atenk to constantly improve quality and speed up the production process. The company collaborates with leading organizations, such as Alpina (Switzerland), Laska (Austria), Kramer-Greber (Germany), Vemag (Germany), Handtmann (Germany), and Schaller (Germany).

Atenk's products range in price and reach various market segments. Its products are sold in Armenia. ■



Mush LLC, founded in 1991, manufactures 70 varieties of meat products, including semi-prepared, semi-smoked, cooked, raw smoked sausages, small sausages, wieners, cooked meat and basturma. Since 2012, Mush products have been represented in the market under the "Armenia meat food" brand. High quality raw meat, which undergoes careful laboratory examination, is used in the company's production. Unique manufacturing technologies are employed to produce more than 20 types of products under the Armenia meat food brand. The company primarily focuses on developing new taste characteristics and expanding its product range. At present, the

company occupies a two-hectare territory with 6,000 square meters of production area. The factory is fully equipped with the best European machinery, has an air conditioning system, a separate water supply, a high-power laboratory, and a refrigeration system with a 1,000-ton capacity.

The company has an experienced pool of specialists who regularly receive training abroad. All of Mush's products are manufactured in accordance with international ISO 22000:2005 standards and technical conditions, confirmed by the State standard. Mush's products are sold in the Armenian market and exported to Georgia. ■



MUSH LLC

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NATFOOD CJSC

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Number of employees:

130

In 1998, the Valetta company started a meat processing plant with a daily production volume of 50-100 kg. Meat products were marketed under the "Biella" brand. In 2006, production was expanded and volumes increased up to two tons. In June 2006, Natfood CJSC was officially founded and registered, and construction of a new modern meat plant began the following year.

Natfood functions under four different brands for various markets. The company makes cooked sausages, frankfurters and weiners, semi-smoked sausages, raw smoked sausages and delicacies. Local fresh meat and convenience food is sold under the "Ferma" brand. Current production is exported to Georgia, Kazakhstan, Iran and Russia.

Natfood's production plant is equipped with German technology, and quality control is undertaken at all stages of production. The following systems are implemented:

- FSSC 22000 product safety control system;
- Internationally accepted HACCP quality management system; and,
- HALAL certification system for some products.

The plant's modern technology enables the company to compete with western manufacturers' assortments and quality. Maximizing production potential involves stressing the importance of exports, and the company plans to expand its export markets to Asian, European and African countries. ■





MEAT QUALITY CONTROL LABORATORY
IN THE NATFOOD MEAT PROCESSING
COMPANY



BARI SAMARATSI LLC

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Bari Samaratsi was founded in 1994 to manufacture high quality meat products. Bari Samaratsi's manufacturing facility is fully equipped with modern technologies and equipment. The company has relationships with leading manufacturers of meat production equipment, such as Schaller (Germany), Alpina (Switzerland), Laska (Austria), Kramer-Greber (Germany), Vemag (Germany), Handtmann (Germany).

Bari Samaratsi produces more than 120 varieties of meat products and conventional food, including smoked meat products, cooked and smoked sausages, frankfurters, dumplings, minced meat products, meat pancakes and kebabs. The company follows ISO 9000 quality

control international standards, ISO 14000 environmental management international standards, and ISO 22000 food safety management standards. To ensure microbiological safety of its products, state-of-the-art equipment is used throughout the entire production process.

In a national vote, Bari Samaratsi was recognized as "The best brand of the year 2011-2013". In 2014, based on an external audit by international experts, Bari Samaratsi was awarded the Gold Medal for implementing advanced technologies and being the closest in meeting international quality standards in its production process.

Currently Bari Samaratsi's products are exported to Georgia. ■



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The Moya Semya meat processing company was founded in 2008. The company's facility was expanded over time and today operates with modern equipment imported from Germany in accordance with international standards.

In keeping with its principle of producing high-quality products, the company invites skilled professionals to Armenia from advanced countries such as Germany, Switzerland and Austria to share their expertise. Due to new technological advances and an excellent workforce, the company maintains high product quality and also meets all sanitary-hygienic norms. Its warehouses for both raw materials and finished products are under constant laboratory control.

Currently, Moya Semya produces more than 110 varieties of meat products. Domestic and imported high quality raw materials are used in its production. Imported raw materials undergo careful examination before being used. Some of the company's products are made purely from local beef and pork meat. Consumer health and safety is a top priority for the company.

In 2009, Moya Semya was recognized as "Product of the Year," an award given to the most popular selling food product based on market research. The company constantly participates in exhibitions and competitions in which it receives prizes and other recognitions. ■

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“Galstyanner Father and Son” Co. LTD	10 Building, 3rd Street, Norabats village, Ararat Marz, Armenia	Phone: (+374 94) 144505 (+374 77) 930504 E-mail: galstyanner@bk.ru
“Marila” LTD	24/3 Gortsaranain Street, Kapan, Syunik Marz, Armenia	Phone: (+374 93) 929977 E-mail: marilaltd@mail.ru Website: www.syunikmeat.am
“Agroholding” LLC	Panragotsner district, Spitak, Lori marz, Armenia	Phone: (+374 10) 227463 E-mail: info@agroholding.am
“ARID” Goat Breeding Consumers' Cooperative	1 Yerevanyan Highway, Yeghegnadzor, Vayots Dzor Marz, Armenia	Phone: (+374 93) 201277 E-mail: arid_centre@yahoo.com
“Ararat” Meat Processing and Packaging Factory	137 Arshakunyats Avenue, 0007, Armenia	Phone: (+347 10) 480991 E-mail: info@ararafactory.am Website: www.ararafactory.am
“Aquatic” LLC	Tsovazard village, Gegharkunik Marz, Armenia	Phone: (+347 10) 287511 E-mail: aquatic@arminco.com
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**BEEF HAS THE
BIGGEST SHARE OF
ARMENIA'S MEAT
DIET, ACCOUNTING
FOR 65% OF ALL
MEAT PRODUCTION**

DAIRY PRODUCTS



The Armenian dairy sector is highly competitive and its growth has been strong, increasing by 7% between 2009 and 2012. The sector satisfies Armenian consumers' growing demand for traditional dairy products, such as cheese, yogurt, sour cream and curd. There are 61 operating dairy enterprises currently in Armenia. The sector is dominated by Armenian entities. Pasteurized milk constitutes 90% of dairy production in Armenia. Approximately 52.4% of Armenia's milk production is processed, and milk prices vary from AMD 100-180, depending on the harvest season. The total volume of milk produced in Armenia was 339.5 million liters in 2013 with a growth of 7% over 2012. According to FAO, Armenian milk consumption is high, at more than 150 kg per capita annually. The milk manufacturing industry is still operating at 30-40% of capacity, with great potential for expansion of the consumer market.

Dairy production, including yogurt, kefir, matsun (traditional yogurt), curds

and sour-cream, is sold domestically. Armenia produces mainly white soft cheese, totaling 17,630 tons annually, approximately 50% of which is exported. A few companies produce non-traditional cheeses such as goat feta, camembert, gouda, edam and mozzarella, though their volume is insignificant when compared to traditional Armenian cheeses. The volume of high-fat quality milk is low, even though some 50% of Armenian grazing lands are alpine and sub-alpine zones. Cheese imports, mainly yellow soft and hard cheeses, account for 1,035 tons annually.

In 2013 Armenia's dairy exports significantly increased to USD seven million, several times more than 2012 exports which were USD 2.7 million. In the last three years, cheese exports also saw significant growth. In 2013 over 1,540 tons of cheese was exported from Armenia, three times more than in 2012. Moreover, in 2013 Armenia exported approximately 9% of its cheese production, with the rest consumed in

ARMENIA PRODUCES MAINLY WHITE SOFT CHEESE, APPROXIMATELY 50% OF WHICH IS EXPORTED

FIGURE 12. DAIRY AND CHEESE PRODUCTION, TONS, 2009-2013



SOURCE: MINISTRY OF AGRICULTURE AND NSS OF THE RA; 2014

TABLE 13. MILK PROCESSING VOLUME

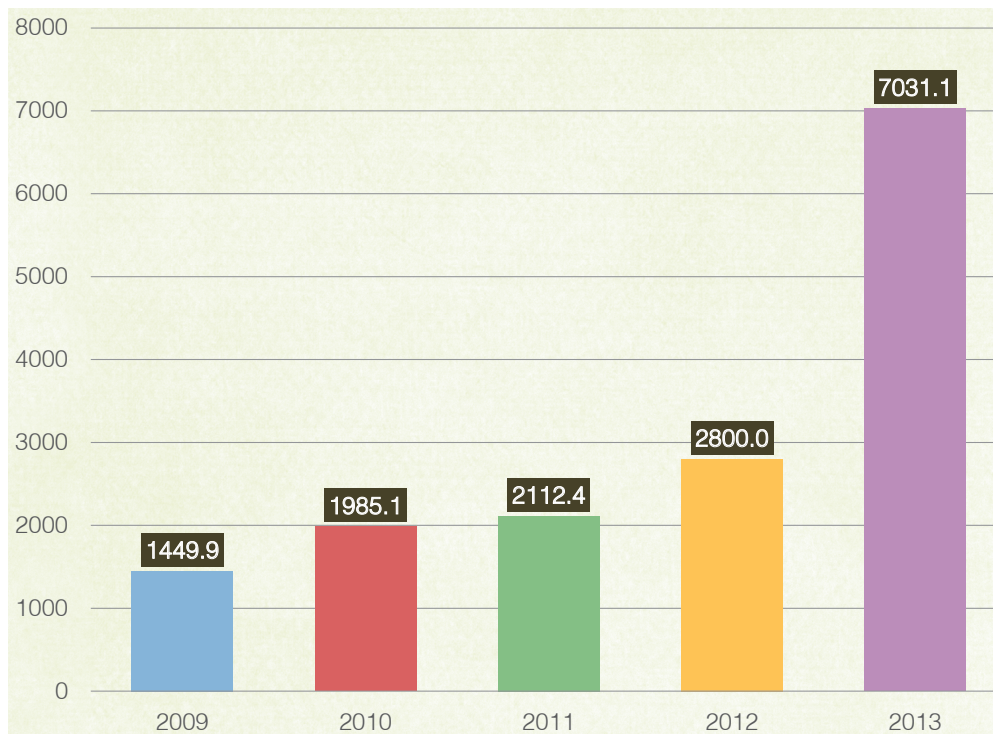
Year	2009	2010	2011	2012	2013
Cheese (ton)	17,465	17,047	17,614	17,658	17,375
Milk (million liter), does not include domestic consumption of farms	287	300	316	320	340
Kefir (ton)	240	230	275	247	222
Curd (ton)	738	736	950	849	1,011
Glazed cheese curds (ton)	-	128	116	106	93
Matsoun (ton)	2,823	3,055	3,519	3,142	3,551
Sour cream (ton)	3,059	3,153	2,864	3,401	3,453

SOURCE: NSS OF THE RA; 2014

the territory of Armenia. At the same time, imports of all types of dairy have declined, due mostly to the high quality and production expansion of local dairy products.

In recent years, five Armenian dairy producing companies have installed technology for dry milk production, with their capacities reaching 1,400 kg per hour.

Investment opportunities exist in improving primary production, such as breeding new milk varieties. Possibilities exist in high-value cheese production, both for local and export markets. New investors can join well-established companies to work in an import-substitution model. Current cheese imports are approximately USD five million. ■

FIGURE 13. EXPORT OF DAIRY PRODUCTS IN 2009-2013, USD THOUSAND

SOURCE: NSS OF THE RA; 2014

MATZOUN IS A FERMENTED MILK PRODUCT OF ARMENIAN ORIGIN, WHICH CONTAINS LACTIC ACID BACILLI AND IS HISTORICALLY USED FOR VARIOUS MEDICINAL PURPOSES







ASTARAK KAT CJSC

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www.ashtarakkat.com

Number of employees:

500

Ashtarak Kat was established in August 1995 as a cheese plant in the village Agarak. The company started out with a limited production of sour cream, milk, traditional yogurt (matsoun) and a few types of ice cream, and had only 15 employees. The company's workforce has grown to 500, and the product range now includes milk, matsoun, sour cream, curd, kefir, Lori cheese (white soft), processed cheese, glazed cheese curds, and over 45 types of ice cream and yogurts. It also produces fruits jams and preserves for the Russian market.

Raw milk is collected from pre-alpine and alpine meadows in pollution-free areas. Raw materials are strictly controlled from collection point to microbiological analysis in the company's factory lab in order to ensure high quality. Milk is chilled within two hours of collection and is transported to the processing site by special milk trucks.

The entire process, from collection to production, meets strict hygiene

standards.

Ashtarak Kat's production process involves condensing and then evaporating milk under high temperatures using modern German equipment. The company's products are recommended by the Armenian Medical Association, whose logo appears on Ashtarak Kat's labels.

Ashtarak Kat received the "Quality Sign" from the Armenian government in 1994, and again in 2004. In January 2008 the company received the ISO Quality Management System certificate. In 2011 the Armenian Medical Association awarded the Company's "Kovik" brand the right to carry the honorary "Healthy Heart" label, signifying that its products are healthy and nutritious.

The company has the one of the largest distribution networks, covering all regions of Armenia, and its products can be found in more than 90% of the country's grocery stores. ■





YOGURT PRODUCTION LINE IN THE
ASHTARAK KAT DAIRY FACTORY



**DOUSTR
MARIANNA LTD**

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d_marianna@web.am

Website:

www.mariannadairy.com

Number of employees:

179

Doustr Marianna LTD was established in 1997. It prioritizes high quality and using experienced specialists in its production process. The entire process, from raw milk to the delivery of final product to sellers, is controlled by the laboratory. All packages are disposable, and prior to packaging products are treated against bacteria by ultraviolet lamps.

The production facility has a special ventilation system to ensure air purity and the required humidity and temperature. Raw milk is tested chemically and bacteriologically in the company's modern laboratory to ensure that it meets hygiene and food safety standards. All dairy production passes laboratory analysis before leaving the factory.

Doustr Marianna produces a wide range of dairy products, including cheese, processed cheese with various tastes, sour cream, curd, kefir, yogurts, curd with sour cream, milk, butter, matsoun, glazed curd with different tastes and dietary dairy.

Doustr Marianna cooperates closely with the Armenian National Agrarian University and other higher education institutions in an effort to train specialists for their future involvement in its production process. The company operates on a global management system, which includes international quality management system ISO 9001:2000, ISO 14001:2004 standards, an ecological management system, and an HACCP system of risk management meeting the requirements of Codex Alimentarius Committee. ■





QUALITY CONTROL LABORATORY
IN THE DOUSTR MARIANNA DAIRY
FACTORY



TAMARA LTD

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Website:

www.tamara.am

Number of employees:

230

Tamara LTD was founded in 1988 in Yerevan as a production co-operative. In 1992, the company acquired a 2,600-square meter space in the town of Abovyan, and in 1997 completed construction of a production site with a workshop, laboratory and truck parking lot. The Company produces about 90 varieties of ice cream, 30 varieties of pastry, and 15 types of dairy products and yogurts. Ice cream is exported to the USA, Russia and Georgia. The company is interested in expanding its business to Georgia.

The company procures equipment and vehicles from several companies including Technogel, Seda, Chesalpinia Food and Cold Car. Its packaging and additives for dairy products are imported from Italian companies. Milk is collected from alpine regions of Armenia to ensure high quality and taste.

Tamara is continuously updating its production capacity to maintain high product quality and to keep up with market developments. Recently, the company invested in new high-grade equipment, a licensed laboratory that meets international standards, and a number of trucks for distribution in Armenia and Georgia.

In 2000, Tamara implemented International Standards ISO 9002:98, and in 2003 ISO 9001:2002. The company has received numerous awards, including a quality award from the Prime Minister of Armenia, the "Arch of Europe Gold Star" in Paris, and the "Diamond Reward" in New York.

Tamara's competitive advantages are its consistent high quality production, low net cost, flexible market policy, and quick introduction of new products. ■





ICE CREAM PRODUCTION LINE IN THE
TAMARA DAIRY PRODUCING FACTORY

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“Biokat” Dairy Products Factory LLC	1/10 Building, 1st Street, HaghTanak distr., Yerevan, 0065, Armenia	Phone: (+374 10) 744415 E-mail: info@biokat.am Website: www.biokat.am
“Grand Candy” Armenian-Canadian Joint Venture LLC	31 Masisi Street, Yerevan, 0061, Armenia	Phone: (+374 10) 446383 (+374 10) 445633 (+374 10) 445663 E-mail: info@grandcandy.am Website: www.grand-candy.com
“Elit Shant” LLC	73 Azat Vshtunu Street, Yerevan, 0031, Armenia	Phone: (+374 10) 350777 E-mail: info@shant.com.am Website: www.shant.com.am www.byurakan.am
“A. Avetyani Asa” LLC	47/14 Ashtarak Highway, Yerevan, 0088, Armenia	Phone: (+374 10) 392242 (+374 10) 319555 (+374 10) 357228 E-mail: asaice@mail.ru Website: www.asaice.am
“Bonilat” LLC	2/4 Romanos Melikyan Street, Yerevan, 0065, Armenia	Phone: (+374 10) 711712 (+374 10) 749401 E-mail: info@bonilat.am Website: www.bonilat.am
“Cheezler” Co. LTD	Tsaghkahovit village, Aragatsotn Marz, 0401, Armenia	Phone: (+ 374 257) 62152 (+374 93) 987766 E-mail: cheezler@cheezler.com Website: www.cheezler.com
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“Multi Agro” Beekeeping Scientific Production Center Co. LTD	Arinj village, Kotayk Marz, Armenia	Phone: (+374 10) 616750 (+374 91) 552339 (+374 93) 256885 E-mail: info@multi-agro.am naira-karamyan69@rambler.ru Website: www.muli-agro.am
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“Golden Goat” Goat Cheese Factory CJSC	2 Yerevanyan Highway, Goghtik village, Vayots Dzor Marz, Armenia	Phone: (+374 281) 62061 (+374 93) 081878 E-mail: goldengoat@mail.ru Website: www.goldengoat.am
“Borisovka” Cheese-Making Workshop	Tsghuk village, Syunik Marz, 3538, Armenia	Phone: (+374 10) 562608 (+374 94) 988300 E-mail: mgrigoryan60@yahoo.com Website: www.borisovkacheese.am
“Marila” LTD	24/1 Gortsaranain Street, Kapan, Syunik Marz, Armenia	Phone: (+374 93) 929977 E-mail: marilatd@mail.ru Website: www.syunikmeat.am

**ACCORDING TO FAO,
ARMENIAN MILK
CONSUMPTION IS
HIGH, AT MORE THAN
150 KG PER CAPITA
ANNUALLY**

“Diet” LLC	16 Tumanyan Street, Vanadzor, Lori Marz	Phone: (+374 322) 22913 (+374 77) 978300 E-mail: lussargsyan@yandex.ru
“Katnarat” Dairy Factory Co. LTD	15 Tbilisyan Avenue, Yerevan, Armenia	Phone: (+374 10) 209960 (+374 10) 209970 E-mail: milkatcompany@gmail.com Website: www.katnarat.am
“Bandivan Kat” Co. LTD	Bandivan village, Shirak Marz, 2708, Armenia	Phone: (+374 77) 315306 E-mail: bandivankat@mail.ru
“Ashotsk Cheese Factory” Limited Liability Company	Musayelyan village, Shirak Marz, 2808, Armenia	Phone: (+374 77) 727278
“Igit” Dairy Factory Co. LTD	Azatan village, Shirak Marz, 2603, Armenia	Phone: (+374 93) 955059 (+374 94) 088858 E-mail: hayfred@mail.ru Website: www.igitkat.am
“Aparan Cheese Factory” CJSC	4 M. Baghramyan Street Aparan, Aragatsotn marz, Armenia	Phone: (+374 252) 24459 (+374 91) 201164 Website: www.apg.am
“Dili” Agroindustrial Complex LLC	55 Myasnikyan Street, Dilijan, Tavush Marz, Armenia	Phone: (+374 268) 23755 (+374 93) 993323 E-mail: dili@dili.am Website: www.dili.am www.mozzarella.am
“Artsrun and sons” Co. LTD	Building 12, 6 th Street, village Martuni, marz Gegharquniq, 1315, Armenia	Phone: (+374 94) 553535 E-mail: shahen.com777@mail.ru
“Echmiadzin Kat” LLC	59 Isakov Street, Ejmiadzin, Armavir Marz, 1103, Armenia	Phone: (+374 231) 40043 (+374 77) 078077 E-mail: ejmiadzin.kat@mail.ru Website: www.echmiadzinkat.am
“Daughter Melania” cheese factory	346 Kirov Street, Tashir, Lori Marz, 2102, Armenia	Phone: (+374 91) 224547 E-mail: dustrmelania@mail.ru Website: www.dustrmelania.info.am
“Gnel Khachatryan” S.P.	15 Gay Avenue, Vardenis, Gegharkunik Marz, Armenia	Phone: (+374 269) 22257 (+374 77) 208847
“Mastarachedo” LLC	Mastara village, Aragatsotn Marz, Armenia	Phone: (+374 93) 899995 E-mail: mastarachedo@mail.ru Website: www.mastaracheese.am

**THE BEST-KNOWN
ARMENIAN CHEESE
IS STRING CHEESE
(TWISTED CHECHIL)**

DRIED FRUITS



Armenian-grown fruits and processed fruit products (dried fruits, jam, compotes etc.) are well known for their superior tastes, aromas and commercial appearances. Armenia's tradition of drying fruits dates back thousands of years with written testimonials from the 5th century B.C. The Greek philosopher Herodotus, when describing the social-political life of Armenia in his The Histories, noted that Armenian merchants used to transport dried apricots, peaches, raisins, wine, and other products along the Tigris and Euphrates rivers. During the Soviet era, Armenia was designated the fruit capital of the Soviet Union.

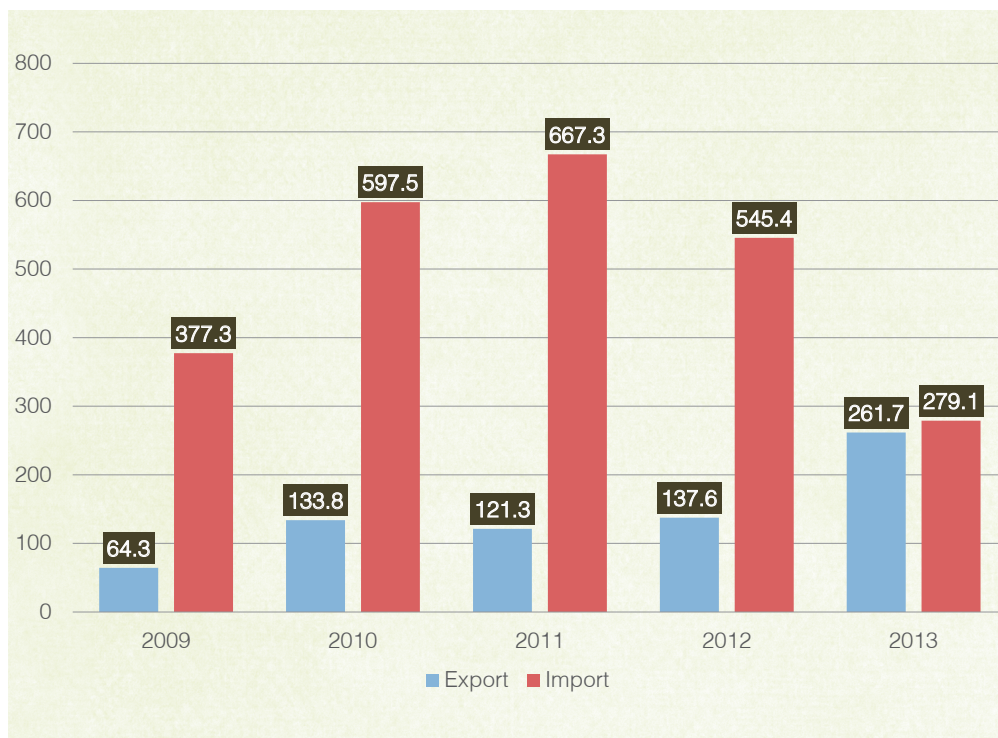
Dried food production is one of the Armenian agricultural sector's top industries, existing in almost all regions of Armenia. There are more than 5,500 dried food producers across Armenia, 98% of which are individuals with less than one ton of annual production capacity. Producers operate near supply locations or grow fruits and vegetables themselves. Most of the producers are located in the Armavir and Ararat regions, which together contribute 65% of the country's production of the dried fruits. Armenia's annual production of dried fruits and vegetables reaches 1,000 tons per annum, with apricots accounting for some 52% of this total and prunes ▶

TABLE 14. SHARE OF DRY FRUITS AND VEGETABLES IN EXPORT DURING 2009-2013, USD

	2009	2010	2011	2012	2013
Dried fruits	64,283	133,833	121,289	137,629	261,734
Vegetable dried	713	618	6,727	10,507	36,152
Total	64,996	134,451	128,016	148,136	297,886

SOURCE: NSS OF THE RA; 2014

FIGURE 14. DRIED FRUIT TRADE BALANCE, 2009-2013, USD THOUSAND



SOURCE: NSS OF THE RA; 2014

ARMENIA HAS THOUSANDS OF YEARS OF TRADITION IN MAKING DRIED FRUITS, WITH WRITTEN TESTIMONIALS DATING TO THE 5TH CENTURY B.C.

and peaches combining for about 32%. Dried fruit production also includes pears, apples, figs, grapes and persimmons. Average per capita consumption of dried fruit is 0.8 kg per annum, which is expected to grow.

Armenia has about 40,000 hectares of orchards, which is less than 2% of Armenia's agricultural land. Production of dried fruits is growing steadily, with potential for substantial further growth. The dried fruit sector is capable of expanding to accommodate increased demand for exports and additional demand from the domestic food processing sector. Up to 25% of the fruit harvest is estimated to be wasted because of lacking post-harvest methods and inadequate logistics and packaging materials. In order to reduce such waste, it is necessary to increase the proportion of raw fruits and vegetables that undergo processing.

Export of dried fruits has seen strong growth, increasing by about 20% annually between 2009 and 2012. The main export destinations of Armenian

dried foods are the Russian Federation, USA, France and Switzerland. Imports account for about 50% of the Armenia's total dried fruit consumption. This will decrease as local ventures expand their production.

The majority of dried fruit producers use solar dryers, and bigger entities have invested in electrical or combined dryers to increase productivity and the quality of dried fruits. Notably, Armenian dried food production is entirely based on local supply; no dried food is produced from imported input.

There is ample opportunity to invest in dried fruit production, including modern equipment, packaging, and primary production. With the introduction of modern processing and packaging technologies, there is strong potential to successfully enter major international markets. There is a niche market for dried organic fruits with ample opportunities and advantages. Confectionaries are another important niche for the development of dried food production. ■



DRIED FOOD PRODUCTION IS ONE OF THE ARMENIAN AGRICULTURAL SECTOR'S TOP INDUSTRIES, EXISTING IN ALMOST ALL REGIONS OF ARMENIA

ARMENIAN DRIED FOOD PRODUCTION IS ENTIRELY BASED ON LOCAL SUPPLY; NO IMPORTED FRUITS ARE USED IN THEIR PRODUCTION



ARMEN MANUKYAN
S.P.

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Armen Manukyan S.P., founded in 2007, produces dried fruits and various products based on dried fruits. In the company's beginning, fruits were dried in simple sun dryers; today, the company uses modern electrical convective and infrared dryers.

The company produces over 50 products which are sold under the brands Armenian Dried Fruits, Fruit Food, and ChocoChir, including dried fruits, pastille and glazed dried fruits.

The company's current capacity enables it to process up to 10 tons of fresh fruit per day. Armen Manukyan has its own orchards of black plum, apricot and peach trees, which provide quality raw material for processing. In 2013, the company won the "National Brand Number One in Armenia" award in the dried fruits category. The company aims to establish its own wholesale outlets in Russia and to gain certification for ecological production on some of its products. ■



The Yervandashat Agricultural Association consumer cooperative was founded on May 27, 2010 within the UMCOR program for "Sustainable Cooperative Extension and Agricultural Development." The cooperative is comprised of 35 members, all of whom are involved in gardening, with the majority also involved in dried fruit production. The tradition of preparing dried fruits in the village is more than 150 years old. Part of the dried fruit production is sold under the Sateni registered brand. The YAA produces various dried products from the following fruits with or without pits/seeds: apricot, black plum, plum, peach, pear, apple and cherry.

The Association manufactures various souvenirs to gain extra profit. The association's products are sold in the Duty Free shop of the Zvartnots International Airport and in one large Russian retail chain, Azbuka Vkusa supermarkets in Moscow. The association is planning to establish a hospitality center in 2016 to develop tourism in the village of Yervandashat.

The association's advantages include the availability of fresh and high-quality raw materials, more than 150 years of experience in dried fruits production, and modern packaging equipment. ■



Սատենի



**YERVANDASHAT
AGRICULTURAL
ASSOCIATION
CONSUMERS
COOPERATIVE**

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VAYK GROUP CJSC

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vaykgroup@yahoo.com

Website:

www.vaykgroup.am

Number of employees:

20-75 (permanent - seasonal)

Vayk Group CJSC, founded in 2001, produces wine and vodka, along with fresh and dried fruits. It has 220 hectares of orchards which include apricot, grape, apple, sweet cherry, peach, plum, almond and nut trees. The company facilities include a wine production plant and a fruit processing plant for fresh and dried fruits. Sun and thermal dryers and refrigeration systems were installed for fresh and dried fruit production. The company uses the latest equipment for processing, storing and packing dried fruits. The newly established laboratory allows control of the chemical composition of products.

With demand for organic food increasing every year, Vayk Group puts special emphasis on producing only organic products. Production and processing of fruit is strictly controlled.

The company produces fully organic dried apricots, up to 3% sulfur-rich dried apricots, dried apples, sweet plums and black plums. The company is in the process of introducing ISO international certification standards.

Vayk Group can export up to 500 tons of fresh apricots and 50 tons of dried fruits annually. Currently, its products are exported to Georgia and the Russian Federation.

The company is one of the leaders in apricot production in the southern regions of Armenia. It also manages newly planted sweet cherry, quince and peach trees, which in the future will help the company increase its product assortment and maintain a leading position in fresh and dried fruit production. ■





TRADITIONAL WAY OF DRYING FRUITS
AND VEGETABLES IN HOUSEHOLDS

PROCESSED FRUITS, VEGETABLES AND HERBS



In the frescos and carvings found throughout the ancient Armenian churches, visitors will see Armenian grapes, pomegranates, apricots, apples, and peaches smile at them from thousands-year-old pieces of art.

It is written that in the 4th century BC, while returning from his eastern invasions, Alexander the Great took seeds and young apricot plants and named the new fruit “Armenian apple” (*Malus armenica*). Later on, the well-known strategist Lucullus of Ancient Rome, unable to defeat the troops of the Armenian King of Kings Tigran the Great, retreated to the Mediterranean coast, taking apricot plants from the Ararat Valley and naming them “Armenian prune” (*Prunus armeniacum*).

Fruit and vegetable processing is one of the leading sectors of Armenian industry, although the volume of production depends greatly on the agricultural output. Over the last few

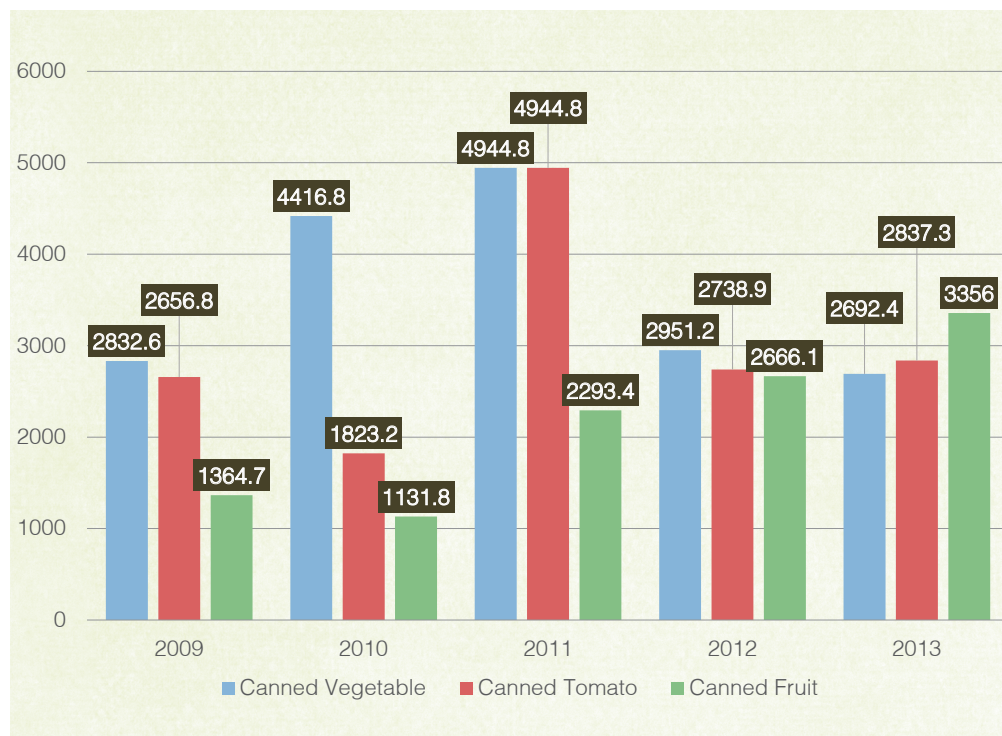
years, capital investments made in Armenia’s fruit and vegetable sector has exceeded USD 20 million. There are 40 companies in Armenia operating in the canned food production sector, located in almost all the regions of the country.

Processed fruits and vegetables have recorded strong growth, with exports doubling from 2009 to 2012. Exports in 2012 accounted for 94% of the total production, valued at some USD 14.5 million. 2013 saw an increase in exports of 6.1%, totaling approximately USD 15.4 million. Russia is the primary export market for Armenian processed fruits and vegetables (73%). Other major export markets are other CIS countries (10%) and USA (8%). Many Armenian processors work under umbrella brands of Moscow-based retail chains.

Armenia’s wide range of processed fruit and vegetable products includes fruit jams, preserves, canned cooked

**PROCESSED FRUITS
AND VEGETABLES
HAVE RECORDED
STRONG GROWTH,
WITH EXPORTS
DOUBLING BETWEEN
2009 AND 2012**

FIGURE 15. PROCESSED FRUIT AND VEGETABLES, TONS, 2009-2013



SOURCE: NSS OF THE RA; 2014

TABLE 15. SHARE OF PRODUCT TYPES IN EXPORT DURING 2009-2013, USD

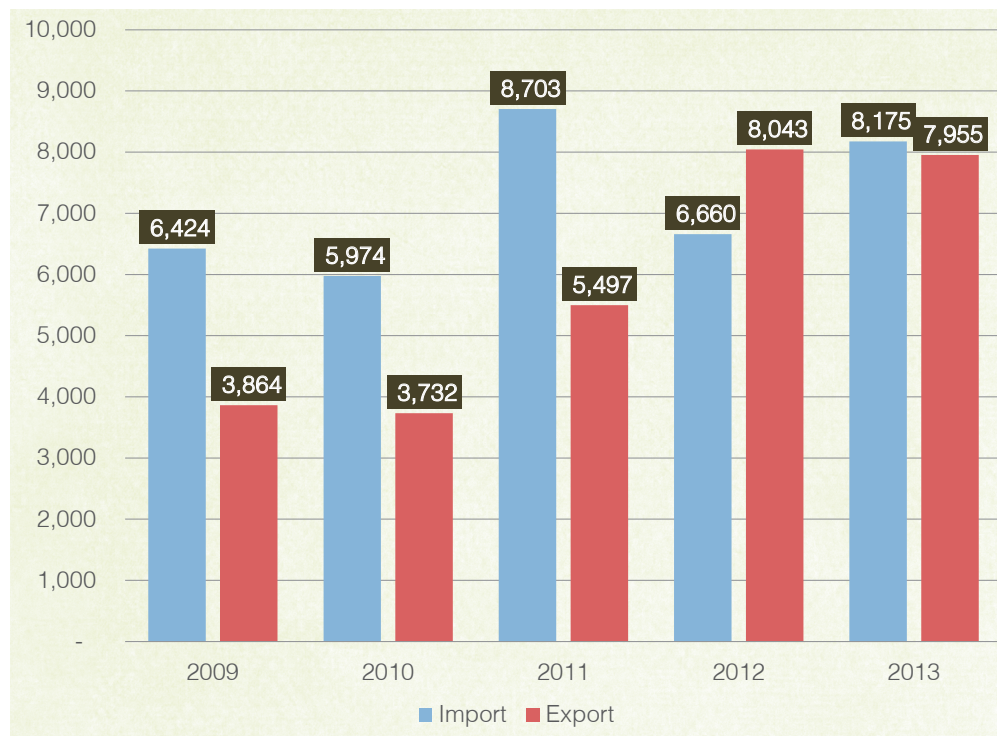
	2009	2010	2011	2012	2013
Vegetables, preserved in vinegar	315,479	573,112	775,978	1,255,151	886,784
Preserved vegetables	1,389,165	1,926,713	2,593,702	4,267,624	3,692,826
Processed tomato	1,000,177	352,735	771,327	1,211,150	908,775
Fruit jams	1,580,363	1,223,575	1,167,271	1,220,178	1,564,536
Fruit preserves	1,556	313	3,143	4,985	14,072
Other processed fruits	2,452,085	3,465,815	5,375,085	6,551,913	8,318,398
Processed berries	257,435	67,535	4,839	54,221	61,058
Total	6,996,260	7,609,798	10,691,345	14,565,222	15,446,449

SOURCE: NSS OF THE RA; 2014

vegetables, and ready-made meals. The Armenian market is the primary consumer of canned vegetables, while preserved fruits are mostly exported. Many Armenian households still process fruit preserves at home. Processed fruits have great export potential, though orchard productivity,

raw volume expansion and consistent supply are required. Tomato processing constitutes about 33% of Armenia's total processed fruits and vegetables. Tomato puree for local markets is in retail packaging, while aseptic drums are used for exporting Armenian tomato purees. ►

FIGURE 16. IMPORT AND EXPORT OF PROCESSED FRUIT AND VEGETABLES, TONS, 2009-2013



SOURCE: MOF AND NSS OF THE RA; 2014

THERE ARE 40 COMPANIES IN ARMENIA OPERATING IN THE CANNED FOOD PRODUCTION SECTOR, LOCATED IN ALMOST ALL REGIONS OF THE COUNTRY

DURING THE SOVIET ERA, ARMENIA WAS DESIGNATED THE FRUIT CAPITAL OF THE SOVIET UNION

Many Armenian fruit and vegetable processors currently operate at only 30% capacity due to limited operational capital and inconsistent raw supplies. There are opportunities to invest in modern tomato processing equipment. Baby food and organic products may also be good long term investment strategies in the Armenian processed fruits and vegetables sector.

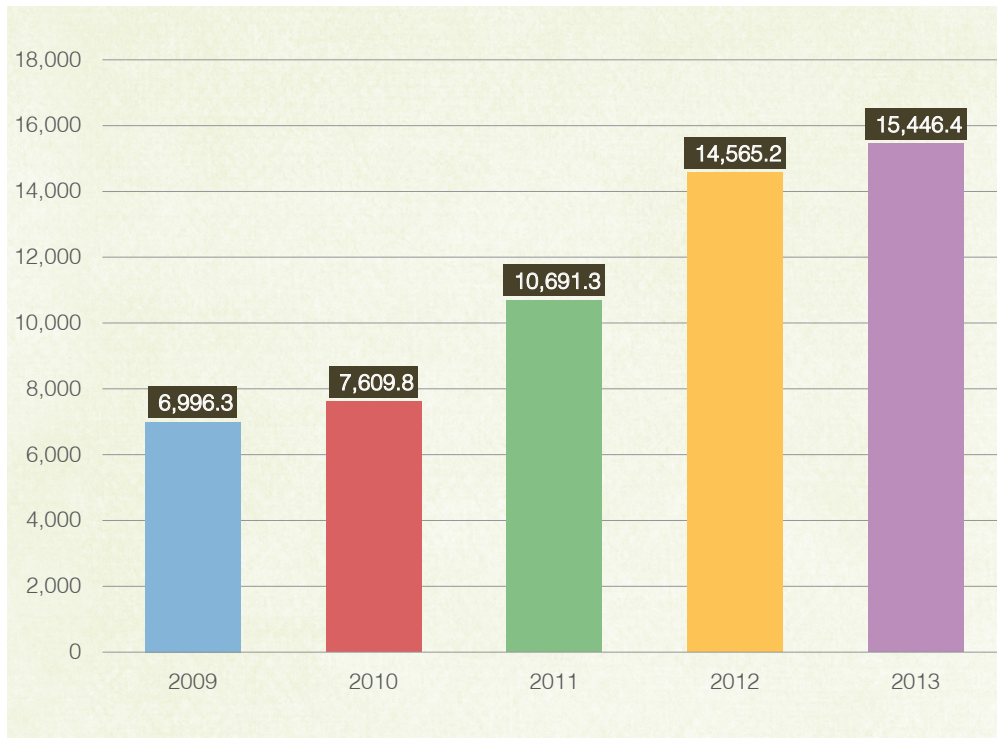
Armenian wild herbs are extensively

used in tea production, cooking, and for medical and cosmetic purposes. Herbs are collected and processed by hand. There are few companies that produce Armenian herbal teas. The herbs are available in all regions of Armenia and grow widely, and there is no estimate on the potential volume or other related data on locally grown herbs. However, there is great opportunity for investing in packaging and marketing Armenian wild herbs for export. ■

**WHILE RETURNING
FROM HIS EASTERN
INVASIONS IN THE
4TH CENTURY B.C.,
ALEXANDER THE
GREAT TOOK SEEDS
AND YOUNG APRICOT
PLANTS AND NAMED
THE NEW FRUIT
"ARMENIAN APPLE"
(MALUS ARMENICA)**

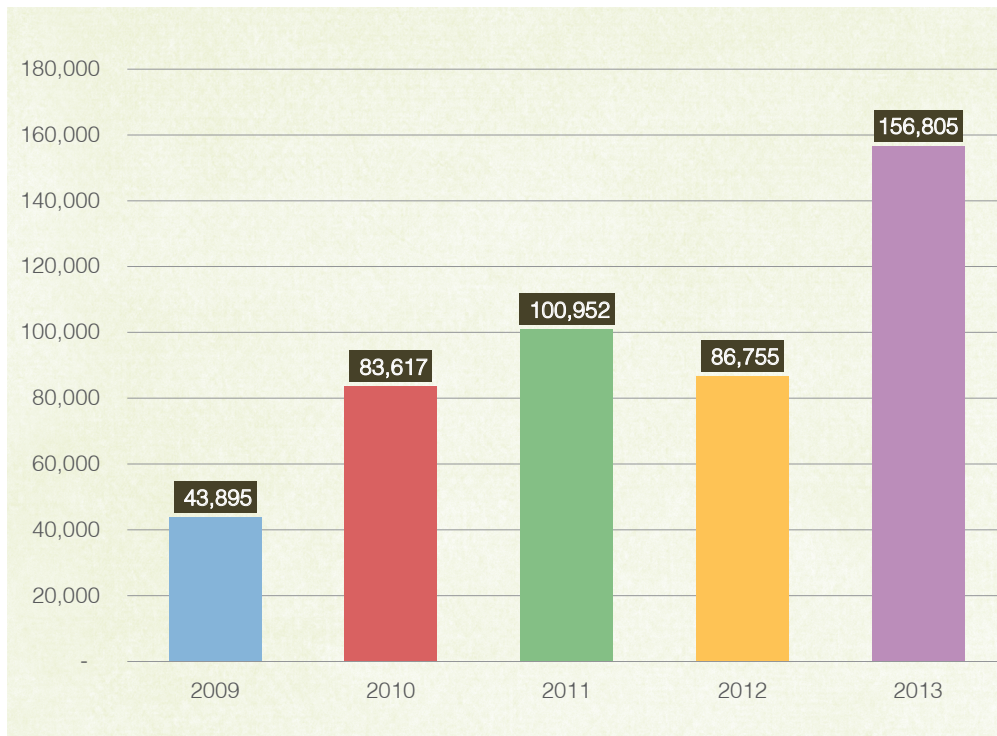


FIGURE 17. EXPORT VOLUME OF PROCESSED FRUITS AND VEGETABLES IN 2009-2013, USD THOUSAND



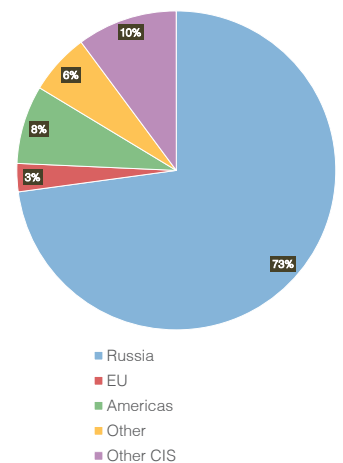
SOURCE: NSS OF THE RA; 2014

FIGURE 19. VOLUME OF EXPORTED HERBS IN 2009-2013, USD



SOURCE: NSS OF THE RA; 2014

FIGURE 18. EXPORT OF CANNED FRUIT AND VEGETABLE BY REGIONS (BY CUSTOMS VALUE); 2013



SOURCE: MOF OF THE RA; 2014



VEGETABLE SORTING LINE AT
EUROTHERM (NOYAN) FOOD
PROCESSING COMPANY





ARTFOOD
ARTASHAT
CANNERY OJSC

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Number of employees:

415

The Artashat canning factory was established in 1961. Since its founding, Artashat has increased production capacity by 10 times, presently reaching 10,000 tons annually. Artashat's products are sold under the brand name "Artfood." The company offers 60 different kinds of ecologically pure and superior quality canned products that include pickled vegetables, preserves, ketchup, tomato paste, olives, sweet corns and other preserved vegetables, along with fresh fruit juices. In 2005, Artashat began the production of green peas for the first time, having only imported them up until that time. The company's juices and nectars are sold under the "Amare" brand, which includes 14 types of juices bottled in a Pure Pak, the product of the world-renown Norwegian company Elopak.

Artashat's products are processed with special technology and come in packages that meet international standards. Before being processed, the raw materials undergo a thorough

microscopic laboratory analysis to determine their concentration of neutrals and pesticides. Artashat's lab network, which has received state accreditation, is equipped with unique modern measuring instruments, devices and substances, enabling it to timely conduct all necessary analysis of raw materials and finished products.

Artashat hires highly skilled and experienced specialists and develops special technological procedures and systems, thanks to which model hygiene and sanitary technical conditions are maintained. The company uses authentic national recipes and provides consumers with high quality canned products. In 2002, Artashat was awarded an ISO 9001:2000 Quality Management System certificate.

Artashat is reprocessing about 40,000 tons of agricultural products every year, 35% of which is exported. Sixty percent of its tomato paste is exported to Russia, Ukraine and other countries. ■



The Wine Brandy Factory of Hoktemberian was founded in 1944 in the village of Lenughi. After privatization in 1995, it was renamed Map CJSC. Initially, the goal of the company was to produce high-quality beverages, but a few months after the privatization of the company in 1995, it launched the production of canned foods. Its upgraded facilities and new equipment enabled Map to produce tomato paste, ketchup, different pickles, adjika (spicy condiment), vegetable caviar, red

pepper, and other canned vegetables and preserves. Since 2013, Map canned products have been produced under the new "Armenia Food" brand.

Map's factory is now equipped with modern winemaking machinery of various high capacities. Today, Map's production capacity allows processing of 40,000 tons of fruit and vegetables for canned food. Map's products are exported to Russia, several EU countries, and USA. ■



MAP CJSC

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up to 500





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Number of employees:

50-100

Alishan LLC was founded in 2001 by Serzhik Mosesyan, an Armenian-Iranian businessman. In the beginning, the company produced seven to ten types of canned products. Presently, the product range includes more than 60 varieties of canned vegetables, marinades, jams, juices, compotes, dried vegetables, fruit preserves, dried fruits and canned meat. The newest technologies, natural ingredients and local fruits and vegetables are used to achieve the best products. The company exports to France, U.S. and Russia, and is gradually expanding

both its export markets and volumes.

Alishan has a relatively big production capacity for canned and dried food. Its capacity for canned food is 10 million units per year; for dried vegetables, 2,000 kg/hour of fresh raw material; and for dried fruit, 500 kg/hour of fresh raw material.

Alishan's production complies with Armenian standards. The company has participated in many international exhibitions and has been recognized with the highest honors and awards. ■



Noyan

EUROTHERM

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360

Euroterm CJSC was established in 1998 and is one of today's leading ISO 9001:2000-certified manufacturers of natural juices, nectars, drinks, fruit preserves and canned vegetables. Its products are sold in Armenia under the "Noyan" brand. Euroterm's annual average production of preserves is 360 metric tons. Its annual average production of canned vegetables is 1,964 metric tons. The company's line of preserves has nearly 20 flavors, including strawberry, walnuts, white cherry, sour cherry, raspberry, blackberry, rose petal, fig, cornel, peach, quince, pumpkin, watermelon, apricot, white mulberry, young eggplant, melon and white grape.

Euroterm's preserves come in original glass jars with a unique label. To maintain a high level of quality, the preserves are made from only Armenian fruits, berries and vegetables. The company is marketing new products, called "handmade," that are based on traditional Armenian recipes. The manufacturing process includes washing, inspection and cutting, as well as pit removal, which makes the preserves more convenient to consume and safe for children.

In 2004, Euroterm presented a new line of canned vegetables products under the Noyan brand, manufactured from local raw materials. A certain amount of the raw vegetables used in this line is grown in the company's own fields, giving it control over production quality at all stages. The canned vegetables line includes eggplant caviar, zucchini caviar, letcho, red pepper in brine and oil, broiled vegetables, marinated chervil, fried vegetables, vegetable appetizer, filled pepper, grape leaves, adjika (spicy condiment), okra in tomato sauce and marinated okra.

The company follows ISO 9001, ISO 14000 and ISO 22000 standards, and is Kosher certified. Production complies with and has earned the Certificate of Conformity AST, Russian State Standard Certificate RST, and Certificate of Ministry of Health of Armenia.

Euroterm's products are exported to many countries, including the USA, Canada, Australia, Japan, EU states, Ukraine and Russia. Noyan recently opened a new processing facility for baby food and fruit concentrate production with an annual capacity of 15,000 tons. Noyan products have been awarded gold, silver and bronze medals at various international trade fairs. ■



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“Nicolo International Armenia” LLC	19/9 Adonts Street, Yerevan, Armenia	Phone: (+374 10) 204800 E-mail: info@aiello.am Website: www.aiello.am
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“Atast Food” LLC	Verin Getashen village, Gegharkunik Marz, Armenia	Phone: (+374 77) 438263 E-mail: atasfood@gmail.com Website: www.atastfood.com
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**THE ARMENIAN
TRADITION OF
GATHERING,
BLENDING AND
USING HERBS FOR
COOKING HAS A
7,000-YEAR HISTORY**

**BUSINESS SUPPORT
INSTITUTIONS
129-131**

MINISTRY OF AGRICUL- TURE

CONTACTS

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The Ministry of Agriculture of the Republic of Armenia is an executive body that develops and implements the government's agriculture and forestry management policies. The main goals of the Ministry are to develop and implement the economic policy of the Government of Armenia in the agro-food sector, provide support for the marketing activities of local producers, promote production and boost exports, and ensure continuous development of the food processing sector, among others.

To achieve these goals the Ministry develops sector-related programs and monitors their implementation, develops policies in the agricultural sector, develops projects to introduce advanced technologies and innovation and monitors their implementation.

The Food Processing Sector Development Department, a subdivision of the Ministry of Agriculture, is responsible for assisting food processing companies, scientific institutions and agricultural support centers for their effective operation.

The main functions of the Department are:

- Elaborating food-processing development state policies;
- Providing support for the procurement of agricultural raw materials for processing;
- Developing strategic plans, concepts, legal and other acts based on complex analyses, relevant predictions, and studies of international experiences in agribusiness; and,
- Coordinating the activities of scientific centers, colleges and agricultural support centers operating within the system of the Ministry of Agriculture.

MINISTRY OF ECONOMY

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The Ministry of Economy of the Republic of Armenia is an executive body that elaborates the economic development policies of the Government of RA.

The main goals of the Ministry are to increase competitiveness and promote sustainable economic development, as well as ensure security of the RA's economy through the development, implementation, coordination and evaluation of economic policies. To achieve these goals, the Ministry; develops economic policy and strategy; ensures balanced regional economic development; promotes investments, a knowledge-based economy, entrepreneurship and innovation; ensures access to efficient markets; and, improves the business environment of the country.

The Investment Policy Department, a subdivision of the Ministry of Economy, is responsible for developing policy and regulating investment activities. It performs the following functions:

- Elaborating investment policy and supporting its implementation;
- Creating a legislative platform for investment-friendly environment;
- Elaborating bilateral investment treaties;
- Elaborating legislation regarding free economic zones (FEZ's) and implementing state policy on FEZ's;
- Coordinating "one-stop shop" service in the territory of FEZ's for FEZ residents;
- Organizing the process of collection and promotion of investment projects;
- Maintaining a statistical database of foreign investments;
- Coordinating the implementation of public investment programs funded by International Financial Institutions (ADB, EBRD, JICA, ORIO);
- Drafting public-private partnership (PPP) related laws and legal acts;
- Submitting relevant proposals and comments to improve and expand PPP in the investment area;
- Coordinating and supporting PPP project implementation;
- Maintaining data management system for PPP projects; and,
- Implementing PPP-related activities pursuant to legislation.

SMALL AND MEDIUM ENTREPRE- NEURSHIP DEVEL- OPMENT NATIONAL CENTER OF ARMENIA (SME DNC)

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The SME DNC was established in 2002 by the Government of Armenia and provides state support to small and medium entrepreneurship in the country. SME DNC carries out its activities through a network of regional branches and representative offices covering all ten marzes (regions) in Armenia. The SME DNC is governed by a Board of Trustees headed by the Minister of Economy.

SME DNC's duties are to:

- Ensure effective dialogue between SMEs and the government
- Increase efficiency and competitiveness of SMEs
- Ensure availability of business development services for SMEs
- Expand access to finance for SMEs
- Promote innovations and R&D activities of SMEs
- Assist establishment of new SMEs
- Support internationalization of SME activities.

The Center actively cooperates with a number of international and foreign organizations, developing and implementing joint support programs with USAID, UNDP, UK DFID, JICA, and OSCE. In January 2014 SMEDNC began to implement “The Partnership for Rural Prosperity” project funded by USAID, which aims at improving Armenia's business environment, promoting competition, developing small and medium-sized enterprises, and upgrading the infrastructure in 150 communities.

SME DNC is also a member of the Enterprise Europe Network, an organization that serves as a “one-stop shop” for SMEs, providing free information and practical advice on market opportunities and on EU-relevant legislative and regulatory requirements for export purposes. The Enterprise Europe Network helps SMEs find suitable business partners using its business and technology cooperation database, provides information on tender opportunities and supports international networking.

ARMENIAN DEVELOPMENT AGENCY (ADA)

CONTACTS

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The Armenian Development Agency was established in 1998 to facilitate foreign direct investments and promote exports. ADA acts as a “one-stop shop” agency for investors, assisting them in setting up their business in Armenia, helping implement projects, coordinating with the RA Government, providing information on local investment opportunities, and advising on investment-related legal and regulatory frameworks. ADA is also responsible for export promotion, while assisting companies in finding markets for their products. In addition, it undertakes market studies and seeks out partners for joint ventures aimed at increasing the volume of exports and the development of Armenian enterprises. ADA organizes international conferences, business forums, trade fairs and exhibitions. ADA is governed by its board, the chairman of which is the Prime Minister of Armenia. ADA's board includes the Chief Economic Adviser to the President; the Ministers of Finance, Economy and Foreign Affairs; the General Director of ADA; and Presidents/Directors of several private companies.

ADA provides the following services:

- Providing quality information: Preparation of tailored information packages corresponding to the needs of foreign investors
- Organizing site visits: Planning, preparing for and managing site visits by foreign investors, arranging appointments with both private and public organizations
- Brokering business partnerships: Helping find appropriate business partners in Armenia
- Follow-up support: Managing post-visit support, preparation of additional information and documentation
- Investment project implementation: Assisting with company registration and staff recruitment (including job announcements and interviews)
- Liaising with government institutions.

INDUSTRIAL DEVELOPMENT FOUNDATION

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Industrial Development Foundation

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The Industrial Development Foundation was established in 2012 and implements the activities prescribed in Armenia's "Export-Led Industrial Policy" strategy. The chairman of the board of directors of the Foundation is the Minister of Economy of Armenia.

The main goals of the Foundation are:

- Implementation, financing, coordination and monitoring of innovation programs and programs aimed at industry development
- Providing public assistance in order to increase the competitiveness of industrial organizations
- Supporting public and private partnership.

The main tasks of the Foundation are:

- Implementing activities to attract and provide access to multinational corporations and their research centers in the industrial sector, in particular in FEZ's and technological centers;
- Providing co-financing for acquisition of international certifications and subsidies for loans for production purposes (including registration of medicines abroad);
- Providing market information, activities to promote Armenian products in target markets, presentation of Armenian products (including public relations about Armenian products abroad, assistance for participation in international exhibitions, and facilitating visits of foreign distribution representatives to Armenia);
- Financing the development, organization and implementation of training courses;
- Conducting research to identify solutions for issues raised through the industrial sector development strategy; and,
- Coordinating and managing industry development state support programs.

THE FUND FOR RURAL ECONOMIC DEVELOPMENT IN ARMENIA (FREDA)

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The Fund for Rural Economic Development in Armenia was established on January 8, 2009 as part of the "Rural Finance" component of the "Farmer Market Access Program in Armenia", a joint activity between the Government of Armenia and the International Fund for Agricultural Development (IFAD). FREDA makes investments in rural SME's by providing innovative financing instruments, capital, and management assistance, while enabling the enterprises to improve their competitiveness. The Fund's priority sectors are:

- Food processing and canneries;
- Milk processing;
- Winery and fish farms; and,
- Fish processing.

Equity investment amounts range from AMD 20 to 200 million.

FREDA is governed by a Board of Trustees headed by the Prime Minister of the Republic of Armenia.

SME DNC is governed by a Board of Trustees headed by the Minister of Economy. Members of the Board of Trustees include the Ministers of Finance and Agriculture, Deputy Minister of Economy, Executive Director of the SME DNC, and Presidents/Directors of several private companies.



ARENI - ONE OF THE WORLD'S OLDEST
VARIETIES OF GRAPE

ADA

Armenian Development Agency

AMD

Armenian Dram

ANAU

Armenian National Agrarian University

ASC

Agricultural Support Center

ASRC

Agricultural Support Republic Center

ATC

Agribusiness Teaching Center

AVRDC

The World Vegetable Center

CEN

European Committee for Standardization

CGIAR

Consultative Group on International Agricultural Research

CIMMYT

International Maize and Wheat Improvement Center

CIS

Commonwealth of Independent States

CJSC

Closed Joint Stock Company

EC

European Commission

EECCA

Eastern Europe, Caucasus and Central Asia

ECPGR

European Cooperative Programme for Plant Genetic Resources

EU

European Union

FAA

Federation of Agricultural Associations

FAO

Food and Agriculture Organization of the United Nations

FEZ

Free Economic Zone

FDI

Foreign Direct Investment

FREDA

Fund for Rural Economic Development in Armenia

GDP

Gross Domestic Product

GMO

Genetically Modified Organism

GN FEA

General Nomenclature of Foreign Economic Activity of Armenia

HACCP

Hazard Analysis and Critical Control Points

IFC

International Finance Corporation

IPPC

International Plant Protection Convention

ICARDA

International Center for Agricultural Research in the Dry Areas

ISO

International Organization of Standardization

LLC/LTD

Limited Liability Company

MFN

Most Favored Nation

MOF

Ministry of Finance of the RA

NCO

Non-Commercial Organization

NGO

Non-Governmental Organization

NSS

National Statistical Service of the RA

OECD

The Organization for Economic Co-operation and Development

OIE

World Organization for Animal Health

OJSC

Open Joint Stock Company

RA

Republic of Armenia

R&D

Research and Development

RVSPCLS

Republican Veterinary-Sanitary and Phytosanitary Laboratory Service Center

SCJSC

State Closed Joint Stock Company

SME

Small and Medium Entrepreneurship

SME DNC

SME Development National Center of Armenia

SNCO

State Non-commercial Organization

S.P.

Sole Proprietor

SPS

Sanitary and Phytosanitary

SSFS

State Service for Food Safety of the Ministry of Agriculture of the RA

UK

The United Kingdom of Great Britain and Northern Ireland

UMCOR

United Methodist Committee on Relief NGO

U.S./USA

United States of America

USAID

United States Agency for International Development

USD

United States Dollar

USDA

U.S. Department of Agriculture

VAT

Value Added Tax

WB

World Bank

WTO

World Trade Organization



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