



Cultivating Moldova's Historical Wine Sector



USAID CEED I project

Workers at Purcari winery sort grapes during the 2006 harvest.

Why the Wine sector?

The USAID Moldova CEED (2005-2010) and CEED II (2010-2015) programs have helped grow and expand the competitiveness and efficiency of key industries in Moldova leading to increased sales and investment. The programs have assisted the following sectors; information technology, wine, apparel, textiles, footwear and accessories, tourism, and home furnishings.

Wine is of significant importance to the Moldovan economy because it is one of the only products exported with its full value chain completed in-country and high employability in rural areas. Even with the cultural and economic importance of wine, the industry struggles to sell more at higher prices, diversify export markets, and portray an image of quality wines from a traditional wine country. In 2006, the Russian embargo caused a shock to

Moldova's wine sector and the national economy as a whole. The impact was instant and drastic. Thus, compared to the 9 percent contribution of wine production to the GDP in 2005, in 2007 the figure was estimated at around 2.3 percent. Ranging from individual assistance to wine producers to a sector focus with government support, the sector steadily demanded improvement of the legal and regulatory framework, endorsement and positioning of Moldova in export markets and supporting development of a national wine brand, increasing sales of quality bottled wine in Moldova, and support for the industry to come together around a common agenda and create a unique voice to advocate for reforms. Overcoming these challenges will earn increased revenues for small- and large-scale producers, increase tourism, foster sustainable business development, and create new jobs.

The Current State of the Sector

With more than a decade of USAID assistance to one of Moldova's most economically influential sectors, there have been significant gains made to increase long-term competitiveness and encourage further growth in the sector. From number of jobs to new regulatory reforms, the results are significant.



Wine export destinations have diversified, with exports to CIS markets decreased in favor of EU markets, which increased to **17 % of the total exports in 2013**



(by value), and rose under the pressure of the last Russian ban to **36 % of total bottled wine exports in 2014.**

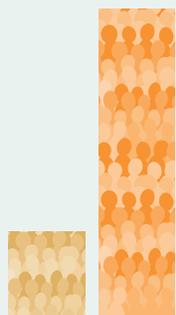
In 2014, imports of bottled Moldovan wine increased by more than

59% in Romania,
57% in Estonia,
and 52% in the United Kingdom.



In 2015, the sector accounts for an estimated

2.5% of GDP
and **7% of the country's exports.**



In 2005, wine was a source of income for an estimated **50,000 grape growing farmers**, and directly employed 7,100 people. In 2015, the sector provides direct and indirect employment for approximately **200,000 Moldovans.**

Responding to an Evolving Sector

Driven by the mandate for sector-wide development, there was a need for scalable, sustainable interventions ranging from product enhancement to regulatory reform. From 2005-2015, commitment to Moldova's wine sector was showcased through evolving approaches to increasing competitiveness, driving change, and scaling interventions as the sector itself prospered.

- **Stimulating product quality enhancement.** Concurrently with the Russian bans in 2006, the CEED project launched assistance to improve the quality of the sector's products, which was seen as the main impediment to successfully exporting to international markets. CEED and CEED II's hands-on work with winemakers to improve quality spanned all 10 project years and covered lack of knowledge about and access to modern winemaking tools and practices and improper wine production, storage, handling, and quality control procedures.
- **Creating a suitable enabling environment for a prospering sector.** After stronger wineries were established producing quality products and exporting to EU markets, improvements at the sector level was needed. In 2009 with CEED, work began to incorporate regulated quality standards, streamlining winemaking and licensing procedures, and, in 2014, ONVV was created as a national institute to implement wine industry policies.
- **Upgrading wine culture to spur domestic market development.** To further leverage an under-tapped domestic market, in 2011 CEED II focused efforts to develop brands and distribution for local wineries, cultivate the sommelier profession in Moldova, and mobilize local wine appreciation events.
- **Building a brand to strengthen an industry.** To diversify exports and decrease CIS markets in favor of European Union markets, the national Wine Country Brand—Wine of Moldova—was developed in 2013 under the CEED II program. The launch was planned carefully under a public-private platform and oriented toward main target markets such as Poland, the Czech Republic, Ukraine, and Romania.

Key Activities

Improving Quality Step By Step. From 2005 through 2010, the CEED program supported 6 Moldovan wineries in product enhancement focusing on every step in wine making from monitoring the ripening grapes through planning for harvest and overseeing the grape crushing and fermentation, to storage, treatment, and bottling. One of the wineries, Asconi, was able to leverage sales to the Czech Republic which increased to almost two million bottles by the end of 2008 – a 30 percent increase over the previous year. Led by the CEED II program, the production of PGI/PDO wines and stimulating production of quality wines of indigenous varieties have been vital to the wine industry's strategy for product development moving forward.

Establishing Oversight to Encourage Sustainable Reforms. In 2012, CEED II facilitated the passage of Law 262/12, which then set up the public-private National Office for Vine and Wine and National Wine and Vine Fund valued at \$3.2 million, primarily used for the campaign of the newly-launched national brand. ONVV operates as a public-private partnership with joint management and funding through a national fund for wine and vine to implement regulatory reforms, promote the national wine brand, and increase sales to boost the economy. As of 2015, ONVV has conducted two trade missions organized in the United States resulting in an approximate increase of exports of 30 percent. Additionally, ONVV successfully initiated three regulations for government approval for implementation of the new Wine Law and simultaneously implemented the development of the Vine and Wine Register Project with more than a \$1 million in investment by USAID and the Czech Development Agency.

Using Sommeliers to Strengthen Domestic Markets. In 2011, CEED II supported the newly-established Moldovan Sommelier Association (MSA) to connect Moldovans to their roots and improve business in the wine sector through a series of seminars. More than 40 wine professionals, including 16 new sommeliers, participated. "Sommeliers present the link between winemakers and restaurant business," said Lilia Ciotca, sommelier and tour guide at Milestii Mici winery. "The professional sommelier trainings that I participated in have been really valuable for me,

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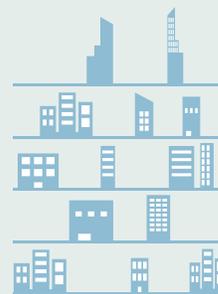
National Office
for Vine and Wine



National Wine
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From 2010 to 2015,

20 companies
made investments of about
21 million Euros

in new equipment and
vineyards using credit
provided by the European
Investment Bank.

After the first Russian embargo of 2006, wine
exports to non-CIS markets **increased by 15%.**



Total exports of Moldovan wine rose in
volume and value with a compound annual
growth rate of 10.4% and 3.8% respectively,
and up to 35,530 million gallons, worth
\$156.1 million between 2008 and 2012.

As of 2012, bulk exports had increased **2.4**
times in volume and **1.7** times in value
since 2008.

2008

2012



60% In 2008,
of wine exports



were bottled compared to **37%** in bulk,

while in 2012, **39% of
the exported wine**
was bottled and



59% was bulk.

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and helped me develop my professional skills in terms of serving, selling, and promoting wine to tourists." One participant, Mr. Luca, a professor at the Technical University of Moldova, developed a course on wine serving, which has reached more than 50 undergraduate and graduate students. As of 2015, the first 33 professional Moldovan sommeliers have been trained by French experts, 13 of whom have been accredited and achieved a European Sommelier Diploma. The sommelier profession was formalized in Moldova in 2012 and wine culture has been spread to some 1, 000 wine amateurs.

Branding 'A Legend Alive'. Introduced in 2013 by U.S. Secretary of State John Kerry during his visit in Moldova, the national brand—Wine of Moldova—was launched. The focus honed in on the quality of products allowed into the program, a streamlined marketing plan, and coherent communication, all aiming to preserve the brand values and strengthen sector credibility. Wine of Moldova has been presented in key export markets, such as Poland, the Czech Republic, Romania, China, and the U.S. through special events and promotion activities. The new brand was also launched internationally in 2014 at the ProWein expo in Germany, where 30 international wine journalists attended an event press conference. Impact of the wine brand international launch was preceded by coherent and dynamic promotional activities, including 90 events in the past four years. As a result, exports to European Union markets increased to 17 percent of the total exports in 2013 (by value) and rose under the pressure of the last Russian ban to 36 percent of total bottled wine exports in 2014.

Pressing Forward to Encourage Further Growth

The Moldovan wine sector has opened new markets and reoriented exports to the EU, China, and the U.S. by organizing promotion activities. The 'Wine of Moldova' program and creation of the ONVV are keys to future success. A prosperous wine sector will now welcome small- and medium-sized wineries which have emerged with a new generation in the sector. With eight small wineries successfully launched in Moldova, this growing number directly correlates to increased jobs and sales domestically and internationally for Moldovan wine and a strengthened entrepreneurial ecosystem for the country. The industry has proved its commitment to reforms and its maturity to implement them, having a strong country brand, a sustainable institutional framework through ONVV, and quality production through PGI/PDO. Competitiveness in the sector will continue to develop by deepening regulatory reforms, streamlining controls, and ensuring a sustainable quality framework which will transform Wine of Moldova into a trusted brand in quality markets. A special emphasis will be placed on consolidating sector governance through ONVV. Finally, helping producers to reposition and grow wine trade in export markets, which are stable and value added, will distance Moldova from the blocked Russian market and low-value CIS countries. As the wine sector continues to reach new markets, improve the regulatory framework, and build the capacity of wine producers and consumers, wine will continue regaining its position as a leader in Moldova's economy.

