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**Extended Abstract of**

**Diploma Thesis**

**Position of the Krasnodar Region Wine Industry  
in the International Market**

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## 1. Introduction

The wine industry is one of the main sectors of the economy of regions with climate and soil conditions suitable for the growth of grape and consequently for producing wine. Until recently, mainly European countries with old traditions of winemaking were privileged to represent the wine map of the world. However, currently they share leading positions with so-called New World wine producers that introduced bright and modern vision of winemaking. The growth, increased competition, changes in the geography of the wine market, as well as entrance of new players characterize modern international wine market.

The thesis is focused on the analysis of the position of the wine industry in the Krasnodar region, Russia, as a potential producer and exporter of wine in the international wine market. Local wine industry has been an important branch of economy during all history of development of this region. At present Krasnodar region is the largest producer of grapes and wines in Russia. It is explained by the unique soil and climatic characteristics of the area perfectly suitable for growing grapes and making wine.

## 2. Key words

Wine, wine industry, grape, vineyard, wine market, international wine market, development, Krasnodar region, Russia

## 3. Objectives

The **research question** of the thesis is following: What are the conditions for the sustainable development of the Krasnodar region wine industry with a perspective to enter and succeed in the international market?

The **objectives** of the thesis are to provide an analysis of the current state of wine industry in the Krasnodar region; to determine the conditions influencing the industry; to analyze its position in the international wine market; to develop a set of science-based actions in creation of conditions for the industry growth and the entrance of the wine producers of the Krasnodar region into the international market.

## 4. Methodology

The bases of theoretical part are:

- **historical method** permits to trace and describe the history of wine culture;
- **literature review** used to gather relevant information to explain concepts and terms connected with the topic of the research.

Empirical part of the research is based on:

- **statistical method** allowing to analyze dynamics of the wine industry and market;
- **market analysis** is applied to investigate state, structure and dynamics of the international wine market;
- **PEST-analysis** allowing to study the influence of the external environment on the wine industry in the Krasnodar region;
- **SWOT-analysis** includes investigation of impacts of internal environment to determine strengths and weaknesses of the wine industry in the Krasnodar region, as well as external opportunities and threats for future developing and overcoming;
- **synthesis** used to combine the results of all methods to give recommendations and make the conclusion of the research.

## **5. Main Findings**

At present wine industry and wine market are characterized by the high level of development, globalization and competition. Over the period 2000-2014 the wine trade grew significantly by 67.4%. In 2014 36.6% of total produced wine was exported, while in 2000 the exported share of global wine production accounted for 21.5%. Among the five leading (62% of world wine production) wine production countries are France, Italy and Spain (the Old World), the United States and Argentina (the New World). However, the share of the international wine market patterns such as production, consumption and vineyard areas of the Old World producers decreases every year due to the growth of the share of their direct competitors from the New World wine producers and new potential markets such as China and Russia that are in the ranking of leading countries in wine production and consumption. Thus, the shifts in the geography of the world wine atlas and the emergence and growth of new and not famous wine producing regions illustrate the evolution of the international wine market continuous development.

The Krasnodar region is a small wine producing region in a global context of general wine overproduction and high competition, but it has a potential in the form of unique climatic and soil conditions perfectly suitable for grape growing and wine making in the region; high level of manufacturing capacities the regional industry has shown in the past; production of high-quality wines that can compete equally with the world wide known wines; creation of the regional brand of quality wines with long history and reflecting

traditions and values of the region and the country; support provided by the government as to the strategically significant industry; development of related industries such as tourism and food and restaurant industries; and large investment flows to the regional wineries and vineyards; breeding of new and unique grape varieties for winemaking; researches and developments of the technological process of winemaking.

However, the Krasnodar region wine industry faces some difficulties on the way of its development. The main reasons constrained the growth of the industry are governmental anti-alcohol campaigns resulted in the fierce reduction of vineyard areas in the region and deterioration of wine culture and consumption; unstable economic and political situation of the country in general that completely affected agricultural, industrial, technological and business development of the country that also resulted in the gap in the way of management and marketing; governmental regulation that with inefficient law system that complicates the process of land purchasing or renting and until recently had provoked production of adulteration wines. All these makes the Krasnodar region wines less competitive in the international wine market.

## **6. Conclusion**

Based on the analysis of different literature, articles, reports, PEST and SWOT analyses it is important to emphasize that the Krasnodar region is represented on the world wine map, but its wines are not known internationally. In order the Krasnodar region winemaking could meet modern requirements and wants of consumers, it is necessary:

- to produce more wine from local raw materials, which require upgrading existing vineyards and significant extending the area;
- to use modern machinery and equipment for wine-growing farms and wineries;
- to manage the wine industry as a cluster with a focus on production of high quality wine including related spheres such as research and development, education, marketing, wine tourism;
- to promote quality wine in the domestic and international markets with using producers and government cooperative efforts.

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