

Cognac Business

Ukrainian cognac vineyards are of great interest for investors. It is foreign companies that in the near future will be main buyers of cognacs produced in Ukraine.

Despite the fact that a phrase Ukrainian cognac sounds more unusual than Ukrainian horilka*, **cognac consumption by Ukrainians experienced a boom over recent years.** Cognac market leaders commenced to actively develop manufacture after a ten-year break in 90's. Other companies specialized in alcoholic drinks proceeded to produce and bottle cognacs made from imported spirits.

Traditional centers of Ukrainian winemaking are located in Southern region – Odessa, Mykolaiv and Kherson oblasts, and Crimea – as well as Zakarpattia oblast (West Ukraine). Numerous international awards acknowledge Ukrainian manufacturers excellence for several hundred years. Ukrainians consume 65-70 million bottles of cognac yearly, which is 3-4 bottles per one adult. Experts think this is not an ultimate level. However, production indices show that Ukrainian cognac market has passed a stage of initial saturation and stabilized at USD 3.5-3.8 million per annum.

One third of cognac spirits used by Ukrainian producers is of in-house manufacture. The other is imported from Moldova, Armenia and France. The price of cognac spirits reaches EUR 4-7 per one liter.

Ukrainian cognac is traditionally exported to post-Soviet countries, mainly to Russia. Any significant changes are not likely to occur in the near term. Traditional producers with a hundred-year history remain Ukrainian cognac market leaders for many years now. These include Odessa (Shustov TM), Uzhhorod (Tisa TM), Kherson Tavriya (Georgiyevsky and Alexx TMs) and Crimean Koktebel vineyards.

Companies secured the future success by making cognac from own grapes. Cost of in-house production of spirits is much lower than the cost of imported materials. So, top companies pay special attention to injecting funds into establishment and expansion of vineyards in the period of sales growth and struggling for a market standing. According to producers, Agri-Industrial Company Tavria owns 4,500 ha of land for growing grapes, Koktebel – 2,000 ha, and Odessa vineyard uses over 1,000 hectares of land, which cover only 10-20% of winemakers' demand for grapes.

Market for alcoholic drinks is among the most stable and appealing markets at all stages of economic development. Experts believe that all Ukrainian top companies producing cognac are appealing for purchase by foreign professional operators on the market for alcoholic drinks. Merger deals in the industry may be concluded in the coming years on the condition that current owners would find more attractive opportunities for investments.

* Ukrainian vodka distilled from grain, potatoes, honey, sugar beets etc (Translator's note)