

**EMBASSY OF INDIA  
YEREVAN (ARMENIA)**

*MARKET SURVEY*

**COFFEE MARKET  
IN THE REPUBLIC OF ARMENIA**

**APRIL 2005**

## Table of Contents

<b>Armenia – fact sheet .....</b>	<b>3</b>
<b>Abstract.....</b>	<b>5</b>
<b>Methodology .....</b>	<b>5</b>
<b>Armenian Coffee Market .....</b>	<b>6</b>
<b>Coffee Processing Companies .....</b>	<b>7</b>
<b>Statistics .....</b>	<b>9</b>
<b>Market Structure .....</b>	<b>10</b>
<b>Market Suppliers and End Users .....</b>	<b>10</b>
<b>Taxation .....</b>	<b>11</b>
<b>Conclusion .....</b>	<b>11</b>
<b>Appendix 1.....</b>	<b>13</b>
<b>Appendix 2.....</b>	<b>16</b>

## Armenia – fact sheet

<b>Official Name</b>	Republic of Armenia, Hayastani Hanrapetutyun
<b>Capital</b>	Yerevan, Pop. 1.25 million; 900 – 2000 mt. above sea level
<b>Currency</b>	Armenian Dram (AMD), 1 USD = 450 AMD Apr 2005)
<b>Location</b>	South West of Asia; 48°N, 45°E; landlocked with Georgia in North (164 km); Iran (35 km) and Nakhichevan Exclave of Azerbaijan in South (211 km); Azerbaijan in East (566 km) and Turkey in West (268 km)
<b>Area</b>	29,743 sq. km (Forest 12.7 %, Water areas 5.6 %, Agricultural Lands 46.8 %, other lands 34.9 %)
<b>Administrative &amp; Territorial Division</b>	(Total 11 Marzes or Regions) Yerevan, Aragatsotn, Ararat, Armaviv, Gegharkunik, Lory, Kotayk, Shirak, Syunik, Vajots Dzor, Tavush
<b>Temperature</b>	Average temperature January -6.8 <sup>0</sup> C July +20.8 <sup>0</sup> C
<b>Population</b>	3.2 million (as per 2001 census, March 2003 est. 3 mn), density 128 per square km; urban 66.7%, rural 33.3%, , Male 48 %, Female 52 % (3 adult males for every 4 females)
<b>Religion</b>	Predominantly Armenian Orthodox Apostolic Church (99%) based in Echmiadzin, headed by the Catholicos of All Armenians
<b>Literacy</b>	99%
<b>Average Life Expectancy</b>	73.5 years; Male (70), Female (76.1)
<b>Government</b>	<b>President:</b> Robert Kocharian <b>Speaker, National Assembly:</b> Artur Baghdasarin <b>Prime Minister:</b> Andranik Margarian <b>Foreign Minister:</b> Vartan Oskanian
<b>Independence Day</b>	September 21, 1991
<b>Brief History</b>	The process of evolution of Armenian civilisation dates back to the second millennium B.C. The Kingdom of Urartu (9th–7th c. B.C.) was the first major state formation. The Armenian plateau, located where Persia, Russia and Turkey have butted heads for centuries, has been invaded by Romans, Greeks, Turks, Persians, etc. By the 15th century, Armenia was part of the Ottoman Empire. Independent Republic of Armenia was proclaimed in August 1920, but in December 1920 became part of the Trans-Caucasian Soviet Socialist Republic. In 1991, Armenia declared independence and adopted its present Constitution in 1995.
<b>Foreign Policy</b>	Oriented towards Europe with strategic alliance with Russia. Seeks to maintain balance with USA. Blockade by Azerbaijan and Turkey over conflict in Nagorno Karabakh. The Organisation of Security and Cooperation in Europe (OSCE) - Minsk Group - active in finding solution. Member of the UN, CIS, Council of Europe, Black Sea Economic Co-operation and WTO. Seeks greater integration into the world economy. Has 'Observer' status in NAM. Foreign policy guided by reciprocal approach.

<b>India -Armenia Relations</b>	Historically warm and friendly. Huge goodwill for India. Dr S Radhakrishnan visited in September 1964 and Prime Minister Indira Gandhi in June 1976. After Armenia's independence, former President Levon Ter-Petrosyan visited India in December 1995. Treaty of Friendship and Co-operation and several other agreements and protocols. Institutionalised India-Armenia Inter-Governmental Commission and Foreign Office Consultations. Foreign Minister Vartan Oskanian visited India in December 2000. MOS (EA) visited Yerevan in July 2003 (first ever visit by Indian Minister). About 400 Indian students, mainly studying medicine. President Robert Kocharian visited in October 2003. We announced grant of US\$ 5 mn
<b>Real GDP Growth (2004)</b>	10.1% (2003= 13.9%)
<b>GDP (2004)</b>	US\$ 3.8 bn
<b>GDP per capita (2004)</b>	US\$ 1,100 (app)
<b>GDP (Per Capita PPP)</b>	US\$ 3,500 (app)
<b>GDP by main activity</b>	Industry 28%, Agriculture 27%, Services 45%
<b>Labour force by sector</b>	Industry 25%, agriculture 45%. Services 30%
<b>External Debt (net)</b>	US\$ 988.8 mn (2004) 95% soft loans
<b>Exports (FOB) 2004</b>	US\$ 715 mn cut and polished diamonds, mineral products, foodstuffs, energy (Belgium 18.2%, UK 16.8%, Israel 15.7%, Russia 12.1%, Iran 7.9%, US 6.3%, Germany 5%)
<b>Imports (CIF) 2004</b>	US\$ 1,351 mn natural gas, petroleum, tobacco products, foodstuffs, raw diamonds (Belgium 11.6%, Russia 11.6%, Israel 11.3%, US 9.5%, Iran 8.8%, Germany 6.7%, UAE 5.4%, Italy 4.7%, Ukraine 4.6%)
<b>Unemployment</b>	9.3% officially (actually closer to 40%)
<b>Foreign trade Jan 2005</b>	US\$ 161 mn (Exp: US\$ 45 mn, Imp: US\$ 116 mn)
<b>Inflation (2004)</b>	7% (2003=8.6%)
<b>Transportation</b>	Railways 845km, highways 16,000 km
<b>Industries</b>	diamond-processing, metal-cutting machine tools, forging-pressing machines, electric motors, tires, knitted wear, hosiery, shoes, silk fabric, chemicals, trucks, instruments, microelectronics, jewellery manufacturing, software development, food processing, brandy
<b>Armenia-India Trade:</b>	US\$ 8.67 mn (2004) mainly Indian exports of foodstuffs (essentially meat), electrical equipment, optical equipment, plastics, pharmaceuticals and other chemical goods. New items since 2003 include rice, sugar, cut and polished diamonds, and cars. Armenia exports metal scrap and raw rubber. Some Indian products come through Dubai/ Moscow.
<b>The future</b>	To promote India-Armenia trade and investment, the Embassy, has a special programme called RAIP (Revive and Introduce Programme) which seeks to revive every year at least one Soviet era export and introduce at least one new product or service. In 2003, the Mission revived meat exports and introduced sugar. In 2004, it was cut and polished diamonds and motor vehicles. In 2005, the project is for pharma and stones (especially marble). The Embassy has adopted a non-exclusive "four plus one" policy. The four sectors in which Armenia seeks India's assistance are small and medium industries, information technology, agriculture and light engineering, while the "plus one" is to encourage Indian companies to invest in export-oriented sectors in Armenia.

**Abstract**

The Embassy of India has undertaken this survey to explore the coffee market in the Republic of Armenia (RA). The purpose of the coffee market survey is to study the feasibility of exporting coffee from India to Armenia by analyzing the existing situation in the Armenian coffee market. The objectives of the survey on coffee in Armenia are as follows:

- To find out the role of the coffee market in the general industrial setup of RA.
- To study the current state of the companies involved in the coffee processing in Armenia.
- To find out business opportunities for the export of Indian coffee into the Armenian market.
- To examine the present local coffee market and its potentials, as well as its industry volumes and sources of import and export.
- To give statistical information on Armenia's coffee market.
- Identification of the business environment and understanding the tax regime, foreign trade regulations, foreign investment regulations.

**Methodology**

The method used for this market survey is a content analysis of secondary sources based on the review of reports from National Statistical Service of RA, Ministry of Trade and Economic Development of RA, information available through Internet, and news agencies. Survey methodology on coffee market in Armenia is based on both primary and secondary sources. Primary research involves on-site examination of the coffee market, and interviews with marketing departments.

## **Armenian Coffee Market**

Coffee is one of the largely used drinks in Armenia, with Armenian consumers buying coffee for everyday use for several times. In fact, coffee is the most widely served beverage. It is available practically everywhere, including bars, restaurants, cafes, airports, offices, etc. Historical sources reveal that coffee penetrated the Armenian market in 1946-1948, when many Diaspora-Armenians from Iran, Syria and France repatriated to Armenia.

Coffee is widespread throughout Armenia. Armenia imports around 300 tons of coffee every month (<http://armeniadiaspora.com/feature/archive/040901.html>. September, 2004). However, the Armenian coffee market is full of low quality coffee.

Two types of coffee, beans and instant coffee are available in the Armenian market. The major part of imported coffee is green coffee beans, which are processed and packaged in Armenia. Processed coffee is consumed locally, and other part is going for export (mainly to Commonwealth of Independent States (CIS)). Instant coffee market is rather big and is mainly dominated by Nescafe and Pele brands.

The recently founded National Academy of Consumers announced that it has developed a new national standard of ground coffee, which has been now reconciled with appropriate bodies. An expert from the Academy said none of the applied normative documents specified the permitted level of humidity in coffee. The new coffee standard has been brought into compliance with European standards. The new standard was developed in cooperation with local producers of ground coffee. The expert said the introduction of this standard would allow tax authorities to introduce some changes. In case of a higher level of the permitted humidity standard, customs officers may ban import of particular coffee into the country, as micro-toxic agents begin developing in humid coffee. A recent examination of the quality of locally produced ground coffee revealed that virtually all of them contained toxic agents (<http://armeniadiaspora.com/js04/040618coffee.html>).

Along with the Armenian processed coffee, Nescafe and Pele are widely used. Espresso, cappuccino and filtered coffee are available only at some bars and upscale cafes, the espresso and cappuccino powdered instants made by Nescafe.

### **Coffee Processing Companies**

Ground coffee is completely imported into Armenia, and here it is processed into instant coffee by local companies. There are several companies in Armenia, which are engaged in coffee processing activity. These companies import rough coffee and process it in their factories. The companies presented below are the most well-known names in coffee processing industry in Armenia.<sup>1</sup>

**“Parisian Surch” LLC**, a daughter enterprise of the French firm “V & A Coffee Le Café de Paris”, was established in the Republic of Armenia in 1995. The firm is engaged in importing choice green coffee, its subsequent processing, packing and selling. The up-to-date French & German equipment enables to process coffee to meet highest standards. The brands imported by the firm are only the best quality African and Latin American coffee. The company also exports its product “Le Café d’Armenie” to some CIS and European countries. Café d’Armenie #1-100% Robusto (grains imported from Madagascar and Cameroon) roasted and ground in Armenia is strong coffee. Café d’Armenie #5-100% Arabica mocha (grains imported from Ethiopia) roasted and ground in Armenia, contains little amount of caffeine. Both these types of coffee are produced by the “Parisian Surch” company, and they are of rather high quality.

**“FERO”**, another coffee processing company, was founded in 2001. During a short period of time, the company made progress, due to effective labor management and high technology implementation. Currently, it is one of the largest companies of Armenia

---

<sup>1</sup> For the list of coffee processing firms and their contacts, see Appendix 1.

importing and exporting coffee. The company cooperates with lots of companies from abroad. At the present moment a new factory is being built, which will be provided with innovative technology. The number of employees will be increased three times, and there will be a chance to enlarge the international market due to such an increase.

“**Premier**” is specialized in the frying, grinding and packaging of natural green coffee. “Premier” has an experience in the sphere of coffee processing. “Premier” offers the following products, Premier Arabica, Premier Classic, Premier Family, Premier Gloria, etc.

“**Royal Armenia**” JV Ltd. was established in 1996, and it was the first coffee manufacturer in Armenia and Transcaucasia. It is the leader among coffee manufacturers and one of the largest tax bearers. Its blends are made from the best pure Arabica and Robusta coffees cultivated in more than 30 countries all over the world, where the “Royal Armenia” has its representations. The borrowed area makes 20,000 sq. m. where on average up to 150 ton coffee per month is processed. The personnel consist of 60 people. The trademark “Royal Armenia” is known in Bulgaria, Iran, Georgia, Russia, Belarus, and Ukraine. Since last year, the company has started to process elite Colombian coffee “Supremo”. According to the company’s representatives, this new production corresponds to international quality standards and is certified by the State Register & Ministry of Health of the Russian Federation. “Royal Armenia’s” products are *Royal Armenia Classic*, *Fiesta*, and *Royal Coffee Brasilia*.

“Rafael Contini Trading Company” JV Ltd. was established in 1998. Since 2002 it has started to produce “**Rio Grande**” ground coffee, which has also been exported to Armenia’s neighboring country, Georgia. Currently, more than 90% of “Rio Grande” production is exported to Georgia and is sold by the company’s official representative there. One of the goals of the company is to enter the Russian market.

## Statistics

According to the statistical handbook, “Socio-economic situation of the Republic of Armenia for January-December 2003”, price changes of coffee for 2000-2003 years has been grown from 92% in 2000 to 100.3% in 2003. It is shown in Table 1.

(compared to the previous year, %)

Year	2000	2001	2002	2003
Coffee, Tea, Cacao	92.0	96.5	98.4	100.3

Source: *National Statistical Service of the Republic of Armenia*

**Table 1.**

The average annual republican price for one kilogram of coffee for 1999-2003 is shown in Table 2.

(drams)

Year	1999	2000	2001	2002	2003
Coffee	2614	2413	2360	2338	2315

Source: *National Statistical Service of the Republic of Armenia*

**Table 2.**

According to data of National Statistical Service, foreign trade of the Republic of Armenia for coffee in 2003 was as shown in table 3.

Product	EXPORT		IMPORT	
	volume, ton	thous. US \$	volume, ton	thous. US \$
Coffee, coffee husks and skins and coffee substitutes	1830.9	1787.3	10011.7	7968.9

Source: *National Statistical Service of the Republic of Armenia*

**Table 3.**

During 2003, Armenia exported 1833.4 tons of coffee, tea, and spice products together, which costed US \$1,824,700. The main exporting countries were Georgia (1485.3

ton) and Russia (327.1 ton). According to the National Statistical Service, in 2003 Armenia imported 10418.0 tons of coffee, tea, and spices together, which costed US \$8,817,100.<sup>2</sup> The main importer countries were as follows;

- Lebanon (6318.5 ton – US \$4,649,500)
- India (1077.4 ton – US \$810,100)
- Cuba (908 ton – US \$1,208,600).

### **Market Structure**

Economic concentration is not high in coffee processing in Armenia. In Armenia, it is not required to be registered as an activity type for coffee processing companies and this is the reason that the exact number of coffee processing companies is not available. In general, there are no barriers to entry into the market of coffee processing. Demand for coffee is very high in Armenia, and coffee is supplied by both local and foreign companies. While local companies are more engaged in manufacturing coffee beans, the foreign ones mainly import instant coffee. The overall quality of Armenian processed coffee of local companies is not high; the only exception can be processed coffee of the “Parisian Surch” company. However, the quality of coffee is not much important for the end users. It can be said that for Armenian consumers, the price for coffee is more important than the quality of it.

### **Market Suppliers and End Users**

Coffee distribution in Armenia is handled by both local and foreign companies. Among local companies, there are major coffee processing ones such as “Royal Armenia”, “Fero”, “Derjava”, “Parisian Surch”, etc. Among foreign suppliers of coffee in Armenia are

---

<sup>2</sup> For the full list of countries with whom Armenia had foreign trade for coffee, tea, and spices in 2003 see Appendix 2.

“Nescafe”, “Pele”, “Jacobs” and mainly instant coffee producing companies. The end users of coffee in Armenia are households, bars, cafes, restaurants, etc.

## **Taxation**

Coffee is one of the products, which requires labeling by registered trademark (Armenia. Customs Guide, 2003, p. 8).

The value added tax (VAT) in Armenia is 20%. However, Armenia has an expanded application of zero VAT for some transactions and operations.

**Value Added Tax for coffee import is 20%.**

Customs duties are mandatory payments levied on behalf of the State Budget pursuant to the procedure and in the amounts stipulated by the Custom Code for transportation of goods through the Customs border of the Republic of Armenia. A custom duty rate for the import is either 0% or 10% depending on an item. Payments for the custom duty should be made in Armenian drams. A certificate of conformity of safety is required for the import of coffee.

**Customs duty for coffee import is 10%.**

**In sum, the cost of importing coffee into Armenia is 32% of its price.**

## **Conclusion**

As it can be seen from the statistical data of the National Statistical Service, the demand for coffee in Armenia is growing from year to year. However, coffee manufacturing companies should understand that their future is ultimately linked with the quality of their production, as the quality of processed coffee is low. In spite of a steep growth in domestic consumption, the local industry has not been able or willing to improve the quality of coffee.

---

So, the main precondition for developing coffee market in Armenia is to improve coffee quality and sell it at reasonable price level.

It can be concluded that the coffee market in Armenia is an attractive field for Indian businessmen to export their product. Future trading in coffee seems to be successful because of the large number of buyers. The challenge is to increase production, improve quality and ensure that coffee is affordable to domestic consumers. The above-mentioned advantages are the prerequisites for Indian companies to export Indian coffee into the Armenian market.

## Appendix 1

### Coffee Processing Companies of Armenia<sup>3</sup>

#### 1. FERRO Co.Ltd

Robert F. Avetisyan , President



375040, Yerevan, Acharyan St. 2/1, 6th Floor



(3741)622544 reception room, 615452, 249703

Fax: (3741)288326

E-mail: [fero@fero.am](mailto:fero@fero.am)

URL: <http://www.fero.am> <http://www.spyur.am/fero.htm>

#### ACTIVITY, PRODUCTS, SERVICES

Manufacturing. Coffee Beans: Roasted

Manufacturing. Coffee Powder: Instant

Manufacturing. Coffee: Ground

#### TYPE

COFFEE (PROCESSING)

#### 2. DERJAVA-S Closed Joint-Stock Company

Arkady S. Hambardzumyan , President



375081, Yerevan, Haghtanak 1/1



(3741)725951, 725961, 721926

Fax: (3741)720244

URL: <http://www.spyur.am/derjava.htm>

#### ACTIVITY, PRODUCTS, SERVICES

Manufacturing. Coffee Beans: Roasted

Manufacturing. Coffee: Ground

#### TYPE

COFFEE (PROCESSING)

#### 3. HELF Co.Ltd

Henzel P. Palikyan , Founder-Director



Armavir Marz, Echmiadzin, Shrjanain St. 3; Yerevan, Arshakunyats Ave. 15



(37431)46400, (3749)405340, 410015 (mobile)

Fax: (3741)533679

URL: <http://www.spyur.am/helfcoffee.htm>

<sup>3</sup> Source: [www.spyur.am](http://www.spyur.am)

**GENERAL ACTIVITY**

"Sakhara" coffee

**ACTIVITY, PRODUCTS, SERVICES**

Manufacturing. Coffee: Ground

**TYPE**

COFFEE (PROCESSING)

**4. RAFFAEL CONTINI TRADING COMPANY Joint Venture, Co.Ltd**

Raffi H. Mekhjian , Director



375026, Yerevan, Arshakunyats Ave. 39



(3741)442810 Director, 443807 Accounts Dept.

Fax: (3741)442810

E-mail: [rafaello2@hotmail.com](mailto:rafaello2@hotmail.com)URL: <http://www.spyur.am/riogrande.htm>**GENERAL ACTIVITY**

"Rio Grande" coffee production

**ACTIVITY, PRODUCTS, SERVICES**

Manufacturing. Coffee Beans: Roasted

Manufacturing. Coffee: Ground

**TYPE**

COFFEE (PROCESSING)

**5. ROYAL ARMENIA Armenian-Russian Joint Venture, Co.Ltd**

Aram M. Ghazaryan , Managing Director



375081, Yerevan, Haghtanak; Yerevan, Davtashen, 2nd Residential Area, House 26, Apt. 38



(3741)740861 Managing Director, 734545 Marketing and Advertising Dept.

Fax: (3741)394139

E-mail: [info@royalarmenia.net](mailto:info@royalarmenia.net)URL: <http://www.royalarmenia.net> <http://www.spyur.am/royal.htm>**GENERAL ACTIVITY**

Coffee, rice and black pepper processing and packaging

**ACTIVITY, PRODUCTS, SERVICES-**

Manufacturing. Coffee

Manufacturing. Coffee Beans: Roasted

Manufacturing. Coffee: Ground

**TYPE**

COFFEE (PROCESSING)

**6. PARISIAN SURCH Subsidiary Co.Ltd**

Khachatur G. Madoyan , Director



375009, Yerevan, Abovyan St. 23-1



(3741)522648

Fax: (3741)544534

E-mail: [pcoffe@arminco.com](mailto:pcoffe@arminco.com)

URL: <http://www.spyur.am/parisurch.htm>

---

**GENERAL ACTIVITY**

Coffee manufacture and trade. Outdoor cafe

**ACTIVITY, PRODUCTS, SERVICES-**

Manufacturing. Coffee

Manufacturing. Coffee: Ground

Trade. Coffee

**TYPE**

COFFEE (PROCESSING)

SHOPS: COFFEE

**Appendix 2**

Foreign Trade of the Republic of Armenia with Separate Countries for coffee, tea and spices for 2003.

Country Name	Export		Import	
	Volume, ton	Thous. USA \$	Volume, ton	Thous. USA \$
Belgium	0.0	0.0	0.0	13.3
Bulgaria	0.0	0.0	72.0	54.0
Belarus	0.0	0.0	0.0	0.1
Shri Lanka	0.0	0.0	66.0	314.2
China	0.0	0.0	0.1	0.5
Cuba	0.0	0.0	908.0	1208.6
Denmark	0.0	0.0	0.1	0.3
France	1.0	8.1	80.0	145.3
Georgia	1485.3	1157.5	4.3	10.7
Germany	0.0	0.0	230.0	201.1
India	0.0	0.0	1077.4	820.1
Indonesia	18.3	13.3	252.0	183.3
Iran	0.0	0.0	415.7	291.1
Italy	0.0	0.0	0.3	1.2
Japan	0.0	0.0	3.8	3.0
Lebanon	0.0	0.0	6318.5	4649.5
Latvia	0.0	0.0	0.0	0.0
Nederland	0.2	0.5	108.0	81.0
Poland	0.0	0.0	0.2	0.6
Russia	327.1	608.4	208.1	191.5
Singapore	0.0	0.0	28.3	26.9
Spain	0.1	0.1	0.0	0.0
Sweden	1.0	36.4	0.0	0.0
Switzerland	0.0	0.0	76.2	57.2
Syria	0.0	0.0	3.1	2.6
United Arab Emirates	0.0	0.0	494.1	451.0
Turkey	0.0	0.0	25.2	29.4
Ukraine	0.4	0.4	2.8	10.2
USA	0.0	0.0	17.9	42.0
Venezuela	0.0	0.0	25.9	28.2
<b>Total</b>	<b>1833.4</b>	<b>1824.7</b>	<b>10418.0</b>	<b>8817.1</b>

**Source:** National Statistical Service of the Republic of Armenia. Statistical Handbook. Foreign Trade of the Republic of Armenia with Separate Countries by Commodity Groups for 2003.

