

20 Years of Capitalism: Winemaker Foresees Next France in Moldova

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Entrepreneur Victor Bostan is on a mission to put Moldova on the map as a wine producer.

The brands of wine made by Bostan at his Purcari vineyard by the Bostavan Wineries Group, in which the Horizon Capital fund recently made a \$15 million investment, rival French wine and are "even better than Italy" in quality, he said.

Bostan hopes that in as little as five years' time Moldova, renowned in the Soviet Union for its wines, will be recognized worldwide as a producer on par with these two winemaking heavyweights.

The problem is that Moldovan wines are still not known outside the former Soviet Union.

"For that, you need time and money to promote [them] throughout the world," Bostan told The Moscow Times.

Ion Luca, president of the Moldovan Small Wine Producers Association, said Bostan is the man for the job. He called Bostan one of the best winemakers in the country and said his group is "one of the main players on the Moldovan market."

"With some of his wines, he can create a good image for Moldovan wines in the West," Luca said.

While Bostavan will invest some of the funds from Horizon Capital's purchase of a majority stake in improving its production technology and planting new vineyards, most of the \$15 million will go toward starting sales in new markets and promoting the brand, Bostan said. Over the next three years, Bostan wants Bostavan "to become company No. 1 in Eastern Europe" for wine and to increase total sales volume to 50 million euros (\$65 million), he said. In 2010, Bostavan had a turnover of 22 million euros and made about 5 million euros in profit, he added.

The company also plans to make up lost sales in Russia after a ban here on imports of Moldovan wine, which was imposed in 2006 but later lifted for some wineries.

Moldova has 151,000 hectares of wine grapes — about 5 percent of the country's total area — and exports about \$200 million worth of wine, according to the Food and Agriculture Organization of the United Nations. The country exports 95 percent of its alcohol production, with 78 percent of that going to Belarus, Russia and Ukraine. Its wine-growing regions are located at roughly the same latitude as the French regions of Bordeaux and Burgundy.

USSR Falls, Business Rises

Bostan first went into business in 1992, a year after the fall of the Soviet Union made entrepreneurship possible in Moldova, and since then the vintner has started and sold several wineries. Bostavan Wineries Group, which Bostan set up outside of Chisinau in 2002, has come to control about 50 percent of Moldova's domestic wine market and about 20 percent of its export market. The group employs about 1,000 employees at its vineyards, which cover 800 hectares, as well as 50 employees at its Chisinau office.

Horizon Capital, a private equity fund manager focused on Belarus, Ukraine and nearby countries, bought 61 percent of the group of companies in 2010, providing further capital for its development plans (Bostan still holds 35 percent of the shares and serves as president of the group). At the time, the fund cited Bostavan's excellent growth potential, calling it the "best winemaking group in Moldova."

"We are very impressed with the entrepreneurial spirit of the dedicated founder who was not only able to build four highly efficient wineries, but has also led the business successfully through challenging markets," said Horizon Capital partner Irina Starodubova in a statement.

Bostan's grandfather inspired the future entrepreneur to go into winemaking with his large vineyard near Bostan's hometown of Hincesti. After spending time on the vineyard as a child, Bostan went on to earn a degree in winemaking technology at Chisinau Polytechnic Institute in 1982 and work as a technician at a Hincesti winery for 10 years.

From 1992 to 1998, Bostan pursued his own entrepreneurial projects, starting and later

selling the wine companies Bassa Vin and Larga Vin. In 1999, he renovated a factory in Russia's Krasnodar region and began a winemaking enterprise called Kuban Vino, which he sold in 2002. He opened Bostavan — the name is a play on his surname and the Moldovan word for wine, "vin" — the same year, and in 2003 he started producing its flagship Purcari wines.

Growing a small business in the 1990s was in some ways easier than it is now, Bostan said.

"Back then ... everybody was learning how to do business, and mistakes weren't that frightening," he explained.

Now that Bostavan is focusing on establishing itself worldwide, the stakes are much higher. Currently, the company's main foreign markets are Poland, Romania, the Czech Republic and Slovakia, which together account for 35 percent of its sales, but it also sells wine in Germany, the Netherlands, Belgium, Austria, China, South Korea and the United States.

"International competitors are very strong, and for this reason, it takes a lot of work and a lot of competence," Bostan said.

Bostavan's wins at international competitions such as the Wine and Spirit Competition in London and Prowein in Düsseldorf have attracted new customers from abroad and improved the reputation of the Moldovan wine industry as a whole, Luca said.

Wine Stops Flowing to Russia

In 2006, another challenge arose with the Russian embargo on Georgian and Moldovan wines over food safety concerns that were widely perceived to be politically motivated. The ban was a significant blow for Bostavan and other Moldovan wine producers, which relied on Russia as their main export market. Bostan's group suffered a sharp drop in sales and had to close its branch in Moscow and destroy about 3.5 million bottles of wine, he said.

The ban was lifted for 40 Moldovan producers in 2007 and 13 more in 2010, but wine exports from Moldova have not reached previous levels: Bostavan currently sells about 2.5 million bottles annually in Russia, down from 15 million before the embargo. In the first half of 2011, total Moldovan wine exports to Russia decreased by more than half compared with the first half of 2010, from \$34.66 million to \$16.76 million, RBC Daily reported in October.

However, Bostan said that with active promotion, the winemaker could attain pre-embargo sales volumes in Russia again within three years. In August, Bostavan started selling its most popular brand, Purcari, in Russia through the Russian distributor Legenda Kryma, and it also produces the brand Chyorny Doktor specifically for the Russian market.

When asked, Bostan hinted that he had faced corruption as a small-business owner in Russia and Moldova, but declined to elaborate.

"There's corruption in all countries, in some more and in some less," he said.

Yet Bostan's recipe for success remains simple in the face of such challenges.

"As the great Lenin put it, 'Study, study and study some more,'" the entrepreneur said. "I

would say, 'Work, work and work some more, ' and success will come. You need to work a lot, you need to be serious and, of course, you need to be a professional."

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