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THE CONCEPT OF TERROIR: WHY IT MATTERS FOR UKRAINIAN WINE INDUSTRY?

This paper explores the crucial role of terroir in Ukrainian winemaking's transition from traditional, quantity-focused models to innovative, quality-driven approaches. Against the backdrop of Ukraine's Eurointegration process, which compels wineries to reevaluate the significance of terroir, we examine the practical implications for the country's wine industry. A case study of "Shabo" Winery exemplifies the successful implementation of terroir-based strategies, displaying how they enhance the perceived value and distinctiveness of Ukrainian wines in both domestic and international markets. This research sheds light on the evolving landscape of Ukrainian winemaking and underscores the potential of terroir to elevate the industry's reputation and competitiveness. These findings offer valuable insights for wineries seeking to differentiate themselves and policymakers considering the role of terroir in shaping Ukraine's evolving wine industry

Keywords: *terroir, terroirists" Ukrainian wine industry, eurointegration of Ukraine, "quantity versus quality", "quality-based differentiation", "quality-based competition", "Shabo" Winery, competitiveness, terroir-based strategies*

Context and problem statement. According to the report International Organization of Vine and Wine (www.oiv.int) [1], the global vineyard surface area is estimated to be approximately 7.3 million hectares in 2022, showing only a slight decrease of 0.4% compared to the previous year. Within the European Union (EU), vineyards have remained stable in recent years, covering about 3.3 million hectares, which accounts for approximately 45.2% of the total global vineyard area. In 2022, the worldwide wine production is estimated to be around 258 million hectolitres, indicating a decrease of three million hectolitres, or a 1% decline, compared to the production in 2021. Global wine consumption in 2022 is estimated at 232 million hectolitres, reflecting a decrease of two million hectolitres compared to the previous year. Consequently, there is an estimated surplus of approximately twenty-six million hectolitres. In the European Union, the vinified production in 2022 is approximately 161.1 million hectolitres, which is roughly 62.44% of the global wine production. This volume represents a 4% increase compared to the production in 2021 and aligns with the region's five-year production average. Collective contribution of Italy, France, and Spain, the leading European wine producers with production figures of 49.8 million hectolitres, 45.6 million hectolitres, and 35.7 million hectolitres, respectively, is about 51% of the world's wine production in 2022.

Hence, it seems that EU wine sector is in a decent shape and prospers. However, if we look at the OIV 's statistics on Romania that which joined the European Union in 2007 [2], the picture for "newcomers" does look so bright. This Eastern European country had 191 thousand ha of vineyards, produced 5.29 million hl of wine and as producer ranked 6th in the EU and 13th worldwide. However, Romania's wine production decreased to 3.9 million hl in 2022. Of course, these dynamics cannot be seen a success story after 15 years since accession to the EU, could be a "red flag" for new prospective entrants like Moldova, Georgia and Ukraine and requires additional investigation - especially in comparison with its pears that recently joined EU.

For Ukraine the prospect of joining the EU holds the promise of macroeconomic gains, economic growth, trade opportunities, and wealth creation. Indeed, as some studies prove, many new EU member states fit to this pattern and have demonstrated impressive results in GDP growth and wealth creation [3; 4]. Nonetheless, some industries may face severe challenges, potentially leading to "losers." Ukraine's wine industry, for example, is at risk due to chronic issues of overproduction and oversupply in the EU and its dependence on competitive markets with declining wine consumption. These challenges highlight a twofold problem. Firstly, the industry often focuses solely on quantity, believing that "more is better," making it difficult to compete on volume against the EU. Secondly, there's a lack of quality-focused strategies and business models among Ukrainian wineries, which could be a crucial alternative in the face of these challenges.

Literature overview. Terroir is a multifaceted subject that spans across a spectrum of disciplines, including agriculture, oenology, chemistry, ecology, business, economics, geography, and so on [5; 6; 7;8; 9]. In the field of international wine business research, the body of literature dedicated to the concept of terroir and its multiple aspect and dimensions is quite significant and it continues to grow [10]. Business economists and management scholars explore the economic implications of terroir for agricultural markets, wineries, its role in strategy and market positioning [11; 12: 13: 14].

To gain a comprehensive grasp of it, few seminal works on the concept of terroir in the wine industry are worth to be mentioned. Among them there is the book "The concept of terroir in viticulture" written by J. Robinson and co-authors [15]. It provides an in-depth exploration of wine grapes, their origins and their relationships to each other, also the historical background of each grape variety and on what sort of wines do they make and, most importantly, what do they taste like. It also delves into various aspects of terroir and its significance in winemaking. Similar issues about the role of soils in viticulture, a critical component of the terroir concept, were studied by R. White [16]. Another researcher - Mark A. Matthews in his work "Terroir and other myths of winegrowing" [17] challenges some of the traditional beliefs surrounding terroir, providing a critical analysis of the concept and its practical implications for the wine industry. The influence of climate and terroir on wine production, emphasizing the impact of climate change on wine regions and grape varieties was investigated in the study of J. Gladstones [18] and other authors [19]. These works provide a solid foundation for understanding the concept of terroir and its significance in the wine industry. Depending on your specific research interests, you may find recent,

narrowly focused and more relevant publications in leading wine business, food, and beverages journals [20; 21]. As well, some literature reviews [22].

Of course, Ukrainian stream of the literature dedicated to these subjects and related problems is much younger, fragmented, written predominately in Ukrainian language and in Ukrainian journals. Thus, these publications are and less known by international scholars and practitioners and have lower visibility of global scale. Nevertheless, some relevant publications have been identified. They cover various aspects – foe example, role of terroir in wine tourism and hospitality [23] or in winemaking [24; 25; 26; 27]. However, studies dedicated to terroir-based business models and strategies have been relatively scarce in the existing literature [28; 29]. This article aims to address this knowledge gap by delving into the dynamics of how terroir can be harnessed for the development of unique business models and strategic approaches within the wine industry. By exploring the economic implications and market positioning related to terroir, this research contributes to a more comprehensive understanding of how terroir can be leveraged as a competitive advantage in the global wine market. In doing so, it seeks to shed light on innovative practices and insights that can inform wineries, viticulturists, and wine-related businesses in their pursuit of sustainable and market-savvy strategies rooted in the concept of terroir.

Issues and unresolved parts of problem. The quality of wine is strongly related to its place of origin, and Ukraine's lack of recognition as a "top leading wine country". Hence, collective brand of Ukrainian wine industry must be established and promoted internationally, showcasing the forgotten historical traditions and wines that Ukraine has to offer, to gain the recognition, it deserves as a top leading wine country.

Winery strategies hinge on unique circumstances, resources, and objectives, aligning with long-term visions and industry dynamics. In Ukrainian context wineries have a ***"quantity versus quality"*** dilemma - a strategic choice and very challenging trade-off between scaling up production to increase production and decrease production costs per unit or prioritize quality with lower yields at vineyards and lower wine volume thereof. Considering perspectives of EU membership, strategic options focused on quality are the most preferable. They prioritize excellence over quantity, positioning themselves as premium producers. This strategic choice involves carefully selecting grapes, adhering to stringent quality standards, and often accepting lower yields to preserve the uniqueness and exceptional characteristics that are highly esteemed in the wine industry.

This shift towards a ***quality-based differentiation*** of wines, and, therefore, ***quality-based competition***, is essential. This unresolved issue poses a significant challenge for wineries seeking to differentiate themselves and improve the quality of their products. Unfortunately, a terroir-based approach which is the most successful European “best practice” is underexplored by Ukrainian wineries.

The purpose of the article is to stress out practical importance of the concept of terroir and to show how Ukrainian wineries could succeed by developing and implementing terroir-based strategies, describe how a well-defined terroir can enhance the perceived value and uniqueness of Ukrainian wines on the domestic and international stage, as well benefits of this approach on the way to elevate its reputation and increase competitiveness.

Research questions. To develop valuable insights into the practical implications of terroir in the context of Ukrainian winemaking and its potential to shape the future of the country's wine industry, this paper tries to explore the following research questions:

1. How does the concept of terroir could be applied and contribute to the success and competitiveness of wineries in Ukraine, and what are the implications for wine industry?

2. Are there Ukrainian case studies of developing and implementing successful terroir-based strategies?

By addressing these research questions, the article can provide valuable insights into the practical implications of terroir in the context of Ukrainian winemaking and its potential to shape the future of the country's wine industry. The answers can serve as a starting point for a comprehensive exploration of the practical importance of terroir in the Ukrainian wine industry.

Research methodology. The methodology used in crafting this conceptual paper involves a comprehensive approach. It grounded on a detailed case study of “Shabo” winery (www.shabo.ua) aimed at investigating the significance of terroir in the context of Ukraine. To collect primary data, a 1.5-hour interview was conducted with G. Iukuridze, the CEO of “Shabo” firm, extracting valuable insights into their strategies and the role of terroir in shaping their business models. Secondary data was sourced from official documents on the corporate website and social media. Additionally, academic research papers on the Ukrainian wine industry, terroir, and related topics were reviewed to provide a broader context. The primary and secondary data were then analyzed and synthesized to comprehend the terroir-based approach, both at Shabo Winery and in the broader Ukrainian wine industry. The insights gained from the Shabo Winery case study were extrapolated to the entire Ukrainian wine sector, grounded in academic and industry research. This methodology provides a well-rounded exploration of the terroir-based approach, combining primary data, secondary data, and academic research.

Conceptual framework. First, to answer the questions, there was a need to start with core concepts' definitions. It encompasses unique environmental elements like soil, climate, and human practices that shape products such as wine and others. This concept also includes elements of authenticity, quality, cultural heritage, and environmental sustainability. However, it is not universally recognized or understood in the same way - neither by scholars nor by practitioners. For example, Benjamin Lewin, Master of Wine (MW) and author of "Wine myths and reality" [30] has challenged the concept of terroir in his writings. He suggested that the notion of terroir can be misleading, as it oversimplifies the complex interactions between soil, climate, and grape varieties. He emphasizes the role of viticulture and winemaking techniques in shaping a wine's profile. To some extent, Emile Peynaud, a prominent French oenologist, and winemaker, also challenged the idea of terroir. He believed that winemaking techniques and practices, such as fermentation, aging, and blending, played a more significant role in determining a wine's quality and character than the terroir itself [31; 32; 33]. E. Peynaud emphasized the importance of human intervention in winemaking.

Hence, despite the absence of consensus and numerous variations in terroir’s interpretation the usefulness of referring to the mentioned definition is twofold. First,

despite its complexity, subjectivity controversy around this concept, the recognition of terroir by the OIV - International Organization of Vine and Wine (www.oiv.org) put ending point in such unproductive discussion by *legitimating this concept.* Second, usage of provided definition which is adapted at international scale would help *to prevent confusion and misinterpretation.*

Have clarified the definition and role of the terroir's concept, we could move to explain the relationships of the concept of terroir with other concepts used for building the conceptual framework used in this paper - strategy, business models, and operations (see Figure 1 below).

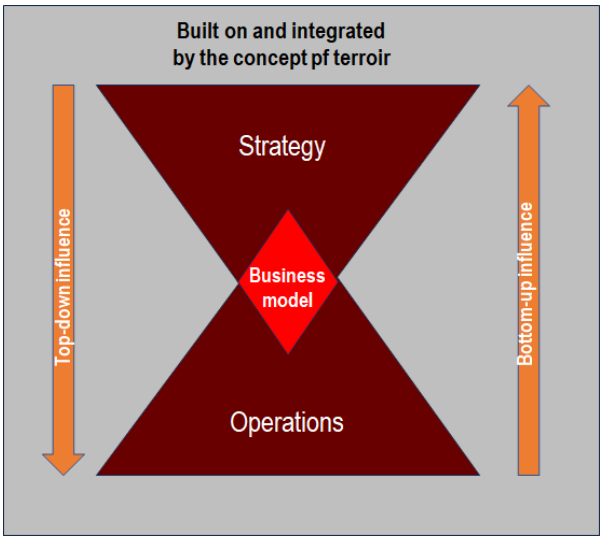


Figure 1. Conceptual framework

Source: developed by the author

Within the realm of strategic management, the relationship between strategy, business models, and operations forms a dynamic yet interconnected framework, with the unique concept of terroir as its centrepiece. Strategy serves as the compass, providing an organization with its long-term vision and overarching goals, directing the general approach to achieving these objectives, all while considering the distinct terroir of the region. In this paper the most frequent definition of business strategy is attributed to Michael Porter is used: "Business strategy is about being different. It means deliberately choosing a separate set of activities to deliver a unique mix of value" [34: 64].

Strategy and business models are interconnected yet distinct in strategic management. The concept of business model (BM) is intricately linked to the concept of strategy are but not identical - "business models are reflections of the realized strategy" [35:274]. Usually, when defining BM, it "refers to the logic of the firm, the way it operates and how it creates value for its stakeholders [35:196] or "the way the firm functions and creates value" [36].

Business models, acting as the bridge between strategy and operations, specify how an organization generates, delivers, and captures value through tailored revenue and

profitability mechanisms, with a keen focus on highlighting the terroir's influence on product differentiation and quality. Thus, the terroir-approach is a value creation instrument for wineries. While strategy covers the entire organizational landscape, encompassing multiple units and product lines, business models drill down into the practical details, delineating revenue and value creation strategies for specific products, services, or market segments, with a deep appreciation for the terroir's role in this context. Strategy operates on a more extended horizon, with multi-year plans, all the while considering the long-term impact of terroir, while business models focus on the near to medium term, efficiently harnessing the terroir's unique qualities for profitability. Strategy decisions involve critical elements like competitive positioning, resource allocation, and market strategies, all finely tuned to align with the terroir's distinct attributes, whereas business models revolve around crafting effective revenue streams, optimizing cost structures, and designing value propositions that highlight the terroir's role in creating value.

Operations management is the act of controlling, organising, and managing resources which have the potential to create goods and services. It embraces several management procedures and techniques to establish the science of operations management [37]. Operations play a pivotal role in this integrated framework by translating the strategies and business models into tangible results. They involve the day-to-day activities of grape cultivation, winemaking, and visitor experiences, each carefully designed to harness the unique terroir's potential. Operations ensure that the organization's strategies are not just theoretical concepts but practical realities, delivering the distinct terroir-driven products and experiences to customers, reinforcing the winery's market position and brand reputation.

This interplay between strategy, business models, and operations is where the rubber meets the road, as operations put the plans into action, ensuring alignment with strategic goals and the efficient delivery of the unique terroir's influence on the final product. Strategy seeks to establish a sustainable competitive advantage, leveraging the terroir, while business models prioritize the practical execution of these strategies to achieve profitability and growth, further reinforcing the importance of terroir in the entire winery framework.

Theoretical foundations. The concept of terroir, which combines the unique environmental and geographical factors that influence a wine's flavor and quality with human winemaking practices, has become a core element of strategy and business models for wineries worldwide. Drawing from our previous discussions and available resources, several relevant theories underpin this phenomenon.

The first is the Bourdieu’s theory [38; 39; 40], which highlights the importance of cultural capital and differentiation. By emphasizing the distinctive terroir of their vineyards, wineries can create a sense of exclusivity and cultural significance, attracting discerning consumers and building brand loyalty.

If considering the concept of terroir from a strategic management perspective makes evident its direct link to the resource-based view (RBV) theory which posits that sustainable competitive advantage arises from a firm's unique and inimitable resources [41; 42; 43]. In the context of this study, according to RBV, the terroir can be considered as a valuable, distinctive and non-substitutable resource for wineries, providing a competitive edge that

cannot be easily replicated, and , therefore, leading to competitive advantages in the market [34; 44].

In addition, the signaling theory [45; 46] is of great help as from its perspective terroir acts as a credible signal of quality and origin. By emphasizing their unique terroir, wineries signal to consumers that their wines are of high quality and have a distinct origin. This reduces information asymmetry and allows wineries to implement price premium strategies. In this context, terroir serves as a strategic tool for branding, establishing trust with consumers, and gaining a competitive edge in the wine industry.

Furthermore, following this logic, the experience economy theory pops up as a complementary underpinning that would enhance our understanding by highlighting the importance of creating immersive and unique experiences for consumers. Wineries strategically leverage their terroir to provide visitors with memorable experiences that connect them to the land, culture, and history of a specific region. This focus on terroir enhances brand loyalty, fosters customer engagement, and adds an experiential dimension to the wine business. It is about creating an emotional connection with customers through the terroir.

No doubts, that all mentioned above theories when applied altogether move us to the theory of competitive advantage and respective Michael Porter's “Diamond Model” [47] in this context, shows how various factors like climate, soil, and geography contribute to the competitiveness of the wine industry in different regions and how the unique terroir of a particular region could be used as a key differentiator. By doing so, they align with the geographical and environmental factors highlighted in the model to achieve a competitive advantage. This strategy involves positioning the winery in a region with a favourable terroir to enhance their market position.

In summary, the mentioned theories serve as theoretical foundations for this study and explain the role of terroir’s concept for the competitive landscape and differentiation within the wine industry. Each of these theories offers a unique perspective on how terroir influences the business strategies of wineries. Overall, the concept of terroir plays a pivotal role in shaping the strategic direction and business success of wineries, aligning with these foundational theories.

Historical background. The concept of "terroir" is deeply interwoven with French culture and viticulture, representing the intrinsic connection between the unique environmental and geographical factors that shape the flavor and quality of specific products, particularly wine. This quintessentially French concept played a pivotal role in the creation of the Appellation d'Origine Contrôlée (AOC) labeling system. "Terroir" encapsulates the idea that the harmonious blend of soil, climate, topography, and traditional agricultural practices within a region imparts distinctive qualities and flavors to its products. France has long celebrated this interplay between nature and human craftsmanship, and this appreciation led to the establishment of the AOC system in the late 19th century, marking the first systematic effort to safeguard and promote the authenticity of regional products.

In 1935, under mounting pressure from its own wine sector, the French government established the Comité National des Appellations d'Origine (CNAO) for wine and spirits,

which has since evolved into the renowned INAO (Institut National de l'Origine et de la Qualité). The subsequent year witnessed the CNAO's reception, assessment, and approval of six requests for safeguarded designations of origin for French wines. On May 15, 1936, these pioneering developments culminated in the official signing of the inaugural six AOC decrees by French President Albert Lebrun. These historic designations included Arbois, Tavel, Cognac, Cassis, Monbazillac, and Châteauneuf-du-Pape [48]. Hence, the system of AOC, as it is recognized today, took root in France in 1935, building upon the historical foundations laid by the earliest Parliamentary Decree in 1411 that granted protection to Roquefort cheese [49; 50]. This marks the origin of terroir-focused classification and certification for various agricultural products, initiating its subsequent expansion and evolution.

The French initiative served as a pioneering model, setting the stage for the broader European framework that would emerge in the 20th century. In 1992, the European Union introduced a framework to protect geographical indications and designations of origin for specific agricultural products and foodstuffs across the EU. In November 2012, the EU embraced updated regulations for quality schemes. European Parliament and Council Regulation 1151/2012 replaced Regulation 510/2006, representing a pivotal shift in these regulations [51; 52].

European Parliament and Council Regulation 1151/2012, addressing "quality schemes for agricultural products and foodstuffs," came into force on January 3, 2013. This regulation harmonizes the guidelines for Protected Designations of Origin (PDO), Protected Geographical Indications (PGI), Traditional Specialties Guaranteed (TSG), and optional quality terms within a unified legal framework. This framework extends the opportunity for registration under these diverse schemes to foreign countries and known as the Geographical Indications (GIs) system that includes two categories used in the classification are considered “quality wine” - PDO and PGI schemes of labelling [53].

Then GIs system expanded beyond the realm of wine to encompass a wide array of products, including cheeses, meats, and various agricultural goods. This journey symbolizes the evolution from a focus on authenticity and quality to a comprehensive system that bolsters the reputation and economic viability of regionally distinct products across Europe and the world. This progression represents a transformation from tradition to regulation, becoming an integral part of the European legacy.

Findings and discussion. Since its conception in the EU the GIs system has seen remarkable expansion and success. The latest study conducted by the European Commission, covering 3,207 Geographical Indications (GIs), and Traditional Specialties Guaranteed (TSGs) registered in the EU28 up to 2017 - comprising 3,153 GIs and 54 TSGs - serves as a testament to this accomplishment [54; 55]. These figures encompass 1,576 GIs for wines and 259 for spirit drinks.

In 2017, the GIs/TSGs boasted a total sales value of EUR 77.1 billion (or EUR 74.8 billion, excluding TSGs). Wines accounted for the lion's share at 51%, equivalent to EUR 39 billion. Agricultural products and foodstuffs followed at 35%, totaling EUR 27 billion, while spirit drinks represented 13% with EUR 10 billion. Aromatized wine products made up a minor fraction at 0.1%, around EUR 43 million.

The year 2017 witnessed a substantial increase in the sales value of wines under GIs across the EU28, reaching EUR 39.4 billion, marking a significant 33% growth since 2010. Concurrently, the sales volume rose by 4% to reach 89.7 million hectoliters (Mhl) since 2010. National markets continued to dominate the GI wine market, capturing 59% of the sales value, with intra-EU trade constituting 20%, and the extra-EU market accounting for 22%. In the realm of extra-EU trade, wines remained paramount, amounting to EUR 8.557 billion in 2017 or 50% of the total extra-EU market for all GIs/TSGs products. Notably, the sales value covered by GIs labels saw an impressive 33% increase.

Overall exports of GI/TSG products reached EUR 32.10 billion, making up 42% of the total sales value in 2017. The global value premium amounted to EUR 40 billion in 2017, marking a substantial 38% rise from 2010 [56]. Consequently, the GIs system is recognized as a stellar example of best practices that others can learn from.

As results, by 2020 many vineyards in the EU are specifically cultivated to produce #quality wines". In 2020, a significant 65.3% of these vineyards were dedicated to wines falling under the PDO (Protected Designation of Origin) classification, while an additional 17.1% were earmarked for wines classified under the PGI (Protected Geographical Indication) system. A comparatively smaller proportion, just 13.2% of the EU's vineyards, were allocated to produce table wine.

In countries such as Czechia, Germany, Luxembourg, Austria, and Slovenia, all vineyards exclusively serve the production of quality wines. The relative proportions of vineyards dedicated to quality wines were also notably high, surpassing 90%, in Croatia, Spain, Hungary, and Slovakia in 2020.

Conversely, Romania stood out as the exception, with the majority (72.1% in 2020) of its vineyards allocated to produce table wine. Vineyards for table wine were also relatively considerable in Bulgaria (comprising 38.7% of all vineyards), Italy (24.3%), and Portugal (20.1%).

Overall, the European GIs system has proven to be extraordinarily successful and lucrative. The success and expansion of Geographical Indications (GIs) within the European Union (EU) provide an appealing case study showing important strategic benefits of these practices. Thus, the strategic implications For Ukrainian wineries are clear. Embracing the terroir approach and pursuing PDO and PGI certifications can align their efforts with a successful model within the EU. By focusing on quality, uniqueness, and geographical identity, Ukrainian wineries can position themselves for long-term success, market access, and value creation in the global wine industry.

It is necessary to underline that some from pre-conditions necessary for Ukrainian wineries to succeed on this way have been already created or are on the way to be put in place.

First, land reforms started. March 31, 2020, marked a significant milestone as the Verkhovna Rada, Ukrainian parliament, officially approved the new legislation titled "Amendments to Certain Laws of Ukraine Concerning Agricultural Land Transfers" (referred to as Law 552-IX) (https://www.president.gov.ua/en/news/mi-povertayemo-zemlyu-lyudyam-prezident-pidpisav-ukaz-shodo-64613).This law is set to become effective on July 1, 2021. While it represents a relaxation of a century-old ban on the sale

of specific agricultural lands – however, with several restrictions for foreign citizen and companies. Nevertheless, it permits to sell and buy agricultural lands including vineyards. If having in possession vineyards, wineries would be able to investigate them and their soils and based on terroir's characteristics plant suitable grapes (including autochthones), develop a long-term strategies and investment plans.

In addition, to fulfil commitments outlined in the EU-Ukraine Association Agreement pertaining to the regulation of spirit drinks, Ukrainian parliament voted, and the President of Ukraine officially endorsed the bill on geographical indications for spirit drinks on December 25, 2022. This legislation, which had previously received approval from the Ukrainian Parliament, is scheduled to take full legal effect on December 29, 2024, following a two-year transition period. Nevertheless, over few last years, with the assistance of international donors, a project dedicated to the introduction of geographical indications in Ukraine is realized (https://www.facebook.com/GIs4Ukraine/). And already there are two regions – Shabo and Yalpug are registered as two PDO/PGI winemaking areas. Recently, in his interview V. Pechko, President of "Ukrsadvynprom (www.ukrsadvynprom.com), updated few important facts about Ukrainian wine industry [x]. Presently, vineyards in Ukraine occupy approximately 40 thousand hectares, with a primary concentration in regions such as Odesa, Kherson, Mykolaiv, Zaporizhzhia, and Zakarpattia. Geographically, Ukraine is divided into six principal wine-growing regions, further segmented into 15 macrozones (wine regions) and 58 micro areas, although these zones lack legal fixation. Hence, there is a potential of creation new PDO/PGI wine clusters in Ukraine including studies on which grape varieties are best suited to thrive on their terroirs (https://agropolit.com/blog/475-vinorobstvo-v-ukrayini-suchasniy-stan-i-perspektivi). But Ukraine must catch up this process - especially, if we consider much more impressive progress of Georgia and Bulgaria in this field. In Bulgaria there 54 wines' GIs in Bulgarian that are registered and protected at European level - 52 PDOs and 2 PGIs. For example, in 2023 In Georgia there are 29 protected designations of origin for wine, also known as PDOs of which nearly 70% are in Kakheti, Georgia's most important wine region (https://foodfuntravel.com/georgian-appellations-pdo-microzones/). The Republic of Moldova features four distinct regions designated to produce wine products with Protected Geographical Indication (PGI). These regions include Codru, Ștefan Vodă, Valul lui Traian, and Divin. Each of these regions is overseen by a PGI-affiliated association of wine producers. It's noteworthy that all four PGIs enjoy protection both within the Republic of Moldova and in the European Union (https://wineofmoldova.com/en/wine-regions/).

However, in the context of eurointegration of Ukraine it is important to stress again that policymakers are far behind of winemakers that were influenced by European and international trend and much earlier converted themselves into ***"terroirists***". Now there are some wineries that share similar philosophy and apply "terroir-based" business models – "Prince Trubetskoi" winery, "Kolonist", "Chateau Chizay" winery and so on. However, this paper presents the case of "Shabo winery" as a good example of its successful implementation.

The case of "Shabo" winery. The story of "Shabo" winery is one of Ukrainian winemaking excellence. Nestled along the southern shores of the Black Sea in the

renowned wine-producing region of Odessa, "Shabo" was reborn in 2003 when the Iukuridze family assumed control of what was once a Soviet-style enterprise. They transformed it into a modern, privately-owned winemaking company while preserving the rich heritage of winemaking traditions dating back to 1822, making it one of Ukraine's oldest wineries.

In 1822, Swiss citizens, enticed by the promise of a better life along the Black Sea extended by Russian Tsar Alexander, established the Shabo colony in Bessarabia, which now resides in Ukraine's Odessa region. Despite their displacement during the Second World War, the enduring legacy of Swiss wine culture endures in this region.

During my meeting with Giorgi Iukuridze, the current CEO of "Shabo" winery, at the ProWein Trade Fair and Exhibition in Dusseldorf on March 19, 2023, he and his team showcased their wines, demonstrating remarkable resilience despite ongoing challenges, including war. This presented a unique opportunity to delve into the intricacies of Eurointegration challenges for Ukraine, the wine industry, and the specific strategies and winemaking philosophy that underpin "Shabo."

Much of "Shabo's" winemaking philosophy, as imparted by Vazha Iukuridze, Giorgi's father and predecessor, revolves around the belief that "wine is born at the vineyards." This terroir-based approach is at the core of the company's strategy and business model. To execute this successfully, the firm established a fruitful partnership with a group of French oenologists and consultants led by Stéphane Derenoncourt in 2011.

‘"Shabo" boasts 1,200 hectares of vineyard holdings, carefully selected grape varieties cultivated in the finest vineyards of France and Italy, with each variety thoughtfully placed in specific terroirs based on thorough soil analysis.

A source of pride for "Shabo" is the Telti-Kuruk, a unique Ukrainian indigenous grape variety (autochthon), thriving in the sandy soils of the Dniester estuary. This terroir is deemed ideal for this variety, ensuring distinctive organoleptic properties. Wines crafted from Telti-Kuruk grapes have received the coveted status of Controlled Appellation of Origin, akin to the French "AOC" (Appellation d'origine contrôlée) labeling system.

Uncompromising dedication to excellence starts with the meticulous hand-harvesting of grapes and swift transportation to a state-of-the-art production facility within a mere 20 minutes. The grape reception department incorporates innovative technology, including French equipment for primary grape processing, an Italian bottling line, and a highly advanced micro-winemaking unit equipped with Taransaud oak vats and traditional Georgian qvevris (clay vessels). This meticulous approach ensures that "Shabo" wines seamlessly fuse the exceptional quality of premium grapes with the advantages of advanced technology.

Despite all issues and problems like excessive costs of capital, low marginality of wine products, necessity to produce strong spirits with aim to support wine production, investment in “educating” customers by maintaining “Shabo” Cultural Centre since 2009 and so on, the obtained results are tangible. And "Shabo" winery is now actively expanding its presence in foreign markets. Notable wine export deals have been struck with renowned entities such as Denmark's COOP retail chain and Norway's Vinmonopolet. Overall, the terroir-based approach, along with a well-planned strategy and dedicated efforts, has

begun to bear fruit. "Shabo" serves as an exemplary model for other Ukrainian wineries to follow.

Conclusions. In addressing the research questions, this paper has illuminated the significant practical relevance of the terroir concept within the realm of Ukrainian winemaking, which is currently undergoing a transformation from traditional "quantity-based" models to more innovative, "quality-driven" approaches. The evolution of Ukraine's wine industry is closely tied to the country's Eurointegration process, compelling wineries to reevaluate the central importance of terroir in shaping their strategies and business models. Terroir is not merely a buzzword but a fundamental factor that differentiates Ukrainian wines in the global market. By embracing terroir-based approaches, wineries can create a unique selling proposition, emphasizing the distinct character and quality of their wines, which can lead to increased demand and competitiveness. Hence, as wine is the product of a specific geographical place, terroir-based business models could facilitate the efforts of producers to differentiate themselves from each other and would play a stronger role in the future. The first prerequisites for this have already been created by the land reform that permitted the sales of agricultural lands and the progressive implementation of EU system of PDO (protected designation of origin) and PGI (protected geographical indication).

The answer to the second research question reveals that indeed, there are Ukrainian case studies showcasing the successful development and implementation of terroir-based strategies. The "Shabo" Winery serves as a prime illustration of such success, where the transformation from a Soviet-style enterprise to a modern, privately-owned winemaking firm was rooted in the appreciation of terroir and its historical traditions. This case demonstrates how a well-defined terroir-based approach can elevate a winery's reputation, attract international attention, and contribute to its overall success in the competitive wine industry.

In summary, these insights not only underscore the potential benefits of terroir for Ukrainian wineries but also provide concrete examples of how this concept has been effectively harnessed to create success stories, shaping the future of the country's wine industry. And it would of help for policymakers that seek to support the development of Ukrainian wine industry on the way to the EU.

Prospects for further research. The potential for further research in the domain of terroir within the wine industry is extensive. Beyond this article, numerous avenues for future research exist. These promise valuable insights for both academics and practitioners.

One such avenue involves a deeper investigation into terroir-driven strategies across diverse Ukrainian wineries. This comparative approach sheds light on how terroir influences winemaking in various regions, providing insights into the roles of terroir across the country.

Comparative international studies can unveil commonalities and disparities in how terroir is leveraged and perceived across different wine-producing regions globally. This provides an opportunity to draw parallels and distinctions between terroir's role in Ukraine and other wine regions worldwide.

The exploration of innovative methods and technologies to enhance terroir's impact in winemaking presents an exciting frontier. Investigating cutting-edge viticultural and enological techniques that optimize terroir's influence may lead to new horizons in terroir-driven winemaking.

An examination of policy and regulation regarding terroir preservation and promotion is a critical research area. Analyzing regulatory frameworks can provide insights into how government policies shape the wine industry's dynamics, offering valuable guidance to policymakers and industry stakeholders.

A historical lens can be applied to trace the evolution of terroir-based practices and their resurgence in modern winemaking. Understanding the historical foundations of the modern terroir-driven approach is essential.

Moreover, these avenues of research allow scholars to deepen our understanding of how terroir shapes strategies, business models, and the broader wine industry. These investigations contribute to both academic knowledge and practical implications for the benefit of winemakers and consumers.

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ПОНЯТТЯ ТЕРУАРУ:
ЧОМУ ВОНО МАЄ ЗНАЧЕННЯ ДЛЯ ВИНОРОБНОЇ ПРОМИСЛОВОСТІ УКРАЇНИ?

У цій статті досліджується вирішальна роль теруару в переході українського виноробства від традиційних моделей, орієнтованих на кількість, до інноваційних підходів, орієнтованих на якість. На тлі євроінтеграційного процесу України, який змушує виноробні заводи переоцінити значення теруару, ми розглядаємо практичні наслідки для виноробної галузі країни. Приклад успішної реалізації теруарних стратегій демонструє виноробня «Шабо», показуючи, як вони сприяють сприйняттю цінності та відмінності українських вин як на внутрішньому, так і на міжнародному ринках. Це дослідження проливає світло на подальший напрям розвитку українського виноробства та підкреслює потенціал теруару для підвищення репутації та конкурентоспроможності галузі. Ці висновки будуть корисні для виноробних підприємств, які прагнуть виділитися, та політиків, які розглядають роль теруару у розвитку виноробної промисловості України.

Ключові слова: *теруар, «теруаристи», українська виноробна галузь, євроінтеграція України, «кількість проти якості», «диференціація на основі якості», «конкуренція на основі якості», винзавод «Шабо», конкурентоспроможність, теруарні стратегії*