Foreign Agricultural Service

*GAIN* Report

Global Agriculture Information Network

Required Report - public distribution

Date: 12/22/2000

GAIN Report #SW0024

# Sweden

# Wine

# Marketing Annual

# 2000


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**Report Highlights:**
**Consumption of table wines is increasing slowly but steadily, and is estimated at 15.8 liters per capita per year. The United States is the sixth largest exporter of table wines to Sweden, worth USD 15 million in 1999. Good market opportunities exist for U.S. quality wines, although competition from other "New World" countries is increasing.**


Includes PSD changes: No
Includes Trade Matrix: Yes
Annual Report
Stockholm [SW1] SW

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# Executive Summary

Retail sales of wine and liquor beverages in Sweden continue to be restricted to a government agency, Systembolaget. Systembolaget handles all over-the-counter sales of wine, spirits, and full-strength beer through some 400 shops of its own throughout Sweden. The Swedish government managed to retain the retail monopoly despite its accession to the EU in 1995, but had to relinquish its monopoly on import, wholesale and production of wines and spirits.

In Sweden the retail trade is separated into two different channels -- ordinary food stores and Systembolaget, the liquor store monopoly. Beer containing more than 3.5% alcohol and other beverages containing more than 2.25% alcohol may only be sold through Systembolaget's liquor stores. Systembolaget does not import directly; all purchases are done through V&S or independent agents and importers.

V&S, another state-owned company, was, until Sweden joined the EU, the only legal importer and distributor of wine, spirits and strong beer in Sweden. Since 1995, independent companies that have acquired a special license and have registered with the Special Tax Office in Ludvika, have also been eligible to import, produce, trade and distribute alcoholic beverages. This gives both the retail trade (i.e. Systembolaget) and the restaurant and catering sector the right to freely choose a supplier. More and more catering and restaurant wholesalers have started to import and distribute alcoholic beverages.

Direct advertising of alcoholic beverages to the general public is not permitted. However, weekly and bi-weekly advice on wine purchases by proficient wine writers in newspapers and magazines have become increasingly popular and important in the wine world.

Consumption of table wines is increasing slowly but steadily and is estimated at 15.8 liters per capita per year. In 1999, Systembolaget's total wine sales grew by 6.6% to 112.5 million liters.

The United States is the sixth largest exporter of table wines to Sweden after Spain, Italy, France, Germany and Chile. In 1999, the United States shipped wines to Sweden worth about USD 15 million, up from USD 13.2 million in 1998, and had a market share of 5.1%.

Even though EU suppliers still dominate, wines from other countries are growing in popularity and now account for approximately 25 % of total deliveries. Good market opportunities exist for good quality wines as tastes and knowledge become more sophisticated.

**Table 1 - Sales of Wines by Systembolaget by Leading Exporting Countries (1,000 liters)**

| Country | 1997 | 1998 | 1999 |
|---|---|---|---|
| Spain | 27,268 | 30,683 | 32,501 |
| Italy | 15,454 | 14,854 | 15,380 |
| France | 11,491 | 13,298 | 14,281 |
| Germany | 8,679 | 8,304 | 8,462 |
| Chile | 5,205 | 4,700 | 6,265 |
| USA | 5,907 | 5,095 | 5,456 |
| Australia | 5,028 | 3,835 | 4,692 |
| Portugal | 2,697 | 3,378 | 4,108 |
| South Africa | 2,747 | 3,093 | 3,555 |
| Others | 12,537 | 12,244 | 11,764 |
| TOTAL | 97,046 | 99,484 | 106,465 |

## Production

Sweden is not by tradition a wine-producing country. However, there are some producers working with imported grape must. A few small farmers have started to grow grape vines for wine-making as a trial crop, although the climate in Sweden is not considered to be suitable for vine growing.

## Consumption

Wine consumption is steadily increasing and is estimated at around 15.8 liters per capita per year.

Hard liquor consumption has decreased from 7.5 liters per capita in 1975 to 2.8 liters in 1999. However, for the first time since 1986, hard liquor consumption increased in 1999, if only marginally. Although hard liquor consumption is based on Systembolaget's sales figures, total consumption of hard liquor is conceivably much higher. Because of the very high prices on hard liquor, Swedes traveling abroad take advantage of duty-free sales on ferries and at airports, illicit home-distilling is wide-spread, and bootlegging is extensive. An investigation made by the Brewers' Association in cooperation with Systembolaget, indicates that as much as 25 percent of alcohol consumption is accounted for by home-distilling and bootlegging.

**Table 2. Consumption - Liter/Capita**

| Year | Liquor | Wine | Strong Beer | Soft Drinks |
|---|---|---|---|---|
| 1996 | 3.1 | 13.3 | 20.6 | 58.1 |
| 1997 | 2.8 | 14.5 | 21.8 | 65.4 |
| 1998 | 2.7 | 14.7 | 21.9 | 76.4 |
| 1999 | 2.8 | 15.8 | 24.0 | 83.0 |

Source: Swedish Board of Agriculture - Report 2000:13

Systembolaget's sales for 1999 at SEK 20.6 million (USD 2.1 million) were up 6.6 percent compared to 1998. Wine sales grew by 6.6 percent to 112.5 million liters. Sales of wine in tetro-brik and bag-in-a-box increased from 16 percent in 1998 to 22 percent in 1999. Red wines account for 53.9 percent, and whites for 32.9 percent of total sales, and the remaining include champagne, sparkling, rose wine and mulled, cider and wine coolers.

In 1999, sales of strong beer by Systembolaget rose by 15.2% and were higher than ever before, totaling close to 130 million liters. In southern Sweden, strong beer sales increased by even more than in the rest of the country. In this region, sales rose by 16.2 percent. The upward trend for cider continued in 1999, with an increase of 23.5 percent.

While, historically, vodka has been the major alcoholic beverage (Sweden is part of the world's "Vodka belt"), vodka sales are now noticeably smaller compared to wines and beers. Young consumers increasingly meet over a glass of wine, beer or bottled soft drink rather than hard liquor.

## Trade

After many years of dominating the Swedish wine market, France has had to take second place to Spain. Spain now covers about 30 percent of the table wine market, followed by Italy and France. The U.S. is gaining market share, and now accounts for approximately 5 percent of imported table wines. There are now approximately 70 U.S. labels on the Systembolaget list. Competitors from outside Europe are Chile, Australia and South Africa. South African wines, with improved quality and low prices, are presently very competitive on this market.

## Policy

Ever since Sweden joined the EU on January 1, 1995, an ongoing debate has been underway as to whether the Systembolaget sales monopoly should be abolished. Before Sweden's EU membership, all imports, production and sales of alcoholic beverages were handled by the two monopolies, V&S and Systembolaget. The Swedish government managed to retain the retail monopoly after EU accession, but had to abolish its import and production monopoly. To import alcoholic beverages, a licence must be obtained from the Special Tax Office, but imports are otherwise unrestricted.

Before entering the market, imported wines are tested by the Systembolaget according to EU directives. Each shipment must also be accompanied by a certification document in accordance with EU regulations.

Customs duties are the same as in the rest of the EU, i.e., 13.1 ecu per 100 liters on table wines, and 15.4 ecu per 100 liters on fortified wines, wines with an alcohol content between 13 to 15 percent.

## Marketing

Direct advertising of alcoholic beverages to the general public is not allowed in Sweden. Increasingly popular are wine writers' weekly or bi-weekly newspaper and magazine articles. Systembolaget's twice monthly tests of "new products" are reported on in these reviews.

Another means of advertising is Systembolaget's monthly news magazine and listing of new wines on its shelves, with detailed information about the wine and region of origin. This information is stored in a database and available for all wines listed in the Systembolaget official price list which is updated bi-monthly. In the last update, November/December 2000, seventy different U.S. wines were listed.

The Systembolaget list can be accessed through its homepage www.systembolaget.se. E-mail: information@systembolaget.se.

Prices on table wines have remained remarkably stable. The taxation rates are based on alcohol content, which favor table wines and beers over hard liquor. The cheapest wines now retail at SEK 37-40. There has been a noticeable change in consumption of medium-priced wines which would indicate that quality consciousness of consumers is increasing. The bulk of sales have moved from wines in the SEK 35-40 bracket to the 50-65 SEK bracket. Wines priced over 65 SEK account for 20 percent of sales, and wines over SEK 100 account for only 1-2 percent of total sales. Retail pricing through the Systembolaget is uniform throughout Sweden; whereas restaurants and bars are free to set their own prices.

**Table 3. Wine Sales by Price Levels in 1999**

| Price level SEK | Red | White |
|---|---|---|
| Less than 40 | 0.3% | 3.0% |
| 41-50 | 19.4% | 40.2% |
| 51-60 | 40.4% | 33.3% |
| 61-70 | 25.7% | 17.9% |
| 71-80 | 8.8% | 2.7% |
| 81-100 | 3.6% | 2.0% |
| Over 100 | 1.8% | 1.0% |
| Total | 100% | 100% |

**Table 4. The Swedish Alcohol Tax on Wines on January, 1, 2000**

| Alcohol Content | Tax (SEK/liter) |
|---|---|
| Not more than 2.25% | SEK 0.00 |
| 2.25% but not 4.5% | SEK 9.34 |
| 4.5% but not 7% | SEK 13.80 |
| 7% but not 8.5% | SEK 18.98 |
| 8.5% but not 15% | SEK 27.20 |
| 15% but not 18% | SEK 45.17 |
| Liquor containing more than 22 percent alcohol by volume | SEK 501.41 |

There is a potentially strong growth market for quality wines in Sweden. With the dissolution of the import monopoly, hotels, restaurants and caterers can import directly. The continuation of the retail monopoly and the prohibition of advertising still make retail sales more difficult to develop. However, it is now possible to add a wine to the Systembolaget assortment if the supplier/agent will bear the full costs and risks of a market failure. All in all, the market is much more open and competitive.

About 12 percent of wines sold during 1999 were sold in tetra-pacs and about 9.8 percent in bag-in-a-box packages. The table below, which shows the most popular wines in 1999 and 1998, reveals two wines in bag-in-a-box at the top of the list for 1999 as well as 1998.

**Table 5 - Systembolaget's Top-Selling Brands**

| 1999 | 1998 | Name of Wine | Country | Type of Wine | Million Liters |
|---|---|---|---|---|---|
| 1 | 1 | Akesson Terra dell'Oro Bianco | Italy | White | 2.0 |
| 1 | 2 | Castillo de Gredos Tinto | Spain | Red | 2.5 |
| 2 | 5 | Castillo de Gredos Bianco | Spain | White | 1.8 |
| 2 | 1 | Akesson Terra dell'Oro Rosso | Italy | Red | 1.7 |
| 3 | 11 | Senorlo de los Llanos | Spain | Red | 1.7 |
| 4 | 5 | Amfora Reina Isabel | Spain | Red | 1.3 |
| 5 | 7 | Gato Negro Cabernet Sauvignon | Chile | Red | 1.2 |
| 9 | 16 | Gandia Tempranillo | | Red | 1.1 |
| 3 | 2 | California White | California | White | 0.9 |

Sweden is a member of the Office International de la Vigne et du Vin (OIV). OIV is a scientific and technical intergovernmental organization in the field of the wine and its derived products. Currently, 45 countries are members of the OIV.

The California Wine Institute carries out promotional activities in Sweden with the assistance of MAP funds. Activities include participation in Vinordic 2000 exhibition, an annual promotion in in Stockholm and regular trade servicing via a locally prepared newsletter.

There are several active wine societies promoting wines among their members, arranging wine courses, tastings, travel, and generally working for better drinking habits. The most notable is Munskankarna, which was formed 40 years ago. It has more than 10,000 members and works through sub-sections all around Sweden. Another prominent wine society is Stockholms Vinsallskap. In addition, there are a number of small, private wine clubs. Importers also arrange small tastings for individual U.S. wineries and FAS/S has been assisting with some of these tastings during the year. These smaller tastings are usually targeted to restaurant managers and wine writers and publishers.

Competitor activities include participation in wine exhibits. The major wine exporting countries, such as Spain, Italy and France hold annual Wine Days in Stockholm. Third country wine producing countries such as Australia, South Africa and Chile participate in most wine exhibits in Scandinavia and annually hold a one-day wine exhibit at one of the major hotels in Stockholm. Germany has its own promotional office in Stockholm which arranges "German Days" exhibition each spring. The event, which is spread over 3-4 days, includes the participation of more than 60 German wineries. Most major wine-producing countries work hard through their embassies at promoting their products in this market which is viewed as having significant growth potential. Sweden's proximity to Russia and the Baltic countries also makes it a potential springboard to those markets.

## STATISTICAL INFORMATION

**Import Trade Matrix - Table Wine 2204, Vermouth 2205, Wine Cooler 2206**

| | | | |
|---|---|---|---|
| Import Trade Matrix | | | |
| Country | Sweden | | |
| Commodity | Wine | | |
| Time period | CY | Units: | 1,000 liters |
| Imports for: | 1998 | | 1999 |
| U.S. | 6165 | U.S. | 8642 |
| Others | | Others | |
| Spain | 40269 | | 41192 |
| Italy | 22548 | | 19639 |
| France | 18871 | | 16525 |
| Germany | 13434 | | 11470 |
| Chile | 4698 | | 6606 |
| Australia | 3776 | | 5510 |
| South Africa | 3577 | | 5353 |
| Hungary | 1993 | | 2369 |
| Argentina | 1487 | | 1081 |
| | | | |
| Total for Others | 110653 | | 109745 |
| Others not Listed | 16319 | | 13354 |
| Grand Total | 133137 | | 131741 |

**Export Trade Matrix - Table Wine 2204, Vermouth 2205, Wine Cooler 2206**

| | | | |
|---|---|---|---|
| Export Trade Matrix | | | |
| Country | Sweden | | |
| Commodity | Wine | | |
| Time period | CY | Units: | 1,000 liters |
| Exports for: | 1998 | | 1999 |
| U.S. | 2 | U.S. | 1 |
| Others | | Others | |
| Denmark | 5079 | | 4498 |
| Norway | 1846 | | 2559 |
| Finland | 1150 | | 8020 |
| United Kingdom | 628 | | 32 |
| Estonia | 535 | | 931 |
| Russia | 22 | | 3 |
| Lithuania | 18 | | 2 |
| Total for Others | 9278 | | 16045 |
| Others not Listed | 378 | | 240 |
| Grand Total | 9658 | | 16286 |

**Average Import Price - Table Wines 2204, Vermouth 2205, Wine Coolers 2206**

| | | | |
|---|---|---|---|
| Prices Table | | | |
| Country | Sweden | | |
| Commodity | Wine | | |
| Prices in | SEK | per | Liter |
| | | | |
| Year | 1998 | 1999 | % Change |
| Dec | 17.1 | 18.6 | 8.77% |
| | | | |
| Exchange Rate | SEK 9.59 | Local currency/US $ | |