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# Czech Republic

# Wine

# Market Brief

# 2007

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**Report Highlights:**
Czech wine consumption is growing annually reaching 4.7 gallons (18 liters) per capita. About 40% of total wine consumption is of domestic origin, the remaining 60% is imported. Major exports of wine are Italy, France, Spain, Hungary and from the New World Chile, and Australia. U.S. wine market share is growing, however, it is lacking promotion, which other countries heavily provide.

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[EZ]

## Executive Summary

The Czech wine market size is over 47.5 million gallons (180 million liters) and $960 million in value terms. Per capita consumption increased from 4 gallons (15 liters) in 1997 to 4.7 gallons (18 liters) in 2006. In comparison to some EU countries with average consumption of around 13.2 gallons (50 liters), the Czech wine market still has a good growth potential. Consumption of wine has been rising as it is seen as a healthier alternative to beer and spirits.

Since the EU accession in 2004, wine imports increased dramatically as tariffs for EU wines disappeared and tariffs from the third countries dropped significantly. Prices of wine have gone down, while quality improved since 2004. Also the exchange rate made imported wines cheaper. Imports of wine from EU 25 countries increased almost five times in the past seven years, while imports from the “New World” went up almost twenty three times. The ration between “New World” and “Old World” wines is currently $23 mill. To $95 mill. The share of “New World” wines is going to grow as in other EU countries. Imports of U.S. wine is reaching almost $3 million.

The Czech Republic has over 19,200 hectares of registered vineyards. Wine production is rising, however, the past two years due to bad weather wine production was between 430,000 - 440,000 hectoliters, while normally it is around 560,000-580,000 hectoliters. This year wine production is estimated at 600,000 – 630,000 hectoliters depending on the weather.

The Czech Republic supports the EU wine reform. CR has been critical of the system of wine distillation for a long time and saw it as inefficient wasting of funds (in the EU most wine funds are going to distillation of low quality table wine into ethanol and industrial use). The Czech Republic believes that these funds should be used for increasing competitive strength of EU wines instead of supporting production of low quality table wines. The CR has not been using wine distillation.

## Production

The Czech Republic has over 19,200 hectares of registered vineyards, while at the end of the 1990s it was only 11,500 hectoliters. Wine production is rising, however, the past two years due to bad weather wine production was between 430,000 - 440,000 hectoliters, while normally it is around 560,000-580,000 hectoliters. This year wine production is estimated at 600,000 – 630,000 hectoliters depending on the weather. In two years wine production will reach 700,000 – 800,000 hectoliters, when vineyards planted prior to the EU accession will start producing wine.

## Consumption

During the past several years wine drinking has become very fashionable and wine is seen as a healthier alternative to other kinds of alcoholic products, such as beer or spirits. Czech consumers are slowly moving away from cheap wine products of low quality towards more expensive higher quality products. At the same time, quality of wine is increasing and prices are declining, i.e. in France 80% of wine is table wine, in the Czech Republic it is only 10%.

Wine consumption continues to grow annually by several percent and reaches 18 liters per person, which is relatively low compare to neighboring countries, and further growth can be expected. Domestic production covers about 40% of total consumption.

Czech consumers are conservative in taste and do not prefer strange flavors (i.e. blueberry wines etc.), some California wines are too strong in flavor. The market is heading towards lighter wines.

**Consumer Survey**

Wine consumption findings based on the research study done for the Wine Fund of the Czech Republic – 1,400 people participated in the poll:

- wine drinking is "in", typical consumer is a middle age person with higher education and higher social status
- positive attitude towards wine has 62% of population above 18 years of age
- 27% of people do not drink wine at all
- 53% of people have not changed their wine drinking in the past two years and drink 2-4 times/month
- 27% of people drink wine more often than two years ago
- 67% of people agree that wine has health benefits and 33% regard it as very healthy
- Czech consumers prefer mainly wine in price range 61–100 CZK ($2.8-$4.6/bottle)
- 39% of people buy wine directly from wine producers (mainly for 41-60 CZK/liter price)
- most consumers drink 13.5-17 ounces (0.4 –0 .5 liters) at one occasion
- 55% of consumers drink wine mainly at home, 20% when visiting friends, and 7% in restaurants or pubs
- consumption of red wine is slightly higher than of white wine: 50% of Czechs prefer red wine and 40% white wine
- most famous variety and most liked is "Frankovka" from the red wines and "Muller Thurgau" from the white wines
- wine is most frequently purchased in retail (supermarkets and hypermarkets)
- Czechs buy wine in retail based on these criteria: country of origin, price, previous experience, size of bottle (most common 25 ounces (0.75 liters)), type of packaging (bottle, paperbox, etc.)
- Domestic wine is perceived cheaper, which is not necessarily true
- 75% of respondents prefer domestic wine, 18% French wine, 12% Italian wine and 11% Spanish wine – imported wines are preferred by higher income people

**Distribution**

Around 60% of wine in terms of volume is sold off-trade, which means in various stores and 40% represents on-trade sales in various restaurants and bars. In value terms the ratio is 44% to 55% in favor of on-trade sales, which is gastronomy. While products in off-trade outlets sell products of lower prices, their share on volume is higher than on value. Restaurants have high margins and sell higher quality products, which explains higher value share than volume share. Over 56% of off-trade sales are made in supermarkets and hypermarkets, 14% in independence stores, 10% in specialty stores and 8% in discount chains.

**Trade**

Import of wine has increased dramatically in 2004, when the Czech Republic joined the European Union (EU) and tariffs went to zero (for EU wines) or dropped significantly for third countries (13-15 Euro/hectoliter in comparison to 35% of value within quota and 70% of value on top of the quota prior to the EU accession).

In general the steepest increase in import value have seen wines from the "New World" Australia, Chile, Argentina, and South Africa. Wine imports increased in 2006 by 545% compared to year 1999. In the same time period import of U.S. increased by almost 3,000% from basically zero to 2.7 million annually.

Table A of the appendix shows import dynamics from various countries in the past seven years. Table B shows Czech wine exports. Table C compares volume and value and thus shows average value of wines from various countries. The cheapest wines are from Italy and Spain (Spanish wines are usually sold in cardboxes or PET bottles) from $0.6-$0.75/liter. On the other hand French wines are the most expensive ones with average price of $4/liter. Wines from the New World are around $2 per bottle. These prices are only general, since they reflect average import price. Prices of cheaper Italian and Spanish wines as well as some cheaper New World wines sold in retail do not increase that much as more expensive French wines sold in gastronomy, where prices margins are several times higher than the value of the bottle.

**Analysis of U.S. Wine Sales Potential**

U.S. wine imports increased in the past few years significantly and are around $3 million annually (including transshipments). Due to the climatic conditions, California wines are more mature, sweeter, and with higher alcohol volume. They are heavier than European wines with a stronger taste, also due to oak barrels maturing. U.S. wines compete most against Australian and Chilean wines, which have a better quality/price ratio, and are more promoted by growers and exporters. Many "Old World" as well as "New World" countries strongly support sales of their wines by annual wine tasting in the Czech Republic and/or by bringing importers, journalists and sommeliers to their countries for wine tours. A negative role to a certain degree also plays an "anti-American" mood by some people, especially now in the debate about U.S. installation of a radar base in the Czech Republic.

Red wines from the U.S. are much more popular than white wines. Czech white wines are good quality and not as flavored as U.S. Chardonnay for example. From the red wines Zinfandel and Cabernet are the most popular varieties.

**Labeling Requirements**

For a complete overview of EU wine labeling requirements please look at EU report E36067:
http://www.fas.usda.gov/gainfiles/200604/146187574.pdf

**Import Duty and Excise Tax**

The EU has a unified tariff schedule, which can be found at:
http://europa.eu.int/comm/taxation_customs/dds/en/tarhome.htm

| | |
|---|---|
| Sparkling Wine | 32.0 Euro per hl |
| Still Wine not exceeding 13% vol. | 13.1 Euro per hl |
| Still Wine greater than 13%, less than 15% vol. | 15.4 Euro per hl |
| Vermouth, Aromatized Wine | 10.9 Euro per hl |

Still wine is not a subject to excise tax, only sparkling wine has excise tax of 23.4 CZK per liter ($1.1).

**Wine Festivals**

"Vino a destilaty" (Wine and spirits)

10th International Trade Fair for Gastronomy
May 15 –17, 20007, Prague
http://www.vegoprag.cz/

“Wine Salon of the Czech Republic”
The highest wine competition in the Czech Republic
http://www.vinarskecentrum.cz/index.php?kde=salon

**APPENDIX 1: IMPORT/EXPORT TABLES**

These tables are taken from the Czech Statistical Office (CSO), while the Global Trade Atlas (GTA) does not show transshipments of goods. For example, according to GTA in 2005 Czech wine imports from the U.S. are $76,000 and from Germany over $13 million. According to CSO Czech wine imports from the U.S. in the same year are $2.3 million and from Germany $3.6 million – this value still includes transshipments since some importers have parent companies in Germany (i.e. Global Wines – importer of Robert Mondavi) and wines are cleared through customs in Germany. However, CSO's numberes are closer to reality, even though transshipments still have to be taken into account.

**Table A: Czech Imports of Wine (HS code 2204) in 2004 – 2006 in $mil.:**

| Rank 2006 | Country | 1999 | 2004 | 2005 | 2006 | % Change '06/'05 | % Change '06/'99 |
|---|---|---|---|---|---|---|---|
| | **World** | 21.76 | 91.63 | 106.27 | 118.72 | 11.7 | 545 |
| | | | | | | | |
| | **EU 25** | 20.67 | 74.71 | 85.43 | 95.41 | 16.7 | 462 |
| | | | | | | | |
| 1 | Italy | 5.47 | 16.40 | 25.68 | 31.72 | 23.5 | 580 |
| 2 | France | 2.19 | 13.15 | 14.65 | 17.77 | 21.3 | 811 |
| 3 | Spain | 1.84 | 13.89 | 13.44 | 12.50 | -7.0 | 679 |
| 4 | Hungary | 3.19 | 7.12 | 10.40 | 11.49 | 10.5 | 360 |
| 5 | Slovakia | 5.23 | 6.41 | 5.08 | 7.60 | 49.6 | 45 |
| 7 | Austria | 0.56 | 12.34 | 9.46 | 5.66 | -40.1 | 1,011 |
| 8 | Germany | 0.50 | 2.77 | 3.60 | 5.25 | 45.8 | 1,050 |
| 10 | Bulgaria | 0.20 | 2.51 | 2.37 | 5.25 | 121.0 | 2,600 |
| 12 | Portugal | 0.27 | 1.49 | 2.04 | 2.36 | 15.7 | 874 |
| | | | | | | | |
| | **Third Countries** | 1.09 | 16.92 | 20.84 | 23.31 | 11.8 | 2,138 |
| | | | | | | | |
| 6 | Chile | 0.12 | 5.12 | 6.06 | 4.63 | -23.6 | 3,858 |
| 9 | Australia | 0.05 | 2.78 | 3.13 | 4.13 | 31.9 | 8,200 |
| 11 | United States | 0.09 | 1.56 | 2.31 | 2.68 | 16.0 | 2,978 |
| 13 | South Africa | 0.06 | 0.89 | 1.77 | 1.92 | 8.5 | 3,200 |
| 14 | Argentina | 0.04 | 1.36 | 1.84 | 1.91 | 3.8 | 4,775 |

Source: Czech Statistical Office

**Table B: Czech Exports of Wine (HS code 2204) in 2004 – 2006 in $mil.:**

| Country | 1999 | 2004 | 2005 | 2006 | % Change '06/'05 | % Change '06/'99 |
|---|---|---|---|---|---|---|
| **World** | 2.16 | 4.85 | 5.65 | 8.68 | 53.6 | 4,018 |
| | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| **EU 25** | 1.75 | 4.42 | 5.33 | 8.22 | 54.2 | 4,697 |
| Slovakia | 0.59 | 3.70 | 4.94 | 6.68 | 35.2 | 11,322 |
| | | | | | | |
| **Third Countries** | 0.41 | 0.43 | 0.32 | 0.46 | 43.7 | 12.2 |

Source: Czech Statistical Office

**Table C: Wine imports in 2005 – volume / value ratio:**

| Country | Volume (kg) | Value ($1,000) |
|---|---|---|
| Italy | 43 253 692 | 25 677 |
| France | 3 675 084 | 14 649 |
| Spain | 18 014 736 | 13 442 |
| Hungary | 15 450 172 | 10 397 |
| Austria | 15 635 109 | 9 459 |
| Chile | 3 365 654 | 6 057 |
| Slovakia | 3 532 185 | 5 079 |
| Germany | 2 411 123 | 3 601 |
| Australia | 1 326 393 | 3 126 |
| Bulgaria | 2 464 987 | 2 366 |
| U.S. | 1 063 444 | 2 313 |
| Portugal | 441 085 | 2 045 |
| Argentina | 1 559 025 | 1 841 |
| South Africa | 722 528 | 1 770 |
| Macedonia | 2 052 638 | 1 169 |
| Moldavia | 1 016 222 | 975 |

Source: Czech Statistical Office