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Report Highlights: The EU is the world's largest wine producer, consumer, exporter and importer. Total EU-27 wine production in 2007/08 dropped 9 percent due to adverse weather, especially in France and Italy. EU exports grew by over 25 percent in 2006/07, with Russia and the U.S. as major markets. While total EU imports keep rising, shipments from the U.S. are increasingly represented by bulk wine bottled locally for distribution within the EU. Last December the EU passed a major reform of the wine sector.

Includes PSD Changes: No
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Introduction

This report presents the outlook for wine production, trade, consumption and stocks for the EU-27. Unless specifically stated otherwise, data in this report are based on the views of Foreign Agricultural service analysts in the EU and are not official USDA data.

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MHL = Million Hectoliters
HL = Hectoliter = 100 liters
MY = Marketing Year. The EU local marketing year used in this report is August to July

PSD Table - EU/27

(1,000 Hectoliters – Marketing Years August-July)

	2006/07	2007/08	2008/09
Begging stocks	171,000	166,000	148,000
Production	177,700	162,000	178,000
Imports	12,495	13,000	13,500
TOTAL SUPPLY	361,195	341,000	339,500
Exports	19,458	21,000	22,000
Total consumption	175,737	172,000	172,000
-human	140,237	139,000	138,000
-other	35,500	33,000	34,000
Ending stocks	166,000	148,000	145,500
TOTAL DISTRIBUTION	361,195	341,000	339,500

PRODUCTION

The European Union is a world leader in wine growing area (almost half of the total) and production volume (about two thirds of the overall world crop, on average). Within the EU, the production of France, Italy and Spain represents 80 percent of total. Other important producers are Germany, Portugal, Romania, Greece and Hungary, but the wine sector has a considerable role in the rural economies of other countries, such as Austria, Bulgaria and Slovenia, while minor (when compared to the overall figure) crops are also obtained in the Czech Republic, Slovakia, Cyprus and Luxembourg. The following table shows production trends in the most important EU wine producing countries during the most recent years.

WINE PRODUCTION TREND IN SELECTED EU COUNTRIES

(1,000 HECTOLITERS)

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
France	59,740	55,339	51,966	47,519	58,845	52,105
Italy	54,088	52,293	46,200	46,650	55,000	50,562
Spain	45,572	33,937	39,419	47,300	49,926	34,789
Germany	9,959	8,980	9,984	8,289	10,147	9,256
Portugal	6,694	7,790	6,651	7,283	7,483	7,266
Greece	3,558	3,477	3,085	3,815	4,295	3,997
Romania	5,456	5,090	5,461	5,555	n.a.	2,602
Hungary	4,329	5,450	3,500	3,900	5,272	3,567

Sources: EU Commission; OIV (International Organization of Vine and Wine)

Total EU-27 wine production in 2007/08 is still preliminarily estimated at 162 MHL, or 9 percent less than in 2006/07, due mainly to adverse weather which affected France, Italy, Portugal and, to a lesser extent, Spain and Greece. Significant crop increases compared to the previous year are reported only in Germany and Romania.

France is the largest wine producer in the world. MY 2007/2008 production is currently estimated at 46.7 MHL, 12 percent less than MY2006/2007, a drop due mainly to adverse weather, cryptogamic diseases (such as mildew), and vineyard grubbing. This volume is below the ten-year French average, and the lowest of the last decade. On the other hand, overall quality of the 2007 wine is good. According to the latest official data, 59 percent of total French production is red (and rose') wines and the remaining 41 percent white. In 2006, French vineyards represented 26 percent of the EU vineyard area, 11 percent of the world's vineyard area and 17 percent of French harvested agricultural area.
Based on French customs data, France had approximately 113,000 wine growers cultivating 843,000 hectares of vineyards in 2006. Almost 60 percent of French vineyards were devoted to VQPRD (Quality Wines Produced in Determined Regions or Areas) wines. In 2006, there were 1,639 organic wine growers on about 18,800 hectares (2 percent of the production area), an increase of 7 percent over 2005.

Italy is the world's second leading wine producing country. Italian wine production in 2007/08 dropped dramatically to only 43.5 MHL, or 12 percent less than in the previous year and the lowest crop of the last 30 years. Adverse weather is the main reason of this. Crop development was badly affected by continued lack of precipitation accompanied by unusually mild temperatures during the winter and most of last spring. The situation deteriorated dramatically during the summer, especially in the northern regions. During August, in particular, there were several hailstorms and continued rains that did not allow grape ripening, thus creating problems both in terms of quantity and quality. Production declines, have been reported in virtually all parts of Italy, including Apulia and Sicily, where mildew was a serious problem. Between 25 and 30 percent of Italy's wine production is Controlled Appellation, and most of these are concentrated in the north. The bulk of wine from the south is still table wines. On average, about half of Italian wines are white, and the remaining half are red, with a small amount of rose'. Sharp Italian production area declines were reported in the 80's and 90's, and they continue, although at a much slower rate. In 2006/07 area is officially reported at 714,000 hectares or less than half of the area in the early 80's.

Spain has the world's largest area planted to vineyards (about 1.2 million hectares), but it lags both France and Italy in volume (and also in value) of wine production, due to climatic factors as well as historical agronomic practices, which determine relatively low yields. In 2007/08, Spanish wine output totaled 41.1 MHL, or 6 percent less than in the previous year, with a more significant reduction in certain regions that were affected by mildew attacks. Average quality of the Spanish 2007 vintage, however, is expected to be generally good.

In Portugal wine production in 2007/08 is not estimated to exceed 5.8 MHL, or 22 percent less than in the previous year, due mainly to adverse weather (a combination of drought and hailstorms) and mildew attacks. On the contrary, wine production in Germany is estimated to have risen to 10.5 MHL (+18 percent over 2006/07), thanks to a generally rainy but not too cold summer and pleasant fall temperatures. Vintage quality is also reported better than average. In Germany almost two thirds of total production is white wines (this share was over 80 percent some ten years ago), but recent consumer preferences seem to be moving towards rose's. A substantial crop decrease is reported in Greece (-13 percent), while production in the new EU member countries is preliminarily reported to have increased substantially (+20 percent in Bulgaria and +13 percent in Romania), but remains well below potential.

CONSUMPTION

Per capita wine consumption in the leading countries (France and Italy), after declining dramatically in recent decades (it was over 100 liters in both countries in the 60's), has stabilized in recent years, especially in France, as can be seen in the table below.

PER CAPITA WINE CONSUMPTION IN SELECTED EU COUNTRIES
(Liters)

Country	1998	2001	2005
France	61.8	55.7	55.8
Italy	52.0	51.9	48.2
Portugal	50.7	44.3	46.7
Slovenia	40.1	29.8	43.8
Spain	36.6	35.2	34.5
Hungary	29.2	32.1	33.1
Denmark	30.1	32.5	31.4
Austria	30.6	28.0	28.8
Romania	24.0	21.1	26.9
Belgium	n.a.	23.1	26.0
Germany	23.1	24.3	24.5
Greece	27.2	27.5	22.9
Netherlands	14.0	20.2	21.1
U.K.	14.2	16.2	19.0
Bulgaria	7.9	20.8	19.0

Sources: OIV and Wine Institute

In Italy, per capita consumption has continued to decline slightly given the increased preference for other beverages, especially soft drinks and beer. In both countries wines bought for home consumption are purchased mainly in supermarkets, with a declining share from traditional retailers and wine shops. In France, purchases by the food service sector (traditional restaurants, cafeterias and company restaurants) continued a decreasing trend following implementation of stricter safety laws and regulations against alcohol. Many French restaurants now offer wine by the glass to boost consumption. In Spain, too, wine consumption, has stabilized in recent years, although at a much lower level than the other two leading producing countries. Spanish consumers' preferences are moving toward higher quality wines, while table wine consumption keeps decreasing.

In Germany, on the other hand, wine is the only alcoholic beverage which over the past 15 years has been gaining in popularity. Wine consumption actually grew while demand for all other alcoholic beverages decreased. Good product quality, creatively designed bottles and labels have made wine more attractive to all consumers. According to the German Wine Institute, almost half of all wine sold in Germany is retailed through so-called price aggressive hard-discount stores, while only a minor share is marketed directly by the vintners and vintner cooperatives. The relevance of specialized wine stores is shrinking to marginal levels. Unlike the French and Italians (who prefer dry wines) German consumers are commonly perceived as sweet wine drinkers. Reports indicate that during the latest years, consumers increasingly asked for wines with lower alcohol content, which is in line with the rising demand for fresh and young white and rosé wines.

In the UK, per capita wine consumption has been increasing, as can be seen in the table above. The value of UK retail wine sales exceeded $9 billion in 2007, a 25 percent gain on 2001, due to both increasing volumes and a consumer trend toward more expensive wines. Research suggests that the UK retail wine sales will be the largest in Europe by 2010. The UK is already the world's largest importer of wine, since UK domestic production is negligible. UK market is now split 43.3 percent red, 9.5 percent rosé and 46.4 percent white. For US wines, the split between red, rosé and white is more even – 33.3, 30.7 and 35.8 percent respectively – but the major growth is in the rosé sector which was up 26 percent in 2007 alone. Sparkling wine sales are also doing well, since they are increasingly perceived as informal and suitable for drinking on any occasion.

In Austria, after the sharp declines reported in the recent past, per capita wine consumption has recovered slightly. About 58 percent of the wine is consumed by the domestic gastronomy sector, while the large majority (about 85 percent) of the wine sold to Austrian restaurants was produced locally. In Hungary, too, domestic consumption has recently showed signs of recovery, favored by increased beer prices. A consumption increase (both total and per capita) is reported also in the Czech Republic and in Slovakia, despite the strong competition from beer. Czech consumers, in particular, are beginning to appreciate more expensive, higher quality products. In Poland wine consumption has started increasing rapidly (almost 20 percent per year), although from a position where it represents only 4 percent of total alcohol consumption.

POLICY

In December 2007 EU Agriculture Ministers finally agreed to reform the Common Market Organization (CMO) for wine, mainly targeting for reduction the still large overproduction, as well as phasing out expensive market intervention measures.

EU wine producers are smaller than their major competitors' (with consequent higher production costs) and their production is not adequate to the needs of large-scale retailers. Marketing strategies appears to lack dynamism and there are too many regulatory constraints. These handicaps have contrubuted to a large loss of market share for EU wines relative to competing wines, both in the domestic and export markets.

The reform of the CMO is aimed at maintaining a better market balance between supply and demand in the presence of challenges including increasing production and competition from the New World, a systematic recourse to crisis distillation, an overly cautious grubbing-up policy, exaggerated use of enrichment practices, confusing labeling rules and rigid oenological practices.

Grubbing-up: while the original Commission proposal was to reach 200,000 hectares in five years, the final compromise provides for a three-year voluntary scheme for a total area of 175,000 hectares, with a decreasing premium over the three years. Member States can allocate national aids to the grubbing up system although it may not exceed 75 percent of the already allocated grubbing-up premium.

Planting rights: the Commission's original proposal was to introduce a full liberalization of planting rights as of January 1, 2014 for wines protected by designations of origin and geographical indications. In the agreed reform planting rights will be kept until 2015, with some Member States being allowed to keep them at the national level until 2018.

Single Payment: in order to bring the sector into line with the reformed Common Agricultural Policy (CAP), all areas formerly under vine can claim the status of areas eligible for decoupled single payments.

National Envelopes: each Member State has a national envelope to adapt measures to its particular situation, to be used to finance restructuring and conversion of vineyards, modernization of the production chain, including innovation and marketing, support for green harvesting, and new crisis management measures.

TRADE

A large share of total world wine trade is represented by intra-EU shipments. According to recent EU Commission data, during 2006/07 intra-EU wine trade for EU-25 (thus still excluding trade with the new member countries, Bulgaria and Romania) totaled 43.2 MHL, or over half of the global volume of wine traded. The most important flows, in terms of volumes, are Italian (chiefly from the southern regions) bulk table wines (6.2 MHL), shipped mainly to Germany (3.5 MHL) and France (1.1 MHL). These wines are used locally for blending purposes. Total Italian exports to the EU-27 in 2006/07, however, totaled 14.1 MHL, with a sharp increase (+16 percent) over the previous year, due mainly to increased shipments of the above mentioned bulk table wines (+30 percent), which represented about 45 percent of the total in volume terms, but only 12 percent in value terms. Spanish exports to the rest of the EU in 2006/07 reached 8.9 MHL (4 percent less than in 2005/06) mainly directed to France and Germany, with a large proportion also used for blending purposes. French shipments to EU destinations in 2006/07 were 9.1 MHL (5 percent more than in the previous year), directed to virtually all the major European markets.

Not considering the intra-EU trade noted above, wine exports from the European Union to third countries during 2006/07 accounted for approximately half of total world trade. The following table shows exports from the EU-27 during three recent years.

EU/27 WINE EXPORTS (1,000 hectoliters)
Marketing Years August-July

Country of destination	2004/05	2005/06	2006/07
Russia	1,611	2,322	5,327
U.S.	3,789	4,303	4,706
Switzerland	1,586	1,563	1,580
Canada	1,291	1,462	1,515
Japan	1,069	1,126	1,147
Angola	665	802	1,054
Norway	417	428	502
China	246	474	358
Other countries	2,753	3,002	3,269
GRAND TOTAL	**13,427**	**15,482**	**19,458**

In value terms, the U.S. remains, by far, the most important export destination, for both French (1.3 billion dollars in 2006) and Italian (1.1 billion dollars) wines. In volume terms, Italian exports to the U.S. are more than double French shipments. Considering again the volumes, Russia has become a major importer of EU wines, mainly very inexpensive Bulgarian, and Spanish wines. At the same time, however, Russian imports of quality wines from Italy and France have also shown increases from a small base. Exports to the other important destinations, as shown in the above table, have been fairly stable.

The EU is not only the largest wine exporter in the world, but also the most important importer. Deducting the intra-EU trade, EU 2006/07 imports from third countries accounted for over one third of total world wine trade. The following table shows recent imports from the leading suppliers.

EU/27 WINE IMPORTS (1,000 hectoliters)
Marketing Years August-July

Country of Origin	2004/05	2005/06	2006/07
Australia	2,940	3,224	3,468
Chile	2,437	2,298	2,555
U.S.	2,140	2,176	2,242
South Africa	2,230	2,247	2,161
Argentina	502	619	618
Other countries	1,019	1,316	1,451
GRAND TOTAL	**11,268**	**11,880**	**12,495**

U.S. exports to the European Union have grown gradually. The structure of this traffic has, however, dramatically changed as a large and increasing share of the volumes included in the above table is represented by bulk Californian wine, which is bottled in Europe for local consumption. Beginning in 2004, this bulk trade has assisted a brand of Californian wine widely marketed in Europe to be competitive by reducing tariff, transportation and bottling costs. In particular, the bulk exports to Italy in 2006/07, reached 620,000 hectoliters. Having been bottled, the product is sold within the EU, mainly in the UK market. This traffic tends to result in a statistical overestimate of Italian imports of US wines and under represent the UK imports. Also the majority of U.S. wine imported into Germany is shipped as bulk wine amd bottled locally. Since discount food stores, which have become major players in the wine retail market, are present in most European markets, it is likely that a significant portion of the bulk shipments are for re-export to neighboring EU countries.

California wines are relatively well-known in Germany and German consumers expect high quality when they purchase California wines. Wines from other regions or states in the U.S. are not yet well known. In Germany, American wines have established their presence in all price and quality categories starting from the lowest price level of less than € 2.00 per 0.75 liter bottle to high priced boutique wines.

German customers are primarily interested in American red wine (77 percent); however, demand for American white wine grew in 2007. A comparison of import prices reveals that wine producers in New-World countries are in a position to take advantage of the strength of the euro versus the dollar. Expressed in euros, average import prices for American wines dropped by ten percent during the past year. However, this price advantage is not passed through to the retail level.

TRADE TABLES FOR SELECTED COUNTRIES

ITALIAN WINE EXPORTS
Quantity in 1,000 hectoliters
Value in million dollars

Country of Destination	2005		2006		Jan-Nov 2007	
	Quantity	**Value**	**Quantity**	**Value**	**Quantity**	**Value**
Germany	5,594	874	6,297	880	5,567	907
France	1,203	105	1,401	105	1,185	104
UK	2,033	459	2,044	482	2,122	579
Denmark	268	100	278	113	256	120
Switzerland	598	229	596	248	562	273
U.S.	2,235	956	2,351	1,017	2,373	1,061
Canada	482	183	559	240	540	251
Japan	271	117	285	125	261	127
TOTAL WORLD	**15,763**	**3,692**	**17,804**	**4,006**	**16,926**	**4,373**

Source: Global Trade Atlas

FRENCH WINE EXPORTS
Quantity in 1,000 hectoliters
Value in million dollars

Country of Destination	2005		2006		Jan-Nov 2007	
	Quantity	**Value**	**Quantity**	**Value**	**Quantity**	**Value**
U.S.	984	1,085	1,108	1,298	1,022	1,148
United Kingdom	3,020	1,529	2,877	1,685	2,749	1,808
Germany	2,458	749	2,432	757	2,371	765
Belgium	1,701	680	1,720	694	1,627	948
Netherlands	1,366	405	1,415	421	1,245	421
Russia	423	72	810	89	726	85
Japan	616	445	635	503	551	491
Canada	575	262	585	323	556	348
Switzerland	543	304	537	335	496	347
Denmark	405	154	390	160	366	162
Italy	319	255	316	291	291	341
TOTAL WORLD	**14,071**	**7,003**	**14,728**	**7,897**	**14,009**	**8,514**

Source: Global Trade Atlas

SPANISH WINE EXPORTS
Quantity in 1,000 hectoliters
Value in million dollars

Country of Destination	2005		2006		Jan-Nov 2007	
	Quantity	Value	Quantity	Value	Quantity	Value
UK	1,204	329	1,197	353	1,167	390
Germany	2,176	371	2,062	341	2,082	344
France	3,056	142	2,263	117	2,223	124
Netherlands	464	93	460	98	382	93
Italy	640	37	472	30	480	93
Switzerland	328	96	312	103	308	123
Russia	571	32	1,689	78	1,530	80
U.S.	385	195	451	220	507	248
TOTAL WORLD	**13,891**	**1,900**	**13,687**	**1,988**	**13,245**	**2,215**

Source: Global Trade Atlas

UNITED KINGDOM WINE IMPORTS
Quantity in 1,000 hectoliters
Value in million dollars

Country of Origin	2005		2006		Jan-Nov 2007	
	Quantity	Value	Quantity	Value	Quantity	Value
France	2,509	1,412	2,609	1,519	2,303	1,632
Italy	1,565	449	1,735	408	1,409	403
Spain	1,284	297	997	292	908	313
Germany	996	188	745	166	553	147
Portugal	385	82	160	83	161	92
Australia	1,982	765	2,095	789	2,117	866
Chile	731	202	754	222	928	318
U.S.	784	219	757	216	715	197
South Africa	906	246	735	193	684	226
New Zealand	200	130	212	145	253	192
Argentina	215	53	189	48	194	53
TOTAL WORLD	**11,727**	**4,112**	**11,287**	**4,195**	**10,569**	**4,583**

Source: Global Trade Atlas

GERMAN WINE IMPORTS

Quantity in 1,000 hectoliters
Value in million dollars

Country of Origin	2005		2006		Jan-Nov 2007	
	Quantity	Value	Quantity	Value	Quantity	Value
Italy	5,672	801	6,473	844	5,691	859
France	2,538	702	2,564	796	2,228	743
Spain	2,229	359	2,290	395	2,241	365
Denmark	2,605	199	2,825	225	2,306	196
Netherlands	428	120	365	81	483	66
Belgium	1,163	55	1,575	75	1,275	56
South Africa	343	65	361	65	507	79
Australia	290	49	327	55	368	58
U.S.	304	33	377	55	394	64
Chile	427	56	363	52	485	65
TOTAL WORLD	**19,344**	**2,722**	**20,866**	**2,931**	**18,766**	**2,828**

Source: Global Trade Atlas

MARKETING

EU wine promotion abroad

The situation appears to be fragmented, as all the leading wine producers and exporters follow their own programs when promoting their wines both within the EU and in the leading world markets.

The Government of France and underwrites assistance for domestic and international promotion of wines and spirits for the French market promotion agency (SOPEXA) which actively promotes French wines in EU and overseas markets. VINIFLHOR (the French Association for Horticultural and Wine Products) allocates funds to SOPEXA for foreign promotions, mainly in Europe, the Americas, and Asia. Promotional activities are focused on advertising campaigns, POS, in-store promotions in hotels, restaurants, specialized outlets, trade shows and fairs. The budget for promotions of wine is not publicly available.

In Germany for CY 2007 the local wine industry received € 1.5 million of EU funds for international marketing activities outside the EU. These EU funds have to be co-financed with national funds at the same level amounting to a total € 2.9 million. Marketing activities have specially targeted in the United States, Russia and China. In 2007, the German Wine Institute developed a new multi-year marketing strategy for German wine for the period 2008-2012. The message of this strategy is that German wines are among the best in the world, that German wines are unique and compliment a modern lifestyle. The main target group within Germany and abroad is people between 30 and 55 years. Finally, the German Wine Institute launched a promotional program for Riesling wine in the U.S. in cooperation with vintners from Austria and the French region Alsace. The allocated budget is of € 3 million for a three year period. For 2008, the German Wine Institute plans a Riesling week in restaurants in New York, Chicago, Las Vegas and San Francisco. Participation at the Aspen Food & Wine Festival is also part of the program.

In Spain wine producers are assisted in their promotional efforts by the Ministry of Agriculture, as well as by the governmental agency ICEX (Spanish Foreign Trade Institute), which invests substantial efforts to investigate, analyze, and publish information about the wine sector within many foreign export markets. The Spanish Government recently launched "Strategy Wine 2010," which will encourage and help wine producers become more competitive in European and third-country markets, while potentially improving the sector's income, long-term viability, and cachet worldwide. In that regard, the new marketing emphasis placed on European wine-sector reform will likely become a welcome complement to the Spanish strategy. Recently the Spanish have ramped up marketing efforts in the United States, Russia, and Asia. The U.S. market is very attractive right now, because of interest in Spanish foods and wines. In spite of the strength of the euro vis-à-vis the dollar, which may hinder somewhat their efforts, they apparently consider the long-term potential gains in the U.S. market to outweigh the current monetary pressures. Spanish wine exporters are also focusing on Japan, recently taking part in a five-city tour to enhance the exposure and image of Spain's diverse selection of wines.

In Italy the Italian Trade Commission (ICE), an agency of the Ministry of Economic Development, is the main public institution providing export and promotion assistance in foreign markets. Funds used by ICE to promote Italian food and agricultural products, including wines, are provided by the Government, as well as the 20 Italian regions, which use ICE as their primary means for promoting their products. Furthermore, some leading trade and farmer associations and many private companies, along with cooperatives and consortia, give ICE contributions to carry out promotion abroad. Currently ICE has no specific export promotion program for wine, but rather includes the product in general promotional programs for Italian foods and beverages. It is estimated that total "public" expenditures to promote Italian wines abroad (both within the EU and in the third countries) will reach in 2008 about € 12 million. Major promotional events include workshops, wine tastings, and point of sale promotions. The main target countries are the U.S., U.K., Canada, Switzerland and Japan. Focus is increasingly given to some growing markets, such as South Korea, Taiwan, Hong Kong, Singapore, and China. The Ministry of Economic Development allocation is spent almost entirely at fairs and shows, where the cost of national pavilions is shared with private companies on differing bases according to the market, with a higher private share in "mature" markets (like western Europe and the U.S.), and a larger public share in emerging markets (especially China and other far eastern markets). Other activities include financing trade teams to Italy, and organizing wine tastings.

U.S. and competitors' promotional activities in the EU

In the UK, the promotion of US wine is spear-headed by the Wine Institute of California's UK Office. Their strategy is to promote "Brand California" (a region that has positive connotations in the mind of UK consumers), together with trade tastings to show the diversity of California. It is proving particularly effective. The Napa Valley Vintners' trade body has a promotional program in the UK, administered through a PR agency – Watershed Communications. In addition, the Washington Wine Coalition and Oregon Wine Board are represented in the UK by a trade consultant - Hilltop Wines. Looking at UK market promotion generally, above-the-line advertising expenditure has been in decline in recent years. Two-thirds of promotion undertaken in the UK is price discounting in nature. The retail sector (or off-trade as it is known in the UK) now accounts for around 80 percent of UK wine sales. There is some trade industry concern that such a significant percentage of UK wine sales volume is through the supermarket chains, since supermarkets sell most of their wine volume on discount. Many UK consumers appear content with the variety offered by their local supermarket, and are likely to pick up a bottle of whatever wine is on promotion at the time. Supermarkets are not concerned about the amount of wine sold on discount, since sales promotions are funded by wine suppliers. Smaller producers are finding it difficult to compete in this retail environment, which may lead to a decrease in choice of wine for the UK consumer over time. Specialist wine chains previously saw some of their market share eroded by supermarket chains, but, with growing consumer interest in wine, they are starting to experience something of turnaround in fortune. Wine sales in the foodservice (or on-trade) sector have had a mixed performance in recent years, with a slowing of alcoholic drink sales generally in hotels and restaurants. Accounting for around 20 percent of total wine volume sales but nearly 50 percent of total value sales, sales in the on-trade sector are closely linked to the UK's economic climate. Restaurants and hotels have experienced tougher trading conditions than pubs and bars. The practice by restaurants and hotels of adding a 300-400 percent mark-up on wine frustrates many consumers and discourages them from choosing better wines in such outlets. Pubs/bars have become a good value alternative, and many display their wine lists prominently. Wine is also more likely to be sold by the glass in pubs and bars. This encourages people to experiment and trade up to higher-value wines and sales are increasing at the expense of beer

In Germany, "New World" wines have increasingly captured space on many retail shelves. These are no longer exotic products. More importantly, they are selling at above average prices (except for Chile) and are of wine varieties that are popular with German consumers. Retailers like to advertise wines of international origin in their weekly offer bulletins.

Most American wines sold in France are Cabernet Sauvignon, Chardonnay, Zinfandel and Pinot Noir from California, and are purchased by restaurants. U.S. wines in France face strong competition from domestic producers, leading EU suppliers, and Chile, Australia, South Africa and Morocco. Central and eastern European wine producers are potential competitors. Reputation for good quality of U.S. wines is increasing in Italy, too, where they are available in supermarkets and hypermarkets as well as top restaurants and hotels.

Excises and other taxes

Details on wine excises and Value Added Tax (VAT) can be found in the following document:

http://ec.europa.eu/taxation_customs/resources/documents/taxation/excise_duties/alcoholic_beverages/rates/excise_duties-part_I_alcohol-en.pdf

Excises vary considerably among member countries, ranging between zero in many countries (all the leading producers, including France, Italy, Spain, Germany, Portugal, Greece, Hungary and Austria) to different levels in the non-producing countries. VAT rate (ad valorem) is also different according to the countries, with a maximum rate of 25 percent in Denmark and Sweden.

GM7015	Germany, ProWein 2007	04/02/07
EZ7003	Czech Republic, Market Brief	04/26/07
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