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Approved by:

Besa L. Kotati

U.S. Embassy

Prepared by:

Roselyne Gauthier

Report Highlights:

From 1997 to 2001 imports of wine from the United States have increased approximately 55 percent in volume and 68 percent in value reaching approximately 60,000 hectoliters or \$12 million in value. The bulk of this growth can be attributed to the efforts of large U.S. wineries, as well as promotional activities undertaken by U.S. producers at events like VINEXPO and the AgParis sponsored U.S. wine tastings where American wines were featured.

Current production expectations for the 2001/2002 marketing year keep France as the world's leading producer at 56.2 million hectoliters, despite a 6-percent decline in production from the previous year. France continues to surpass Italy, the second largest producer, by about 4.7 million hectoliters. French wine exports have suffered from increased competition from "new world wines" on all fronts, even in France's major export markets like the United Kingdom and Germany. Total French wine exports decreased 5.4 percent in value and 7.4 percent in volume during calendar year (CY) 2000 and competitive pressure continued throughout 2001.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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EXECUTIVE SUMMARY

French imports of American wine increased 55 percent in volume and 68 percent in value over 1997-2001 period to reach approximately 60,000 hectoliters valued at \$12 million. Still, French imports of American wines represent only one percent of total French wine imports. U.S. wines face strong competition within the European Union (EU) and France from domestic producers. However, the so-called "New World" (U.S., Chile, Australia, South Africa, and others) producers and emerging market producers are generating a lot of interest among French and EU consumers. The perceived "exoticism" and high quality of many of these wines and the increasing French demand for innovative foods and beverages support this experimentation. Despite the strengthening dollar, and competition, the increase in U.S. exports of wine to France is due in large part to the efforts of large U.S. wineries (Gallo and Mondavi) active in France now winning space on store shelves and on restaurant menus.

The European Union (EU) has 45 percent of the world's vineyard area, produces 68 percent and consumes 58 percent of the world's wine. France alone has 12 percent of the world's vineyard area, 23 percent of world's wine production and 16 percent of the world's wine consumption. EU wine production has evolved considerably since 1987 due to efforts to reduce crop area and control yields. Thus in France, approximately 100,877 hectares (HA) of vines have been uprooted and a total of 153,155 HA replanted since 1988. New plantings with bonus payments were limited to 13,500 HA for calendar year 1999/2000.

Growth in trade and the EU's proposed expansion to include Central and Eastern European countries will intensify competition for exporters to the EU and among European producers themselves. The Government of France (GOF) has urged European growers to adapt to changing consumer demand in order to better compete with emerging third-country competitors and in new markets. This resulted in the creation of the European Community Market Organization (COM) to coordinate EU wine practices and production. The COM, since its creation in 1971, has redefined itself to adapt to changes in the world wine market (see Section III, paragraph 5).

The French Office for Wines and Vines (ONIVINS) had a budget of FF 62 million (\$8.7 million) in CY2000 for financing domestic and international promotional campaigns. In 2001, Government of France decided to raise ONIVINS' promotional budget to FF 75 million (\$10.5 million) for 2002 to improve the promotion of French wines in foreign markets.

DEFINITIONS:

1. Appellation of Origin (AOC) wines: Certifies the wine's regional origin, manufacturing process, character, and alcoholic content. AOC wines must undergo taste tests by the French Institute of Appellations of Origin (INAO). Nearly 45 percent of French wines and spirits are designated AOC.
2. Superior Quality Wines (VDQS): Although less restrictive in taste tests than AOC wines, this also certifies origin, yields, etc. VDQS wines are also subject to taste tests as well.

3. VQPRD Wines (Quality Wines Produced in Determined Regions or Areas): This is a European classification that combines French AOC wines and VDQS wines.
4. Table Wines: Wines other than AOC and VDQS. These wines include country wines (*vins de pays*) which are regionally produced and are often of higher quality than ordinary table wines. They follow certain rules including analytical tasting, various specified controls, and no mixing of wines from different regions.
5. French Wine Marketing Year (MY): September to August. Thus, MY 2000/01 is the period September 1, 2000 to August 31, 2001.
6. Average exchange rates:
Calendar Year 1998: USD 1.00 = FF 5.90
Calendar Year 1999: USD 1.00 = FF 6.13
Calendar Year 2000: USD 1.00 = FF 7.11
Jan-Oct 2001: USD 1.00 = FF 7.31
CY 2000: One EURO = FF 6.55957 = \$1.08
Source: FMI

SECTION I. SITUATION AND OUTLOOK

The 2000 wine crop (MY 2000/2001) amounted to 59.7 million hectoliters (MHL), 5 percent under the 1999 level (MY 1999/2000). Of total production, 26.7 MHL were VQPRD wines, 24.2 MHL table wines, and 8.8 MHL wines for cognac production. The decrease in the 2000 crop can be attributed to hail damage in certain regions. French production of VQPRD in 2000 was almost the same as in 1999, while table wine and wine for cognac production was slightly down from 1999 due to continued vineyard improvement efforts (conversion of table wine into country wine and AOC wine). Experts forecast the 2001 wine crop (MY 2001/2002) to reach 56.2 MHL (25.5 MHL VQPRD wines, 22.3 MHL table wines and 8.4 MHL for cognac production).

During CY 2000, total French wine and spirits exports decreased by 0.7 percent in value to FF 49.2 billion (\$6.9 billion). Wine exports decreased by 5.4 percent in value, from 1999 level, to FF 35.7 billion (\$5 billion), on exported volume of 14.8 MHL. French wine exports face strong competition from new world wines. France's traditional export markets in the Northern countries of the European Union, the United Kingdom and Germany are being targeted by new world producers. However, France's major client countries remained Germany, the United Kingdom, Belgium/Luxemburg, the Netherlands, and the United States. Total French exports of wine to the United States represents 8 percent in volume of total French wine exports.

Total French wine imports during calendar year 2000 decreased two percent in volume to 5.5 MHL, valued at FF 3 billion (\$422 million). Table wines represented 76 percent of total French wine imports in volume, mostly from EU countries. Italy and Spain remain France's leading suppliers. In 2000, imports of U.S. wine into France increased by 24 percent in volume and 21 percent in value compared to the previous year. Total U.S. market share is only one percent in volume, valued at FF 84 million (\$12 million). However, it is interesting to note that French imports of U.S. wines have been growing steadily from 15,000 HL in 1994 to 60,000 HL in 2000.

The reform of the Common Organization of the Wine Market (COM), as defined by the European Commission, took effect August, 2000. Marketing year 1999/2000 terminates twelve years of the former COM which included financial support to wine growers to adapt their vineyards to new market conditions, uprooting of vines, distillation process for certain vineyards, etc. The new COM will continue to focus on wine quality, production management and maintaining traditional outlets, principally alcohol distillation. (More details about the new COM is in Section III, under Trade para. 5 of this report).

To combat increasing competition in France and Europe, mainly from the "new world" wines, and to face changing consumer preferences in France and in foreign markets, the French Office for Wines and Vines (ONIVINS) and the French export promotion agency (SOPEXA) budgeted for CY 2000 FF 62 million (\$8.7 million) to finance the promotion of French wines. Domestic advertising focuses on regional wines, while international advertising promotes VQPRD wines.

The French Ministry of Agriculture forecasts the 2001 wine crop to be 56.2 MHL, down six percent from 2000. The wine surplus was announced to be close to 4 MHL. French customs officials indicated that during the period January-July 2001, French wine exports increased by 7.5 percent in volume and one percent in value from the same period in 2000, amounting to FF 15 billion (\$2.1 billion). This slight increase in French wine exports is attributed to country wines exported mainly to the U.K. Champagne exports decreased and VQPRD wine exports remained stable.

During the first six months of 2001, France's two major client countries were the United Kingdom and Japan with increased sales of 39 and 28 percent, respectively, compared to the period Jan-June 2000, while French wine exports to Italy decreased 53 percent. French wine exports to the United States and Germany decreased by 8 and 7 percent respectively.

SECTION II. STATISTICAL TABLES

PSD Table						
Country	France					
Commodity	Wine				(1000 MT)(1000 HL)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		09/1999		09/2000		09/2001
TOTAL Grape Crush	0	81800	0	78000	0	73200
Begin Stock (Ctrl App)	23087	20087	16949	20884	41706	41706
Begin Stock (Other)	12386	12386	6197	6197	26795	26795
TOTAL Beginning Stocks	48918	32473	64907	50615	74338	68501
Prod. from Wine Grapes	62800	62800	59000	59741		56200
Prod. from Table Grapes	0	0	0	0		0
TOTAL PRODUCTION	62800	62800	59000	59741	0	56200
Intra-EU Imports	4937	4921	4971	4858		4889
Other Imports	663	434	439	566		500
TOTAL Imports	5600	5355	5410	5424	0	5389
TOTAL SUPPLY	117318	100628	129317	115780	74338	130090
Intra-EU Exports	10171	11040	11765	11447		11243
Other Exports	5782	4160	4188	4255		4208
TOTAL Exports	15953	15200	15953	15702	0	15451
Dom.Consump(Cntrl App)	18048	16823	19167	15788		16541
Dom.Consump(Other)	18410	17990	19859	15789		15759
TOTAL Dom.Consumption	36458	34813	39026	31577	0	32300
End Stocks (Cntrl App)	46414	32615	47296	41706		44267
End Stocks (Other)	18493	18000	27042	26795		38072
TOTAL Ending Stocks	64907	50615	74338	68501	0	82339
TOTAL DISTRIBUTION	117318	100628	129317	115780	0	130090

Source: French Office for Wines and Vines (ONIVINS) and
French Customs/French Center for External Trade (CFCE)

2. Trade Matrices

Import Trade Matrix			
Country	France		
Commodity	Wine		
Time period	Jan-Dec.	Units:	1,000 HL
Imports for:	1999		2000
U.S.	48	U.S.	60
Others		Others	
Italy	3646	Italy	3284
Spain	873	Spain	1108
Portugal	446	Portugal	361
United Kingdom	161	United Kingdom	106
Germany	76	Germany	71
Chile	69	Chile	74
Morocco	51	Morocco	72
South Africa	39	Turkey	42
Macedonia	36	South Africa	48
Bulgaria	34	Australia	48
Total for Others	5431		5214
Others not Listed	250		261
Grand Total	5729		5535

Export Trade Matrix			
Country	France		
Commodity	Wine		
Time period	Jan-Dec.	Units:	1,000 HL
Exports for:	1999		2000
U.S.	1095	U.S.	1136
Others		Others	
Germany	3485	Germany	3060
United Kingdom	3263	United Kingdom	2842
Belgium/Lux.	1933	Belgium/Lux.	1708
Netherlands	1578	Netherlands	1493
Switzerland	700	Denmark	734
Denmark	683	Japan	547
Japan	568	Canada	617
Canada	567		
Total for Others	12777		11001
Others not Listed	2199		2709
Grand Total	16071		14846

Source: French Customs/CFCE

3. Price Tables:

Average 2000 FOB Prices of Bottled VQPRD Wine
Alcoholic Content below 13%
(USD/liter)

	White Wines Average Price % 2000/99 (*)		Red Wines Average Price % 2000/99 (*)	
Champagne	17.62	+10.3	--	--
VQPRD Still wines	4.11	+ 5.5	4.38	+1.4

Source: French Customs/CFCE

Average 2000 FOB Prices Table Wines
(USD/Liter)

Table Wines and Country Wines in bottles with an alcoholic content not exceeding 13% by volume	Country Wines Average Price % 2000/99 (*)		Table Wines Average Price % 2000/99 (*)	
White in bottles	1.92	-3.2	1.25	+3.0
Red/Rose in bottles	1.71	0.0	1.29	+5.3

Source: French Customs/CFCE

* % change 2000-1999 is calculated on the wine price in French francs.

Wine Price Evolution and Retail Sale Prices
From 1996 to 2000

Wholesale Prices Index				Retail Price in USD/liter		
Years	Table Wines	VQPRD Wines	Sparkling Wines	Total	Alcoholic content of 11% by volume	Alcoholic Content of 12% by volume
1996	114.9	117.4	102.1	113.5	1.29	1.46
1997	116.2	119.1	103.4	114.9	1.31	1.47
1998	100.6	102.7	102.1	102.1	1.32	N/A
1999	105.9	109.6	98.8	114.5	1.30	N/A
2000	104.2	100.8	110.4	102.2	1.13	N/A

Note: All above indices are current

N/A = Not Available

Source: INSEE

4. Tariff Table:

Taxes on Wines Imported into France from Outside the EU

HTS Codes (*)	Types of Wines	EU Customs Duties (EURO/HL)	French Transportation Tax (EURO/HL)	French Value Added Tax (TVA)
22 04 10	Sparkling wines	32.00	8.35	19.6%
22 04 21	Volume of still wines with alcoholic content not exceeding 13%:			
	- in containers holding 2 liters or less	13.10	3.35	19.6%
22 04 21	- In containers holding more than 2 liters	9.90	3.35	19.6%
22 04 29	Volume of still wines with alcoholic content above 13% but not exceeding 15%:			
	- In containers holding 2 liters or less	15.40	3.35	19.6%
	- In containers holding more than 2 liters	12.10	3.35	19.6%

Note: The current value of the EURO is FF 6.55957

Footnotes: (*) Harmonized Tariff Schedule

HL = Hectoliters

EU customs duties are calculated as a percentage of the ad valorem value of the product. The current duty rates are 32 Euros per hectoliters for sparkling wines, and between 9.90-13.10 Euros per hectoliters for still wines under 13 percent alcohol content, and 12.10-15.40 Euros per hectoliters for still wines over 13 percent alcohol content, depending on how the product is packaged.

SECTION III. NARRATIVE ON SUPPLY, DEMAND, POLICY AND MARKETING

Production

1. General Production

In 2000, there were 223,900 French wine growers cultivating a total area of 871,783 hectares of vineyards for wine production. This is a four percent decrease in the number of wine growers over the previous year, and a two percent decrease in the cultivated area. About 55 percent of French vineyards are devoted to VQPRD wines. France represents 25 percent of the European Union's vineyard area and 12 percent of the world's vineyard area. In the European Union, Spain has the largest area under vines, followed by France and Italy.

In 2000, France was the largest European producer immediately followed by Italy and Spain. France's share of total world wine production is about 23 percent while the United States represents about 17 percent of the total world production.

The three largest French wine producing regions--Languedoc-Roussillon, Aquitaine, and Provence/Alpes/Cote d'Azur--accounted for 61 percent of total French wine production in 2000. French vineyards made up 11.8 percent of all harvested agricultural areas, compared to 11.9 percent in Italy and 15.8 percent in Spain.

The 2000 wine crop (MY 2000/2001) amounted to 59.7 MHL, a volume decrease of five percent compared to 1999 with homogeneous quality, warm weather in Spring with frequent storms favored the vine growth while in Summer less sun with violent storms and hail damaged the grapes at harvest in certain regions.

In 2000, the GOF continued to provide financial assistance to French wine growers of ordinary table wine in an effort to improve the quality of their vineyards. FF 24,000 (\$ 3,375) per hectare was allotted for this program. This financial assistance was taken over by the new European Community Market Organization (CMO) for marketing year 2000/2001. The European Union indemnity for the uprooting of marginal vines will target a maximum of 3,895 hectares in France. This program will be supported by the new COM. Since the uprooting program was introduced there have been 100,000 hectares of vine uprooted, or more than ten percent of the 1988 wine planted area which amounted to 960,000 hectares. The bonus paid to wine growers for this marketing year for the uprooting of vines amounts to FF 61,000/ha (\$8,579/ha).

2. Crop Area and Yields

In 2000, French vineyards totaled 871,783 hectares, slightly down from 886,170 hectares in 1999. VQPRD wine crop area reached 475,122 hectares; table wine crop area, 316,477 hectares; and wine for cognac and armagnac, 80,184 hectares. Year 1999 figures were 530,050 hectares, 270,212 hectares and 85,908 hectares, respectively. On a total planted area of 871,783 hectares, the French average yield was 68.5 hl/ha in 2000, compared to 72.1 hl/ha in 1999 or a decrease of five percent.

3. Production Policy and Government Support

- EU Export Subsidies and World Trade Organization (WTO) Agreements on Wines

Table wines and liquor wines without appellation, as well as concentrated grape, can benefit from EU export subsidies. This subsidy, however, is granted only for export to certain countries and the wines involved are subject to specific analyses and agreements. During CY 2000, the volume of French non-AOC wine exported with EU export subsidies amounted to 102,176 HL, and the amount paid by ONIVINS was FF 7.23 million (\$1.02 million).

The EU agreements under the WTO implemented on July 1, 1995 called for a reduction in the volume of subsidized wine exported by 21 percent, and in the value of wine subsidies by 36 percent. The current duty rates are 32 Euros per hectoliters for sparkling wines, and between 9.90-13.10 Euros per hectoliters for still wines under 13 percent alcohol content, and 12.10-15.40 Euros per hectoliters for still wines over 13 percent alcohol content, depending on how the product is packaged. For MY 1999/00 the amount of subsidies paid by ONIVINS was 7.23 billion FF (\$1 billion) for a volume of 102,176 hectoliters.

Consumption

French Wine Consumption by Category
For Marketing Years 1998/99 and 1999/00
(In 1,000 HL)

Wine Category	1998/99	1999/00
VQPRD Wines	16,573	16,271
Table Wines	17,732	16,273
TOTAL	34,305	32,544

Source: DGI/DGDDI (General Customs Office, Excise Taxes)

Per Capita French Wine Consumption by Category
For Marketing Years 1998/99 and 1999/00
(liters)

Category of Wines	1998/99	1999/00
VQPRD Wines	28.3	27.7
Table Wines	30.3	27.7
TOTAL	58.6	55.4

Source: DGI/DGDDI (General Customs Office, Excise Taxes)

French per capita wine consumption has been decreasing from 103 liters in 1980 to 59 liters in 1999 to reach 55 liters in 2000. French consumers seem to be moving from quantity to quality. A study commissioned by ONIVINS and conducted by the French Consumer Panel (SECODIP) indicates that among alcoholic beverages, wine is preferred by seniors, while younger drinkers prefer more exotic drinks.

The SECODIP year 2000 study found that for consumers under 35 years old (23 percent of the total French households) 88 percent bought at least once a still wine and 48 percent bought at least once a sparkling wine. This age group buys less than their seniors. Consumers from 35 to 49 years old (30 percent French households) make 25 percent of wine purchases. They purchase still white and sparkling wines (except champagne) in larger quantities than any other age group. The 50-64 years old group is the leading buyer of wine in all categories with a preference for red wines. The 65 years old and over consumer group represents with the 50-64 years olds 47 percent of the total French households and are the leading buyers of still wines consisting mostly of table wines. The 50-65 years old and over consumers are also the major consumers of champagne consuming 11 percent above average consumption level.

The study also indicates that the share of foreign wines in French consumers purchases remain stable, currently representing 2.3 percent of the total purchases in volume and 1.5 percent in value.

Trade

1. Exports

In 2000, the total value of French wine exports decreased by 5.4 percent from 1999 to FF 35.7 billion (\$5 billion). French wine exports for 2000 reached 14.8 MHL, 25 percent of total French wine production, a decrease in export volume of 7.4 percent compared to the previous year. The trade surplus in wine for calendar year 2000 was FF 32.7 billion (\$4.6 billion), a decrease of 5.4 percent over the previous year. This decrease in wine exports is attributed both to the rapid rise in French wine prices since 1997 and the penetration of “new world wines” in Europe, mainly the United Kingdom and Germany.

VQPRD wine exports in 2000 decreased in volume (-2.7 percent) but due to high prices value increased by 0.8 percent, compared to 1999. Red table wine exports were stagnant while white table wines mainly in bulk decreased due to the lack of demand mainly from Germany. The EU's share of all French exports is 73 percent in volume and 58 percent in value. Within the EU, France's major clients are Germany, the United Kingdom, Belgium-Luxemburg and the Netherlands. Major non-EU export markets for VQPRD wines are led by the United States followed by Canada and Japan. Major non-EU French clients for table wines are also the United States, Canada and Japan.

2. Imports

The value of French wine imports in 2000 amounted to FF 3.07 billion (\$0.4 billion), 77 percent of all French wine imports are table wines. Total VQPRD wine imports (mostly from the EU) increased 56.5 percent in volume and 2.3 in value, while table wine imports decreased 10.1 percent in volume and 8.9 percent in value compared to the previous year. France's top suppliers are Italy, Spain and Portugal.

In 2000, French imports from the United States continued to increase reaching 60,159 hectoliters, an increase of 25 percent in volume over the previous year. It is interesting to note that the French imports of U.S. wines have increased 55 percent in volume over the period 1997-2000. This increase can be attributed to the presence of Gallo Winery in this market since 1998. Gallo is very active and is winning space on store shelves in the retail sector and restaurant menus in the food service sector.

3. Domestic Support and Impact on Trade

The GOF subsidizes the wine sector through the French Office for Wines and Vines (ONIVINS). ONIVINS's total budget in CY 2000 was FF 745 million (\$105 million), up from FF 591 million (\$96 million) in 1999, FF 558 million (\$78 million) went to orientation and intervention expenses; FF 168 million (\$24 million) to operational expenses, and FF 19 million (\$3 million) to working capital.

ONIVINS also administers and implements EU subsidies. During CY 2000, EU subsidies allocated to the French wine sector included export refunds and assistance earmarked for vineyard restructuring, distillations, and grape juice fortification. During CY 2000, FF 206 million (\$29 million) were allocated to wine growers for restructuring and renovating vineyards by uprooting old vines and planting new ones.

4. European Community Market Organization (COM) and French Aid for Vineyard Improvements

CAP (Europe's Common Agricultural Policy) reform of May 21, 1992 does not cover wines. The 1971 European Community Market Organization (CMO), which coordinates EU wine practices and production, carries out reforms involving wine. In August 1998, the European Commission revised the CMO to help the EU wine industry adapt to new market conditions. This project took effect in August 2000, and it will simplify current legislation by:

- Replacing current distillations (preventive, mandatory or support) with a more flexible system that will address such "crises" as overproduction. The preventive distillation will be replaced by a certain distillation that will supply alcohol and products made from wine (vinegars and aromatized wines).
- Modifying the EU's system of planting and uprooting vines. The new reform provides an average bonus of 8,600 Euros per hectare for grubbing.
- Having the EU reimburse wine growers for losses resulting from reconversion, uprooting or planting. However, purchases of new equipment will be financed both by Brussels and the producer.

In July 1998, the EC instituted a quota of 2,584 hectares to be split between planting new vines of VQPRD (1,571 hectares) and table wines (1,013 hectares). New planting is expected to be carried out over two marketing years.

The EU Regulation which supports vine uprooting (originally Regulation 1442/88 CEE) has been extended for MY 1999/00. During the marketing year 1999/00, it gave France a maximum quota of 3,985 hectares with EU support. Preventive distillation within the EU to take excess production off the market was limited to 10 MHL for MY 1999/2000, including 2.09 MHL for France and 4 MHL for Italy.

MARKETING

1. Infrastructure and Distribution

Wholesalers and importers make up France's wine distribution system. Wholesalers frequently sell to specialized wine stores, food stores, restaurants and institutions. Importers sell to supermarkets. Mail order sales are generally made directly by the producer. Supermarket wine sales in France make up 78 percent of household wine purchases (14 percent for hard discounters), while 22 percent come from specialized wine sales (wine stores, direct sales, etc.).

According to SECODIP, in 2000, total still wine sales in French supermarkets was estimated to FF 20 billion (\$2.8 billion), from which VQPRD wines represented sales of \$2.1 billion. Total wine consumption in 2000 reached 33 MHL, of which restaurants, hotels and cafes accounted for 10 MHL, and homes 21 MHL. Of the 21 MHL of wine consumed in homes, 11 MHL were purchased in supermarkets and the rest in specialized stores or directly from wine growers.

In 2000, total sales of foreign wines in supermarkets decreased by 6 percent over the previous year. Foreign wines selling the best are from Spain, 51 MHL (37% of foreign wines sold in supermarkets) (51 MHL), wines from Morocco and Algeria represent 30 percent of foreign wine sales (31 MHL), Italy 9 percent of sales (12 MHL) and finally "new world" wines (California, Argentina, Chile, South Africa and others) representing a total volume of 16 MHL. The new world wines have registered an increase in demand of about 45 percent.

2. Policy: Safety Laws and Labeling

-- The Impact on French Wine Consumption of the Evin Law, and other Regulations Against Alcohol

In 1992, the GOF instituted regulations that limited radio and TV advertisements promoting alcohol. These regulations were called Loi Evin (the name of the French Minister for Social Affairs at that time). These regulations were followed by two additional decrees in 1993 which regulate advertising at point of sale and for event sponsorship. As of to date, these regulations are still in force and the French wine industry continues to lobby for the GOF to modify the Evin law.

In addition, ONIVINS has conducted several studies to better understand the effects of moderate wine consumption on health. These studies show that moderate consumption has health benefits.

It is difficult to measure the impact of the Evin law, since the French wine consumption began to drop even before 1992.

-- Labeling Regulations

Labels on U.S. wines exported to France must include:

- ! Net contents of the bottle, in milliliters, centiliters or liters.
- ! Name and address of the French importer preferably printed on the main label. However, small stick-on labels can also be applied by the French importer.
- ! The wine's alcohol content.
- ! Indication of manufacturing lot.
- ! Indication of country of origin.

EU labeling regulations allow the US government-authorized indication of two vine varieties for table wines provided the wines are exclusively from those vines. All varieties should be listed using the same print and field of vision, the most important variety topping the list. The label must indicate geographic origin.

In addition, imported wine must meet regulations on oenological practices and processes stipulated in EU Regulation 822/87, published in the EU Official Journal L 83 dated March 27, 1987. EU Regulation 2390/89 requires that wines be accompanied with analytical bulletins.

The EU is still working on a new wine accord with the United States that will cover issues such as oenological practices, protection of geographic indications, labeling, etc. To date, no text has been issued.

3. France Market Development Activities

Public assistance for domestic and international promotion of wines and spirits comes from the French national market promotion agency (SOPEXA) which has actively promoted French food products and wines in EU and overseas markets.

During CY 2000, ONIVINS had a budget for financing international promotional campaigns of French wines of FF 62 million (\$8.7 million), same as the 1999 promotional budget. The GOF and inter-professional organizations underwrite this budget.

Promotional activities funded by ONIVINS focused on advertising campaigns, promotional materials, in-store promotions in specialized outlets, hotels, restaurants, as well as fairs and trade shows. New promotional activities were also conducted in 2000, including qualitative studies, reinforcement of advertising campaigns, educational programs and in-store promotions, not only in the EU (35 percent of the budget), but also in North America, Japan and in emerging markets (Eastern Asia and Central and Eastern Europe countries). SOPEXA promotes the image of the "French Style of Living" and "French Cooking" through "French weeks" in foreign restaurants, including wine waiter contests.

4. Competitor Programs/Activities

Nearly all of the other EU countries conduct some form of market promotion in France. Wine is commonly promoted through participation in trade shows as well as public and trade advertising and supermarket promotions. Countries that do not have export promotion agencies often use their local embassies or French importers to conduct their promotion. Non-EU countries promoting wines in France include South Africa, Chile, Argentina, the United States, Australia, and more recently New Zealand and Bulgaria.

5. U.S. Market Opportunities

Most of the American wines sold in France are Cabernet Sauvignon, Chardonnay, Zinfandel and Pinot Noir from California. U.S. wines in France face strong competition from domestic producers, and from France's leading EU suppliers (Italy, Spain and Portugal), as well as Australia, South Africa, Argentina and Chile. Central and Far Eastern wine producers are now emerging and should be considered as future competitors. However, there are market opportunities for U.S. wines in France, thanks in part to the "exoticism" and quality of U.S. wines, and also to the promotional efforts of Office of Agricultural Affairs at the American Embassy and the many American restaurants in Paris.

E&J Gallo has been present in France since 1998 and has contracts with most major French retailers (Carrefour, Auchan, etc.). Gallo is also selling to restaurants in France and Europe as well as in wine stores. Since May 2000, Mondavi wines were also introduced in France through a leading importer/distributor.