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Wine

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Report Highlights:
Consumption of table wines in Sweden during 1997 was increasing, up 10 percent from the previous year. Total consumption in 1997 is estimated at 14.5 liter per capita. The United States is now the fourth largest exporter of wines to Sweden after Spain, Italy and France. The U.S. position could easily be expanded with more marketing efforts and sales aimed at the growing young consumer market. Direct sales to restaurants are increasing whereas the monopoly share continues to decrease. Food merchants are actively working for the possibility of selling wines in food shops and Sweden will also have to adapt to EU liberal rules on private imports, changes that will have to be established before year 2004.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report

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Executive Summary

Retail sales of wine and liquor beverages in Sweden are restricted to a government agency, Systembolaget. The Swedish government managed to retain the retail monopoly after the EU membership in 1995 even while it was forced to abolish the import and production monopoly. To import and/or produce alcoholic beverages a licence issued by the government agency - The National Alcohol Board - is required, but imports are otherwise free.

One of the important conditions for retention of the Systembolaget was that it was requested to function in a non-discriminatory manner and without preference promote products from all countries. A recent EU Court decision relating to a dispute over a food shop owner favored continued retail monopoly policing sales of alcoholic beverages, but underscored the monopoly's need to become more "service minded". The licensing system was also criticized by the EU Court resulting in an immediate decision to lower the licensing fee. It remains to be seen if this action was enough to appease the EU criticism of the Swedish system. The EU Court ruling was also of importance to the continued monopoly position in Finland and Norway.

Direct advertising to the general public of alcoholic beverages 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 has increased by about 10 percent since 1996, whereas consumption of strong liquor is slowly decreasing.

The United States has now emerged as the fourth largest exporter of table wines to Sweden after Spain, Italy and France. In 1997, the US shipped wines to Sweden worth about SEK 112 million (US$ 14.7 million), up from SEK 79 million in 1996.

Production

PSD Table						
Country:	Sweden					
Commodity:	Wine					
		1996		1997		1998
	Old	New	Old	New	Old	New
Market Year Begin		01/01		01/01		01/01
TOTAL Grape Crush	0	0	0	0	0	0
Begin Stock (Ctrl App)	0	0	0	0	0	0
Begin Stock (Other)	0	0	0	0	0	0
TOTAL Beginning Stocks	0	0	0	0	0	0
Prod. from Wine Grapes	0	0	0	0	0	0
Prod. from Tabl Grapes	0	0	0	0	0	0
TOTAL PRODUCTION	0	0	0	0	0	0
Intra-EU Imports	0	76629	0	72399	0	75000
Other Imports	0	31709	0	32058	0	35000
TOTAL Imports	0	108338	0	104457	0	110000
TOTAL SUPPLY	0	108338	0	104457	0	110000
Intra-EU Exports	0	100	0	150	0	100
Other Exports	0	250	0	750	0	300
TOTAL Exports	0	350	0	900	0	400
Dom.Consump(Cntrl App)	0	0	0	0	0	0
Dom.Consump(Other)	0	107988	0	103557	0	109600
TOTAL Dom.Consumption	0	107988	0	103557	0	109600
End Stocks (Cntrl App)	0	0	0	0	0	0
End Stocks (Other)	0	0	0	0	0	0
TOTAL Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	0	108338	0	104457	0	110000

Sweden is not a wine producing country. Shown in the Trade section are imports over the last two years. The USA has become an important supplier to Sweden, and its position could easily be expanded with more sustained marketing efforts and sales aimed at the growing young consumer market which is characterized by high levels of environmental consciousness and health awareness. Frequent requests for ecological (organic production techniques) wines are received by our office. However, price is also a significant purchasing decision factor.

Consumption

Consumption of table wines is now estimated at around 14.5 liters per capita per year, an increase of almost 10 percent compared to 1996. Strong liquor consumption is steadily decreasing, in 1997 estimated at 2.8 liters, down from 3.1 liters per capita in 1996. However, the consumption estimate of strong liquor is based on Systembolagets sales figures. Total consumption of strong liquor is conceivable much higher. Swedes traveling abroad enjoy duty free sales on ferries and at airports, illicit home distilling is wide spread, and bootlegging is extensive. All because of the very high prices on hard liquor.

The presence of new wholesalers made itself felt during 1997, especially in the wine sector. Direct sales to restaurants are increasing whereas the Systembolaget's share continues to decrease and in 1997 only covered 1/4 of sales in the previous year. The food merchants are actively working for the possibility of selling wines in retail food shops, a scenario favored by the new Social Minister, Lars Engquist. Sweden will also have to adapt to the EU liberal rules on private imports of alcoholic beverages, changes that most likely will have to be established not later than year 2004.

Systembolaget's sales for 1997 at SEK 19,100 million (US$2,600 million) were down by 3.3 percent compared to 1996. Volume wise sales of spirits and wine declined by 9.3 and 0.2 percent, respectively. As explained above, the sales have declined whereas consumption of hard liquor probably remains about the same, and wine consumption has increased through restaurant sales and private travelers' imports.

Table 1. Total Wine Sales in Sweden, 1,000 liters

Year	Alcohol content <15%	Alcohol content >15%
1997	121,400	6,600
1996	111,762	6,578
1995	104,827	6,283
1994	107,263	7,504
1993	102,177	7,962

Red wines accounted for 50 percent and whites for 35 percent, the remaining included champagne, sparkling, rose wines and mulled, cider and wine coolers.

Source: The National Alcohol Board

Table 2. Sales of Wines by Systembolaget (less 15 percent alcohol content), 1,000 liters by the Leading Exporting Countries, 1995 -1997:

Country	1995	1996	1997
Spain	31,251	29,902	27,277
Italy	11,709	12,082	15,533
France	12,157	9,525	11,525
Germany	12,398	9,785	8,700
USA	4,895	5,651	5,909
Chile	4,025	4,962	5,208
Australia	6,839	6,334	5,031
Sweden	5,868	5,005	4,629
Bulgaria	2,799	2,963	2,749
South Africa	910	2,297	2,748
Portugal	1,975	2,059	1,860
Hungary	1,091	1,230	1,103
Austria	916	806	755
Greece	664	819	653
Argentina	267	425	607
Cyprus	558	442	366
New Zealand	558	442	366
Macedonia	150	132	194
Turkey	125	84	81
Other	520	571	398
TOTAL	101,546	97,932	98,465

Note: These are Systembolaget's sales, not included are wines for restaurants or duty free markets.

Source: Systembolaget

Table 3. Consumption - Liter/Capita

Year	Liquor	Wine	Strong Beer	Soft Drinks
1995	3.4	12.6	21.8	58.2
1996	3.1	13.3	20.6	58.1
1997	2.8	14.5	21.8	65.4

Source: Swedish Board of Agriculture - Report 1998:8

Table 4. Wine Sales by price levels in 1997

Price level SEK	Red	White
Less than 40	0.5%	3.0%
41-50	28.5%	50.2%
51-60	43.5%	31.7%
61-70	19.7%	11.8%
71-80	4.2%	1.6%
81-100	2.2%	1.2%
Over 100	1.4%	0.5%
Total	100%	100%

Source: Systembolaget

The Swedish social policy goals to reduce alcohol consumption (by 25 percent from 1980 to year 2000 according to the WHO goal, which Sweden adopted) have not been achieved. The decrease achieved amounts to about 5 percent, but these goals naturally favor light alcohol content beverages over strong liquor. Historically, vodka, has been the major product - Sweden is part of the world "Vodka belt" - sales of which are now noticeably smaller compared to wines and beers. The young consumers meet over a glass of wine or beer, or an increasingly preference for bottled soft drinks.

Trade

Import Trade Matrix			
Country:		Units:	1,000 liters
Commodity:			
Time period:	CY		
Imports for	1996		1997
U.S.	5930	U.S.	5813
Others		Others	
Spain	38409	Spain	31927
Italy	12785	Italy	17532
France	10935	France	13483
Germany	14500	Germany	9457
Australia	4669	Australia	3885
South Africa	1414	South Africa	1809
Total for Others	82712		78093
Others not listed	19696		20545
Grand Total	108338		104451

Export Trade Matrix			
Country:		Units:	1,000 liters
Commodity:			
Time period:	CY		
Exports for	1996		1997
U.S.		U.S.	
Others		Others	
United Kingdom	97	United Kingdom	150
Finland	80	Finland	231
Estonia	4	Estonia	53
Norway	37	Norway	37
Russia	12	Russia	20
Lithuania	1	Lithuania	16
Total for Others	231		507
Others not listed	115		407
Grand Total	346		914

After many years of dominating the Swedish wine market, France has had to step back in favor of Spain. Spain now covers about 29 percent of the table wine market followed by Italy and France. The U.S. is gaining market shares, and now cover approximately 10 percent of imported table wines. There are now approximately 90 U.S. labels on the Systembolaget list including wines from California, Oregon, Washington and New York states. Competitors from outside Europe are Chile, Australia and especially South Africa, who is improving production techniques and maintaining low prices. South African wines are very competitive presently on this market.

In January 1998, Systembolaget carried over 2,000 different wine labels, up about 500 from 1995. A panel of five wine writers in September/October tested about 1,600 labels, and among the best reds Beringer Zinfandel 1995 found a place.

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 also be abolished. Before the 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 the membership but had to abolish the import and production monopoly. To import alcoholic beverages a licence issued by a government agency is required, but imports are otherwise free. For details on the licensing procedure see SW4028.

A recent decision in the EU Court relating to a dispute over a food shop owner having sold wines in his shop -

favored continued retail monopoly in Sweden based on "health" aspects of monopoly operations. The EU Court ruled that the Swedish Systembolaget could continue policing retail sales of alcoholic beverages, but needed to become more "service minded". This case was followed with great interest by people in the trade who were anxiously waiting for the day when also the retail monopoly, Systembolaget, would be abolished and who were extremely disappointed over the final decision. The Swedish licensing system was also criticized by the EU Court resulting in an immediate lowering of the initial licensing fee from SEK 25,000 to SEK 2,000. It is possible that the National Alcohol Board may have to reimburse the about 245 license holders that have paid the higher fee. The EU Court ruling also is of importance to the continued monopoly position in Finland as well as in Norway.

Before entering the market, imported wines are tested by the Systembolaget according to EU directives. Each shipment should also be accompanied by a certification document in accordance with EU regulations. Post receives from time to time requests for documentation of testing procedures which are in compliance with the rest of the EU. In some cases, as for example, a recent report from Finland on Ochratoxin in some wines, the Swedish National Food Administration, which is the agency handling regulations on foreign substances in food products, can order special testing for that particular substance. So is now the case on Ochratoxin as the Finnish ALKO (wine & liquor retail monopoly) recently found levels of Ochratoxin in some lesser quality wines. The findings were published in several newspapers, in Finland and in Sweden. Unacceptable levels of Ochratoxin were found in four Italian wines, one of which was also on sale in Sweden. This wine has now been removed from the retail outlets, and further test will be done in imported wines for Ochratoxin.

Customs duties are the same as in the rest of the EU, i.e. 14.8 ecu per 100 liters on table wines, and 17.3 ecu per 100 liters on fortified wines, or wines with an alcohol content between 13 to 15 percent.

Table 5. The Swedish alcohol tax on wines based on alcohol percent by volume at August 1, 1998.

Alcohol Content	Tax
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 per liter alcohol

Value added tax is 25% on wines and liquor.

Pricing of Systembolaget Products

Price to Systembolaget from agents or distributors includes:

Purchase price or production cost
Freight and delivery costs (including Customs Duty)
Storage fees (until delivered to Systembolaget)
Agents' mark-up

Systembolaget adds:
Taxes (see table above)
Value Added Tax - VAT 25 percent
Systembolaget mark-up based on alcohol content:

Alcohol content up to 8.5 percent	15.6069 percent
Alcohol content 8.5 - 15 percent	15.2074 percent
Alcohol content up to 22 percent	13.6364 percent

The following factors are used by Systembolaget to estimate retail price:

Alcohol content up to 8.5 percent	1.4451
Alcohol content up to 15 percent	1.4401
Alcohol content up to 22 percent	1.4205

Marketing

Direct advertising to the general public of alcoholic beverages is not allowed in Sweden. Increasingly popular are wine writers weekly or bi-weekly columns on wines including Systembolaget's twice monthly tests of "new products", which they then write about in their newspapers or magazines.

Another means of advertising is Systembolaget's monthly news magazine, and listing of new wines on the shelves, with detailed information about the wine and region or area of origin. This information is stored in a data base and available for all wines listed in the Systembolaget official price list, which is updated about six-seven times a year. In the last update, November/December 1998, 87 different wines were listed from the United States. The Systembolaget list can be accessed through its Internet homepage - www.systembolaget.se or
E-mail:information@systembolaget.se.

Prices on table wines have remained remarkably stable. The taxation rates are based on alcohol content, which favors table wines and beers over hard liquor. The cheapest wines now retail at SEK 34-44. There has been a noticeable change in consumption of medium-priced wines which would indicate that quality consciousness of the consumers is increasing. The bulk of the sales have moved from wines in the SEK 34-40 bracket to the 50-65 SEK bracket. Wines priced over 65 SEK account for 20 percent of the 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. See table 4.

There is a potentially strong growth market for quality wine producers 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 with less red tape. On the other hand, the supplier/agent will have to bear the full costs and risks of a market failure. All in all, the market is much more open and competitive.

In April 1997, the Swedish wine merchant Akesson introduced wine sold in cartons which quickly became a success thanks to the relatively low price, the new and exciting packaging and the fact that it is easier to handle than a bottle in, for instance, a picnic basket. The wine has been imported from different vineyards in Italy and mixed into a table wine at Akesson's winery in southern Sweden. But despite its sales success, Jan Tagesson, Marketing Director at the state off-licence Systembolaget is not too happy with the newcomer: "Normally, wine is considered something of party beverage," he explains. "The carton brings it down to an everyday level, which does not really go with the Swedish alcohol policy." Another product, was the so called alco pops, which Systembolaget initially refused to sell.

To illustrate the popularity of the bag-in-box and tetra-pac wines, the table below shows the most sold wines in 1997 with a 1996 comparison, where two new wines in bag-in-box top the list for 1997.

Table 6. Top Ten Wine sales in 1997

1997	1996	Name of Wine	Country	Type of Wine	Million Liters
1	New	Akesson Terra dell'Oro Rosso	Italy	Red	2.3
2	New	Akesson Terra dell'Oro Bianc	Italy	White	1.8
3	1	California White	California	White	1.5
4	4	Spanish Country Wine	Spain	Red	1.0
5	2	Guntrum Riesling	Germany	White	0.9
6	3	Sen. Llanos	Spain	Red	0.9
7	17	Felix Solis	Spain	Red	0.7
8	22	Coteaux du Languedoc	France	Red	0.7
9	7	Parador	Spain	Red	0.7
10	11	Freixnet Cordon Negro	Spain	Sparkling	0.7

Sweden is a member of OIV - Office International de la Vigne et du Vin. There are also a couple of Swedish wine and liquor organizations which market interested exporters should contact for further information and details of the Swedish system:

SFSV - Svenska Forbundet for Sprit- och Vinintressenter, and
Representatives in Sweden of Foreign Wine and Liquor
Producers
UVOS
P.O. Box 5512
S-114 85 Stockholm, Sweden
Tel: (46-8)666 11 00, FAX: (46-8)662 65 48
Attention: Mr. Roland Nordlund

Updated lists of licensed importers and wholesalers are also available from FAS/Stockholm.

Several wine and liquor exhibits are held in the Scandinavian area. The next major event in Sweden will be the Vinordic in Stockholm planned for November 1998.

The California Wine Institute and the New York Wine & Grape Foundation are active on this market with MAP funds. Both organizations participated in GastroNord/Vinordic 1997. California Wine Institute also manned a booth in the 1998 Vinordic event in Stockholm. The New York Wine & Grape Foundation sponsored a tour for wine exporters in June 1998 with dinner and receptions at the Ambassadors in Sweden, Finland and Norway.

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 active around the Stockholm area. In addition, there are a number of small, private wine clubs. Importers also arrange small tastings and FAS/S has been assisting with a number of these tastings during the year. These smaller tasting are usually targeted at groups of restaurant managers, or wine writers and publishers.

Competitor activities include participation in the above mentioned wine exhibits. Australia, for instance, through their wine board attends most wine exhibits in Scandinavia and annually holds a one-day wine exhibit at one of the major hotels in Stockholm, the next in January 1999. Sopexa, the French export organization, which joins effort of exporters and the French Government, organizes tastings from time to time. Germany has its own promotional office in Stockholm and arranges each year in the spring - German days, which is spread over 3-4 days and includes the participation of more than 60 German wineries. In short, most major wine producing countries through their embassies work hard at promoting their products in this market, which as a new member to the EU has significant growth potential. Its proximity to Russia and the Baltic countries also make it a potential springboard for those markets.

Average Rates of Exchange used in this report:

USD 1.00	1995	SEK 7.13
	1996	SEK 6.70
	1997	SEK 7.61