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Report Highlights:

Consumption of table wines continues to increase steadily, and was estimated at 16.1 liters per capita in 2000. The United States is the seventh largest exporter of table wines to Sweden, worth USD 12 million in 2000. Good market opportunities exist for U.S. quality wines, although competition from other New World countries is increasing.

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Executive Summary

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

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

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

Direct advertising to the general public of alcoholic beverages is not permitted. However, in March, 2001 the Swedish law was challenged by the Swedish magazine *Gourmet* and The European Court of Justice ruled against the Swedish ban on alcohol advertising. The matter was referred to the Swedish court for a final decision.

Consumption of table wines is increasing slowly but steadily and is estimated at 16.1 liters per capita in 2000. Systembolaget's total wine sales grew by 3.7% to 116 million liters in 2000. Red wine is the most popular type of wine consumed in Sweden. On December 1, 2001 the alcohol tax on wine was reduced by SEK 5 per liter (from SEK 27.20 per liter to SEK 22.08). Sweden has been taxing wine at a higher rate than beer and was formally asked by the European Commission to change its discriminating tax regime.

The United States is the seventh largest exporter of table wines to Sweden after Spain, Italy, France, Germany, Chile and Australia. However, with the strong dollar and strong competition from other New World countries, U.S. market share has dropped from 5.1% in 1999 to 4.3% in 2000, and sales of U.S. wines decreased from USD 15 million to USD 12 million. Although EU suppliers still dominate, New World wines are growing in popularity and good market opportunities exist for good quality wines as tastes and knowledge become more sophisticated.

Production

Sweden is traditionally not a wine producing country. However, there are some Swedish producers who work with imported grape must. Furthermore, a few small farmers have started to grow grape vines for wine-making, although the climate in Sweden is not considered to be suitable for vine growing.

Consumption

Consumption of alcoholic beverages in Sweden has been increasing considerably in the last five years and this development is estimated to continue. In 2000, Systembolaget sold 295.9 million liters of alcoholic beverages which is an increase by 6.2 percent compared to 1999, and is the highest-ever sales total for Systembolaget. The product categories of wine, beer and spirits all beat existing sales record.

Wine consumption in Sweden is steadily increasing and was estimated at 16.1 liters per capita (based on Systembolaget's sales figure) in 2000. Systembolaget's wine sales grew by 3.7 percent to 116.6 million liters in 2000. Interest in red wine is staying firm, with sales of red wines rising by 8 percent in 2000. Tetra-brik and bag-in-box wines continues to increase its share of Systembolaget's total wine sales, from 22 percent in 1999 to remarkable 29 percent in 2000. Tetra-brik and bag-in-box wines have become very popular among Swedish consumers who find them particularly convenient for picnics, on boats etc. during the summer months.

Sales of strong beer by Systembolaget rose by 9.9% in 2000 to 142 million liters and stands for the largest increase. It is mostly the young consumers who are rapidly increasing their beer consumption. Since 1996, prices for strong beer have declined by 30% due to reduced beer tax and reduced prices by beer breweries. The upward trend for cider also continued in 2000, with an increase of 6.6 percent.

Systembolaget's sales of spirits rose by 0.6% to 23 million liters in 2000. The consumption estimate of hard liquor is based on Systembolaget's sales figures, but total consumption of hard liquor is conceivable much higher. Because of the very high prices on hard liquor, Swedes traveling abroad take advantage of duty-free sales on ferries and at airports. In addition, illicit home distilling is wide spread, and bootlegging is extensive. Historically, vodka has been the major alcohol beverage (Sweden is part of the world's "Vodka belt"), vodka sales are now noticeably smaller compared to wines and beers.

Table 1. Systembolaget' Sales - Liter/Capita

Year	Liquor	Wine	Strong Beer	Cider & Mixed Drinks
1996	3.7	14.5	14.2	0.9
1997	3.4	14.4	15.4	1.7
1998	3.2	14.7	15.6	1.5
1999	3.2	15.6	18.0	1.8
2000	3.2	16.1	19.6	1.8

Trade

Spain remains Sweden's largest supplier of wine, although the market share declined from 30 to just over 27 percent in 2000, followed by Italy and France. Even though EU suppliers still dominate, wines from other New World countries, such as Chile, Australia and South Africa, are growing in popularity. South African wines, with improved quality and low prices, are presently very competitive on this market.

Table 2. Sales of Wines by Systembolaget by Leading Exporting Countries (1,000 liters)

Country	1998	1999	2000	Mkt Share 2000	Change 2000/1999
Spain	30,683	32,501	30,288	27.3%	-6.8%
Italy	14,854	15,380	17,498	15.8%	13.8%
France	13,298	14,281	15,728	14.2%	10.1%
Germany	8,304	8,462	8,634	7.8%	2.0%
Chile	4,700	6,265	7,788	7.0%	24.3%
Australia	3,835	4,692	5,601	5.1%	19.4%
USA	5,095	5,456	4,808	4.3%	-11.9%
South Africa	3,093	3,555	4,494	4.1%	26.4%
Portugal	3,378	4,108	4,051	3.7%	-1.4%
Hungary	1,662	2,108	2,592	2.3%	23.0%
Other	10,582	9,657	9,309	8.4%	
TOTAL	99,484	106,465	110,791	100.0%	

The U.S. market share has dropped from 5.1% in 1999 to 4.3% in 2000. Major reasons for the market share loss are the strong dollar which has made it difficult to compete with other New World wines and the surprisingly large increase in sales of tetra-brik and bag-in-box wines. Lower priced wines are losing ground to bag-in-box wines, which accounted for close to 20% of red wine sales and 16% of white wine sales in 2000 and is continuously increasing its market share. As mentioned earlier, tetra-brik and bag-in-box wines have become very popular among Swedish consumers who find them convenient for picnics, on boats etc. during the summer months. Also, long durability and the fact that you don't have to worry about tossing the bottle somewhere are other advantages.

The table below, which shows the most popular wines in 2000 and 1999, reveals four wines in bag-in-box at the top of the list for 2000 as well as 1999.

Table 3. Systembolaget's Top-Selling Brands

2000	1999	Name of Wine	Country	Type of Wine	Million Liters
1	1	Castillo de Gredos Tinto	Spain	Red	3.7
1	2	Castillo de Gredos Blanco	Spain	White	2.4
2	5	Gato Negro Cabernet Sauvignon	Chile	Red	1.8
2	1	Akesson Terra dell'Oro Bianco	Italy	White	1.7
3	3	Senorio de los Llanos Reserva	Spain	Red	1.7
4	6	Gandia Tempranillo	Spain	Red	1.7
5	2	Akesson Terra dell'Oro Rosso	Italy	Red	1.4
6	11	Pasqua Cabernet Merlot	France	Red	1.4
7	4	Amfora Reina Isabel	Spain	Red	1.3
8	8	Coteaux du Languedoc	France	Red	1.1
3	5	Prins Oliver Blanc	France	White	0.9
4	3	California White	U.S.	White	0.8

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 Sweden's EU membership, all imports, production and sales of alcoholic beverages were handled by the two monopolies, V&S and Systembolaget. The Swedish government managed to retain the retail monopoly after EU accession, but had to abolish its import and production monopoly. To import alcoholic beverages, a licence must be obtained from the Special Tax Office, but imports are otherwise unrestricted.

Because of more people traveling abroad and the need to conform to EU standards, Sweden's strict rules have been challenged in recent years. As a result, self-service shopping has been introduced and shopping hours extended. Also, as of July 7, 2001, the nation-wide liquor stores are permitted to be open for sales on Saturdays.

Customs duties are the same as in the rest of the EU, i.e. 13.1 ecu per 100 liters on table wines, and 10.9 ecu per 100 liters on fortified wines, or wines with an alcohol content between 13 to 15 percent.

Marketing

Direct advertising to the general public of alcoholic beverages is not allowed in Sweden. However, in March, 2001, the Swedish legislation was challenged by the Swedish food magazine *Gourmet*. The European Court of Justice upheld the view that the ban was an obstacle to the free movement of services within the EU. Sweden restricts alcohol advertising on public health grounds, but the court suggested this could be achieved with less restrictive measures and referred the matter back to a Swedish court to decide whether the ban is in proportion to its desired goal. The decision is a fresh setback for Sweden's rigorous policies to restrict alcohol consumption on public health grounds. The case has not yet been brought up in the Swedish court, but irrespective of the outcome, the ruling still represents an important shift in attitude on advertising restrictions in Europe.

Increasingly popular are wine writers' weekly or bi-weekly newspaper and magazine articles. *Systembolaget's* twice monthly tests of "new products" are reported on in these reviews.

Another means of advertising is *Systembolaget's* monthly news magazine and listing of new wines on its shelves, with detailed information about the wine and region of origin. This information is stored in a database and available for all wines listed in the *Systembolaget* official price list which is updated bi-monthly. In the last update, December 2001, 60 different U.S. wines were listed. The *Systembolaget* list can be accessed through its homepage www.systembolaget.se.

On December 1, 2001 the alcohol tax on wine was reduced by SEK 5 per liter (from SEK 27.20 per liter to SEK 22.08). Sweden was formally asked by the European Commission to stop taxing wine, most of which is imported, at a higher rate than beer, most of which is produced locally. EU rules forbid members from imposing higher taxes on products from other countries than on competing domestic products. To avoid a lawsuit, the Swedish Government thus recommended a reduction of the wine tax. However, the price reduction might be short-lived as importers have announced an intention of rising the prices with about SEK 4 on some of the assortment as of January 1, 2002, which practically would swallow the price reduction. *Systembolaget* is concerned about the price increases and is currently negotiating with the importers.

The taxation rates are based on alcohol content, which favors table wines and beers over hard liquor. 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 35-40 bracket to the 50-65 SEK bracket. Wines priced over 65 SEK account for over 20 percent of the sales, and wines over SEK 100 account for only 1-2.5 percent of total sales. Retail pricing through the *Systembolaget* is uniform throughout Sweden, whereas restaurants and bars are free to set their own prices.

Table 4. Wine Sales by Price Levels in 2000

Price level SEK	Red	White
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Less than 40	0.2%	1.5%
41-50	15.0%	36.3%
51-60	37.4%	34.8%
61-70	29.7%	20.4%
71-80	10.7%	2.7%
81-90	2.4%	1.6%
90-100	2.1%	1.1%
over 100	2.5%	1.3%
Total	100%	100%

Table 5. The Swedish Alcohol Tax on Wines on December 1, 2001

Alcohol Content	Tax (SEK/liter)
Not more than 2.25%	SEK 0.00
2.25% but not 4.5%	SEK 7.58
4.5% but not 7%	SEK 11.20
7% but not 8.5%	SEK 15.41
8.5% but not 15%	SEK 22.08
15% but not 18%	SEK 36.68
Liquor containing more than 22 percent alcohol by volume	SEK 407.14

There is a potentially strong growth market for quality wines in Sweden. With the dissolution of the import monopoly, hotels, restaurants and caterers can import directly. The continuation of the retail monopoly and the prohibition of advertising still make retail sales more difficult to develop, but the market is much more open and competitive.

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

In January, 2001 the California Wine Institute opened an information office in Stockholm. The Wine Institute promotes California wines through participating in wine exhibitions, tastings, wine trips to California, promotional materials and other promotional activities.

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 Munkankarna, 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 Vinsällskap active around the Stockholm area. In addition, there are a number of small, private wine clubs. Importers also arrange small tastings and FAS/S is often assisting with these tastings. These smaller tastings are usually targeted to restaurant managers and wine writers and publishers.

Competitor activities include participation in wine exhibits. The major wine exporting countries, such as Spain, Italy and France hold annual wine days in Stockholm. Third country wine producing countries such as Australia, South Africa and Chile 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. Germany 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 member to the EU has significant growth potential. Its proximity to Russia and the Baltic countries also makes it a potential springboard for those markets.

STATISTICAL INFORMATION

Import Trade Matrix - Table Wine 2204, Vermouth 2205

Import Trade Matrix			
Country	Sweden		
Commodity	Wine		
Time period	CY	Units:	1,000 liters
Imports for:	1999		2000
U.S.	8403	U.S.	6569
Others		Others	
Spain	39725		29029
Italy	19634		19699
France	16483		15454
Germany	11085		10843
Chile	6606		8010
South Africa	5353		5963
Australia	5510		5270
Hungary	2369		1941
Argentina	1081		1209
Total for Others	107846		97418
Others not Listed	11883		14054
Grand Total	128132		118041

Export Trade Matrix - Table Wine 2204, Vermouth 2205

Export Trade Matrix			
Country	Sweden		
Commodity	Wine		
Time period	CY	Units:	1,000 liters
Exports for:	1999		2000
U.S.	1	U.S.	1
Others		Others	
Norway	617		660
Denmark	292		124
Estonia	275		175
Finland	41		81
UK and Ireland	32		227
Russia	3		2
Lithuania	2		0
Total for Others	1262		1269
Others not Listed	129		95
Grand Total	1392		1365

Average Import Price - Table wines 2204, Vermouth 2205

Prices Table			
Country	Sweden		
Commodity	Wine		
Prices in	SEK	per uom	Liter
Year	1999	2000	% Change
Dec	18.6	20.3	9.14%
Exchange Rate	10.477	Local currency/US \$	