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EU-27

Wine Annual

Wine Annual Report and Statistics

Approved By:
James Dever

Prepared By:
Sandro Perini

Report Highlights:
The European Union (EU) is the world's largest wine producer, consumer, exporter, and importer. Total EU-27 wine production in 2009/10 decreased 1 percent due to adverse weather, mainly in Spain and to a lesser extent in Germany and Romania. This decrease was only partially offset by increases reported in France and Italy. Wine consumption is expected to decline in 2010/11 primarily to the continued general economic crisis. EU exports in 2009 declined 8 percent in volume and 17 percent in value. Total EU imports in 2009 increased 4 percent in volume, but declined 11 percent in value. Wine shipments from the United Sates remain fairly stable and are increasingly represented by bulk wine bottled locally for distribution within the EU.

Executive Summary:

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.

This report has been made possible due to the expert contributions of the following Foreign Agricultural Service analysts:

Dietmar Achilles from FAS Bonn
Karin Bendz from FAS Brussels
Laurent Journo from FAS Paris
Arantxa Medina from FAS Madrid
Roswitha Krautgartner from FAS Vienna
Ferenc Nemes from FAS Budapest
Dorian Lunt from FAS London

MHL = Million Hectoliters
HL = Hectoliter = 100 liters
MY = Marketing Year. The EU local marketing year used in this report is August to July
VPQRD = Wines of Quality Produced in Determined Regions

PSD Table - EU/27

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

	2008/09	2009/10	2010/11
Beginning stocks	170,864	174,187	177,687
Production	166,800	164,500	165,000
Imports	13,249	13,000	13,000
TOTAL SUPPLY	**350,913**	**351,687**	**355,687**
Exports	16,008	15,000	16,000
Total consumption	16,008	159,000	158,000
-human	160,718	133,000	132,000
-other	134,656	26,000	26,000
Ending stocks	26,062	177,687	181,687
TOTAL DISTRIBUTION	**350,913**	**351,687**	**355,687**

Commodities:
Select

Production:
PRODUCTION

The European Union continues to be the world leader in terms of vine growing area (almost half of the total) and wine production volume (about two thirds of the overall world crop, on average). Within the EU, the production of France, Italy and Spain represents, on average, almost 80 percent of the total. Other important producers include Germany, Portugal, Romania, Greece and Hungary, but the wine sector also has a considerable role in other countries, such as Austria, Bulgaria and Slovenia. The following table shows production trends in the leading EU wine producing countries during the most recent years.

WINE PRODUCTION TREND IN SELECTED EU COUNTRIES

(1,000 HECTOLITERS)

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
France	50,352	46,360	57,386	52,105	53,025	46,548	42,582
Italy	44,604	44,087	53,135	50,462	49,633	42,514	46,245
Spain	33,578	41,843	43,168	36,158	38,290	36,781	41,583
Germany	9,984	8,191	10,107	9,256	9,000	10,261	9,991
Portugal	6,677	7,283	7,481	7,254	7,532	6,049	5,620
Greece	3,095	3,804	4,282	3,989	3,899	3,487	3,873
Romania	5,461	5,555	6,166	2,602	5,014	5,215	6,786
Hungary	3,500	3,900	5,272	3,103	3,144	3,168	3,222

Source: EU Commission and FAS Europe Offices

Total EU-27 wine production in 2009/10 is still preliminarily estimated at 164.5 MHL, or 1 percent less than in 2008/09. Crop increases reported especially in France and, at a lesser extent, in Italy were almost completely offset by reductions due to adverse weather mainly in Spain, but also in Romania and Germany.

After only one year, **France** has re-gained the position of leading wine producer in the EU and in the world. Production for the current marketing year is estimated at 47.3 MHL, or 11 percent larger than the exceptionally low 2008 crop, which had been affected by bad weather conditions. Production increases are reported for all types of wine, particularly AOC (Appellation of Origin) and VDQS (Superior Quality) wines. The above volume, however, remains some 6 percent below the five year average for 2004-2008, mainly as a consequence of the declining planted area. Payments granted by the EU to farmers uprooting their vines have resulted in a reduction of almost 14,000 hectares of French land under vine for each of the last three years. Based on France Agrimer, France had 804,687 hectares of vineyards for wine production in 2008, of which 59 percent were devoted to VQPRD wines. In 2009, there were 2,500 organic wine growers on about 28,000 hectares, up 59 percent, compared to 2007, representing 3 percent of the total wine grape planted area.

Despite the slight increase over 2008, **Italy**, as said above, has lost its leading position among the world wine producing countries, although by a very little quantity. According to the latest estimates, the 2009 output is estimated at 47.3 MHL, or 2 percent higher than in the previous year. The situation does not appear homogeneous among the different producing regions, and even within each one of them, due to specific, different weather developments, which caused increases or declines. Moreover, another factor contributed to contain a more significant crop growth: the uprooting policy paid by the EU, interesting in 2008/08 about 12,000 hectares of land previously planted to vine. Another limiting factor is represented by the increasing implementation from many farmers of the grape thinning out practice, aimed at improving the crop quality.
The most important crop increases are reported in Trentino-Alto Adige (+7 percent), Emilia Romagna (+6 percent), Piedmont (+5 percent) and Sicily (+10 percent), while important decreases are noticed in some southern regions, particularly Abruzzo (-13 percent) and Apulia (-7 percent). Over 30 percent of Italy's wine production is represented by Controlled Appellation wines, and most of them are produced in northern and, to a lesser extent, central regions. In 2008/09, production area was officially reported at 703,000 hectares or less than half of the area in the early 80's.

Spain has the largest area of vineyards in the world, although declining in 2009 to about 1.1 million hectares. However, in terms of production, it is third following France and Italy, primarily due to low yields per hectare, because some vineyards are cultivated on marginal lands with reduced water supply. Production in 2009/10 is estimated at 36.1 MHL, or sharply (-13 percent) lower than in the previous year, consequent to the continued drought in most producing regions. Production of controlled appellation wines in Spain has remained fairly stable during the most recent years.

In **Portuga**l wine production in 2009/10 is now estimated at 5.5 MHL, or marginally lower than the poor crop reported in 2008/09. The 2009/10 **German** wine production, estimated at 9.3, is 7 percent lower than in the previous year. The quality is said to be good to very good. Almost 40 percent is red wine. The distribution of red and white grape varieties has reached a stable level and the portion of red varieties is no longer growing. Actually, there seems to be a production revival of white varieties such as Riesling, Ruelaender (Pinot Grigio), White Burgundy and Chardonnay. Wine production in **Austria** is estimated at 2.3 MHL, or 20 percent less than in 2008, due to cold and rainy weather conditions during the flowering period. Quality, on the other hand, is reported generally good. About two thirds of the local production is represented by white wines.
In **Hungary,** the 2008/09 wine production is estimated at 3.4 MHL, or slightly above the previous year, but below the average level of the last five years. About 70 percent of wine produced in Hungary is white, 28 percent red, and less than 2 percent is rosé. Finally, a relatively strong decrease in production (-15 percent) is reported in **Romania**, where the crop, estimated at 5.6 MHL, remains, however, over the average of the recent past.

Consumption:
<u>CONSUMPTION</u>

The general economic crisis continues to affect domestic EU wine consumption, and this situation is not expected to change in the short term. Another important limiting factor is represented by the anti-alcohol campaigns conducted in some countries, primarily France and Italy, where advertising of wine is virtually impossible. In addition, health concerns and concerns over drinking and driving have pushed the local authorities to implement more stringent legislations, which further penalize alcohol beverage consumption.

In **Italy**, consumption is estimated to have declined further in 2009 (-1.3 percent according to a recent survey), for both table and quality wines, while consumption of Spumanti has marginally increased. In addition consumers adjusted their preferences toward cheaper wines. In value terms, therefore, family purchases of wine have declined in 2009 by 9 percent, on average.
Despite a continuing decline in French wine consumption, **France** remains the largest European wine consumer. During 2009 the consumers' purchase of wine decreased in all age groups, especially from the older population (over 50 years), which is still the core clientele of wine, as the younger generations show a greater preference for other alcoholic beverages. However, last year, the Vins de Pays' wines supermarkets sales rose by 9 percent in volume and 14 percent in value. This category represents more than one forth of total wines sold in supermarkets. Regarding the other wine categories, there has been a slight decline in Champagne sales compared to the previous year, while sales of AOC wines increased by 4 percent. 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. Quality wines (VQRD) comprise the bulk of food service sector purchases in France. A similar scenario is occurring in **Spain,** too, where wine consumption at home decreased by 10 percent in 2009, with a different trend for table wines (-16 percent) and quality wines (+4 percent).

In **Germany,** wine consumption has been shrinking by about two percent in 2009 as a result of the general global economic crisis. The reduction appeared predominantly in German red wine (-6/7 percent) but also German white wine lost customers (-4 percent). Of growing interest to German customers are rose wines. Imported wines actually sold better than in the year before. Per capita consumption in 2009 is estimated at 20.4 liters versus 20.7 liters in 2008. The wine trade reports that demand is trending towards young and somewhat lighter wines. The new rules of the EU Common Market Organization for wines favor the marketing of grape labeled wine which used to be less common for the German wine makers and traders. In the lower price range of less than €4.00 per 0.75 liter bottle the majority of wines is labeled by grape variety.

In the **UK** since the beginning of the 21st century, the wine market experienced an average yearly growth of 7%. However, since 2006 the rate of growth has slowed down dramatically. For the year 2009, volume and value sales were flat. While the value for white and rosé wine has continued to increase, the value for red wine has been decreasing since 2006. Last year, sales went up by 1.4% and 10.7% for white and rosé wine, and down by 1.1% for red wine. This reflects the changes in the market's trends; fuller styles are no longer as popular among consumers, who now prefer simple, less-complex, lighter, fresher styles of wine. The drive for healthier lifestyles also impacted negatively the demand for red wine, as consumers moved from red to white and rosé wines, which generally have slightly lower alcohol content. Both quantity and value sales of sparkling wine went down respectively by 3.3% and 8.3%, mostly because of the steep decline in champagne sales, which have been particularly hit by the recession.

Consumers have switched to cheaper but quality alternatives and those less affected by the economic downturn are being more conservative in their spending on champagne. The retail sector (or off-trade as is termed in the UK), accounts for 81.5% of UK wine sales, whilst the foodservice (or on-trade) represents 18.5%. Since 2004, the retail sector has been slowly gaining a bigger portion of the market, and although, with the recession, consumers were buying wine less frequently, they were also choosing to drink more at home, rather than going to restaurants and bars. 92% of the wine sold in the retail sector was through supermarket chains, offering heavy discounting and promotions on branded and own-labeled wines. New world wines continued to gain popularity. Their share of the market has increased from 50% to 56% since 2005. Wines from the US are still well-known mostly thanks to the Californian rosé.

In **Austria** due to the global economic crisis consumers tend cutting back on their expenditures of premium wines and consume increasingly domestic wine. Austrian consumers generally prefer locally grown light white wines. The latest trend by Austrian wine-growers is the production of full bodied high alcohol content red wines. This development will favor new world wines which are known for their high alcohol content. There is especially demand for good quality, inexpensive U.S. wine priced form $5 to $10 a bottle.

Trade:

TRADE

Intra-EU trade, still representing a major share of the total world volume, according to recent EU Commission data, during 2008/09 totaled 43.2 MHL. A large portion of this trade involves the shipments of bulk wines, used mainly for blending purposes, from both Italy to Germany (about 3 MHL in January-November 2009) and France (0.8 MHL) and from Spain to France (2.4 MHL in the same period) and Germany (1.1 MHL).

Total Italian exports to the EU/27 in January-November 2009 were 12.3 MHL, or 8 percent more than in the same period of 2008, due mainly to increased shipments to Germany and France of bulk table wines, used locally for blending, as mentioned above. Spanish exports to the rest of the EU in January-November 2009 reached 9.3 MHL (over two thirds of total Spanish wine exports), or 46 percent less than in the same period of 2008, due to the strongly declined shipments of bulk wine to Italy. French shipments to EU destinations in January-November 2009 were 7.3 MHL (30 percent less than in the previous year), directed to virtually all the major European markets.

Excluding the intra-EU trade, wine exports from the European Union to third countries in 2009 declined by 8 percent in volume and 17 percent in U.S. dollar value. The weaker import demand from virtually all the leading customers, connected to the global economic crisis, is of course the major reason of this drop. Furthermore, the higher decrease reported in terms of value than in volume can be explained by both by the decline of the wine prices and the stronger preference from the consumers in the importing countries towards cheaper wines. The following table shows exports from the EU-27 during the three most recent years.

EU/27 WINE EXPORTS

Quantity in 1,000 hectoliters

Value in $ million

Country of Destination	2007		2008		2009	
	Quantity	Value	Quantity	Value	Quantity	Value
U.S.	4,765	3,133	4,612	3,106	4,231	2,446
Russia	4,184	517	3,299	572	2,707	377
Switzerland	1,610	900	1,563	1,080	1,668	932
Canada	1,515	776	1,524	864	1,489	735
Japan	1,082	779	1,132	873	1,144	687
Angola	886	87	848	103	697	98
China	373	153	517	208	716	283
Norway	505	239	492	273	493	248
Nigeria	206	33	359	66	96	39
Brazil	232	99	226	113	193	96
TOTAL WORLD	**18,461**	**8,293**	**17,609**	**9,117**	**16,261**	**7,544**

Source: Global Trade Atlas

The United States remains the leading export destination market (26 percent of the total in volume and 32 percent in value), for both Italian ($1.0 billion in 2008 and $0.9 billion in January-November 2009) and French ($1.1 billion in 2008 and $0.8 billion in January-November 2009) wines. In volume terms, Italian exports to the United States are two and half times compared to the French shipments. Russia is the second largest importer of EU wines (based on volume), although shipments to Russia further declined remarkably in 2009 (-18 percent), and are mainly represented by inexpensive Bulgarian and Spanish wines. Exports to China rose significantly in 2009 in terms of both quantity (+38 percent) and value (+36 percent). The EU is not only the largest wine exporter in the world, but also the largest importer. The main countries of origin remain, as can be seen from the table below, Australia, Chile, South Africa and the United States. Total imports, in any case, after the slight decrease reported in 2008, in 2009 recovered to 13 MHL, or the same record level reported in 2007. In value terms, however, imports dropped by 11 percent, consequent to the lower demand for the more expensive wines.

EU/27 WINE IMPORTS

Quantity in 1,000 hectoliters

Value in $ million

Country of Origin	2007		2008		2009	
	Quantity	Value	Quantity	Value	Quantity	Value
Australia	3,640	1,302	3,145	1,149	3,215	888
Chile	2,898	747	2,784	775	2,952	788
South Africa	2,320	583	2,694	621	2,968	619
U.S.	2,224	475	2,095	470	2,038	392
Argentina	661	172	712	199	629	181
Macedonia	494	41	387	26	403	26
New Zealand	321	243	338	244	446	231
Moldova	105	18	112	21	104	20
TOTAL WORLD	**13,000**	**3,731**	**12,535**	**3,652**	**12,993**	**3,257**

Source: Global Trade Atlas

U.S. exports to the European Union, after growing gradually in the recent past, have remained substantially stable during the last three years in quantity, but declined by 17 percent in 2009 in dollar value, consequent to the weak dollar. A large share of these U.S. exports (over 70 percent) are represented by bulk Californian wine, which is bottled in Europe for local consumption. Beginning in 2004, this bulk trade assisted the competitiveness of Californian wine by reducing tariff, transportation and bottling costs. In particular, the bulk exports to Italy in January-November 2009 were almost 600,000 hectoliters. Once bottled, this product is sold within the EU, mainly in the UK market. These sales have tended to result in a statistical overestimate of Italian imports of US wines and under represent the UK imports. Also the majority (over three fourth) of the U.S. wine imported into Germany, is shipped as bulk wine, bottled locally, and sold in leading German supermarket chains and discount food stores.

TRADE TABLES FOR SELECTED COUNTRIES

ITALIAN WINE EXPORTS

Quantity in 1,000 hectoliters

Value in $ millions

Country of Destination	2007		2008		Jan-Nov 2009	
	Quantity	Value	Quantity	Value	Quantity	Value
Germany	6,237	1,038	5,596	1,118	5,749	994
France	1,277	117	939	118	1,178	114
UK	2,341	647	2,371	722	2,421	578

Denmark	286	134	265	136	278	127
Czech Republic	577	38	553	46	510	38
Austria	454	100	342	100	313	88
Switzerland	612	299	607	332	630	289
U.S.	2,527	1,135	2,477	1,173	2,196	939
Canada	572	270	583	297	555	243
Japan	280	137	297	150	287	123
TOTAL WORLD	**18,606**	**4,843**	**17,339**	**5,262**	**17,356**	**4,374**

Source: Global Trade Atlas

FRENCH WINE EXPORTS

Quantity in 1,000 hectoliters

Value in $ millions

Country of Destination	**2007**		**2008**		**Jan-Nov 2008**	
	Quantity	**Value**	**Quantity**	**Value**	**Quantity**	**Value**
UK	3,014	2,007	2,453	2,067	1,824	1,339
Germany	2,601	868	2,319	971	2,052	759
Belgium	1,790	1,061	1,554	1,155	1,310	673
Netherlands	1,379	472	1,225	487	1,032	374
U.S.	1,084	1,233	994	1,122	828	837
Russia	737	89	205	69	126	36
Japan	588	529	588	589	498	408
Canada	586	367	554	418	490	311
Switzerland	534	384	444	507	406	343
TOTAL WORLD	**15,248**	**9,368**	**13,095**	**9,986**	**10,916**	**6,927**

Source: Global Trade Atlas

SPANISH WINE EXPORTS

Quantity in 1,000 hectoliters

Value in $ millions

Country of Destination	**2007**		**2008**		**Jan-Nov 2009**	
	Quantity	**Value**	**Quantity**	**Value**	**Quantity**	**Value**
UK	1,271	423	1,258	411	1,070	327
Germany	2,376	392	2,514	481	2,086	352
France	2,639	147	3,108	202	2,684	152
Netherlands	415	102	433	115	339	84

Italy	530	118	8,012	169	258	25
Switzerland	339	135	369	142	338	127
Russia	1,535	82	1,322	90	915	42
U.S.	536	265	482	265	433	219
Angola	339	19	335	19	244	11
TOTAL WORLD	**14,841**	**2,459**	**23,622**	**2,818**	**13,161**	**2,094**

Source: Global Trade Atlas

UNITED KINGDOM WINE IMPORTS

Quantity in 1,000 hectoliters

Value in $ millions

Country of Origin	**2007**		**2008**		**Jan-Nov 2009**	
	Quantity	**Value**	**Quantity**	**Value**	**Quantity**	**Value**
France	2,621	1,831	2,364	1,943	1,749	1,264
Italy	1,559	449	1,655	529	1,952	552
Spain	1,013	347	994	351	805	282
Germany	641	167	690	193	538	139
Portugal	180	103	177	89	150	75
Australia	2,267	928	2,084	814	2,039	564
Chile	994	341	907	329	1,005	315
U.S.	795	217	835	212	701	142
South Africa	750	245	938	243	1,043	229
New Zealand	267	203	288	204	354	176
Argentina	210	58	199	59	160	47
TOTAL WORLD	**11.677**	**5,045**	**11,515**	**5,130**	**10,758**	**3,887**

Source: Global Trade Atlas

GERMAN WINE IMPORTS

Quantity in 1,000 hectoliters

Value in $ millions

Country of Origin	**2007**		**2008**		**Jan-Nov 2009**	
	Quantity	**Value**	**Quantity**	**Value**	**Quantity**	**Value**
Italy	6,070	964	5,764	1,112	5,425	914
France	2,510	856	2,374	966	2,032	692
Spain	2,282	372	2,364	411	1,871	300
Austria	368	65	371	80	383	73
Portugal	148	37	189	56	169	46

Macedonia	380	20	351	23	382	24
South Africa	556	87	667	98	633	87
Australia	400	65	265	58	310	54
U.S.	415	69	399	69	370	57
Chile	535	70	483	70	406	62
TOTAL WORLD	**14,509**	**2,795**	**14,075**	**3,143**	**12,769**	**2,479**

Source: Global Trade Atlas

Policy:

POLICY

In April 2008, the EU Council of Ministers reformed the Common Market Organization (CMO) for wine, with the target to reduce overproduction, phase out expensive market intervention measures and make EU wine more competitive on the world market.

The European Commission's assumption was that EU wine producers are disadvantaged because they are smaller than major competitors' in other countries and their production is not adequate to the needs of large-scale retailers, in presence, moreover, of regulatory constraints and ineffective market strategies.

Other issues faced by the new CMO include: increasing 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: In the wine reform the EU targeted an area of 175,000 hectares to be grubbed up over a three year period. For 2009, Member States submitted applications for grubbing up nearly 160,000 hectares, representing 4 percent of the total EU wine grape planted area. After applying a "reduction coefficient" (to accommodate oversubscription for the scheme), the actual area was scaled down to over 73,000 hectares. The 2009 budget for Grubbing-up was €464 million. For 2010 there is again a substantial oversubscription and the Commission expects a coefficient of 45.9. The budget for 2010 is €334 million. The budget for 2011 is €276 million. The reasons for the oversubscription of the grubbing-up program are expected to be the low wine prices, the labor intensity and financial difficulties.

The allocations are distributed to the interested Member States, which then decide how to spend that money. For example, a Member State could distribute its allocations to all applicants providing only partial compensation or it could prioritize which applicants are accepted.

Planting rights: There is currently a prohibition of new plantings in place until December 31, 2015, while replanting is allowed where producers undertake to grub up equivalent areas planted with vines.

Member States are given the possibility to extend the prohibition until 2018.

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

The reasons of this measure are to gain the beneficial effects on the environment, due to the application of the cross-compliance rules.

National Envelopes: The term "National Envelope" is used to refer to a flexible funding allocation that Member States are given according to their own priorities. Article 7 of the Wine CMO outlines 11 measures that each Member State can choose to support its wine industry. In 2010, it is likely that about one third of the funds for wine sector restructuring and conversion will be used. Restructuring and conversion of the wine yards is done to improve the competitiveness and can include relocation and improvements to vineyard techniques.

Promotion in third-country markets: The new CMO has established the possibility for the Member States to promote their wines in third country markets with funding from the National Envelopes. The Community contribution for this may not exceed 50 percent of the eligible expenditure. For 2010, total allocations for promotion amount to more than €140 million. However, according to Commission sources, current general recession has made this measure less attractive and only 5 percent of the funding has been, thus far, used for this purpose.

Crises Distillation scheme: The distillation scheme of surplus wine is gradually phased–out. The emergency distillation scheme has a four-year phase out scheme until 2012, going from a maximum of 20 percent of ational funding in 2009 to a maximum of 5 percent in 2012. Distilled alcohol must be used in the industrial sector.

Rural Development Funding: All Rural Development (RD) measures are jointly funded between the EU and national authorities. The rate of EU co-financing varies between 50 and 80 percent depending on what the funding is for and the region. The Member States or local authorities pay the reminder.

Only three Member States have allocated budget for using RD funds for the wine sector: Spain, France, and Italy. The total budget for these Member States increases from about €40 million in 2009 to €80 million in 2010 and €120 million annually for 2011 and onwards. The largest part of this money is used to improve the quality of the wine. Some of this money is also used for environmental purposes, for example to keep the vineyards on slopes where other types of agriculture are difficult and where there is a risk of land abandonment.

Labeling: As of August 1, 2009, labeling of EU wines is based on protected geographical indications/designation of origin. However, well-established traditional national quality-labeling schemes (such as AOC and AO-VDQS in France or DOC and DOCG in Italy), already registered by that date, have been kept. Simplified labeling rules allow also EU wines to be labeled for grape variety and vintage.

The financial allocations for 2010 connected to the implementation of the CMO for the wine sector, broken down by individual measure and Member State, are included in the following tables:

http://ec.europa.eu/agriculture/markets/wine/facts/annex4_2010_en.pdf

Marketing:

MARKETING

EU wine promotion abroad

The promotional activities for EU wines are implemented differently by each leading wine producer and exporter, and are carried out both within the EU and in the most important world markets.

In **France,** the Government and inter-professional organizations underwrite assistance for the domestic and international promotion of wines for the French market promotion agency (SOPEXA), which actively promotes French wines in the EU and overseas markets. FRANCE AGRIMER (the new French Association for Horticultural and Wine Products) receives funding from 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,** the German Wine Institute will spend €1.5 million to promote Riesling wines in the United States for the period 2008-2010. Media presence will be intensified and a Riesling-Week will be organized in restaurants in New York, Chicago, Las Vegas, and San Francisco. International promotion of German wines will primarily focus on Riesling and Late Burgundy wines.

Within the EU, **Austrian** wine sales promotion activities are generally concentrated in Germany, Great Britain, Ireland, Belgium, the Czech Republic, Sweden, Italy, Norway, and Poland. Targeted non-EU countries are Switzerland and the United States. The new EU sales promotion for non-EU countries has enabled the opening up of markets which were difficult to access like Russia and the entire Asian region. Austrian wine promotion is carried out by the Austrian Wine Marketing Board (AWMB). The purpose of the AWMB is the implementation of marketing measures for Austrian wine and it receives its budget from marketing contributions of the Austrian wine industry (about €3 million), the federal states (about €2.5 million) and the Austrian federal budget (about €1.5 million).

Spain traditionally exports mostly wine in bulk, both to other EU countries as well as out of the EU. T his market is not the most profitable and in many cases is being taken over by other countries, such as Chile or Australia. The Spanish wine industry is interested in changing its strategy and focusing on exports of wines under geographical indications, with higher quality and more added value. ICEX (Institute of Foreign Trade) is the organism responsible for the promotion of Spanish products, wine amongst them. The 'Activity Plan 2010' is readily available in the following link:

(http://www.winesfromspain.com/FicherosEstaticos/vinos/Plan%20Actividades.2010-4febr.pdf)

This activity plan includes a wide range of initiatives and actions in almost 30 countries, such as trade shows, seminars, meetings with journalists, wine tastings, advertising, promotional events, etc.

In **Italy** the Italian Trade Commission (ICE), an agency of the Ministry of Economic Development, continues to be 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. Total expenditures, however, to promote Italian wines abroad, both within the EU and in third countries, have been cut in 2010 to no more than €3.5 million, due to budget constraints. Major promotional events include workshops, wine tastings, and point of sale promotions, mainly targeting the United States, United Kingdom, Canada, Switzerland, and Japan. The Ministry of Economic Development's allocation is spent almost entirely at fairs and shows, where the cost of national pavilions is shared with private companies. 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 largest program for US wine promotion is mostly carried out by the Wine Institute of California. Their long term strategy focuses on maintaining the reliability of developed brands and the quality of high end boutique wines, as well as developing the profile and availability of the $10-20 sector. The UK continues to be the most important export market for the Napa Valley Vintners. Their trade body has a promotional program in the UK, administered through a Public Relations agency, Emma Wellings PR. Their program focuses on moving consumers from lower priced wines into the mid and upper tier, through a combination of their annual trade events and trade and consumer education. The Washington Wine Coalition and the Oregon Wine Board are represented in the UK by trade consultant – Hilltop Wines. Their priority is to establish a clear identity in terms of quality and value for the Pacific Northwest wines. Their marketing strategy includes attendance to trade shows, tastings and media/buyer tours.

In **Germany** American wines receive an excellent reputation with the consumers. However, the price seems to have become a leading factor for the competition between New World suppliers. Another important factor for success is the branding of the product. Imported wine is increasingly represented through the brand and the grape variety. The leading trade show for presenting U.S. wines in Germany is the ProWein taking place in March every year: www.prowein.de . Aside from the major tradeshow the California Wine Institute arranges numerous wine tastings at prominent locations and events in Germany.

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, as well as Chile, Australia, South Africa and Morocco. Central and eastern European wine producers are potential competitors.

Author Defined:

Excises and Other Taxes

Details on wine excises and Value Added Tax (VAT) in the different EU countries 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

Excise taxes vary considerably among member countries, ranging between zero in many producing countries to different levels in the non-producing countries. In April 2009 the UK has increased its excises on all the alcoholic beverages by 2 percent. VAT rate (ad valorem) rates also vary among the different countries, with a maximum rate of 25 percent in Denmark, Sweden and Hungary.

RELATED REPORTS FROM EU POSTS

Report Number	Title	Date Released
E49061	New EU Wine Labeling Rules	08/31/09
IT9020	Authorities release information on Brunello case	07/22/09
IT9025	Yet Another Italian Wine Scandal - Amarone	09/16/09
IT1002	Ministry of Agriculture extends the Brunello case for the 3rd time	01/11/10