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EU-27

Wine Annual

Wine Annual Report and Statistics

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Report Highlights:
CY 2012 EU-27 wine production is still preliminarily estimated at 141 Million Hectoliters (Mhl), a decline of 9 percent from the previous year. Among the major EU wine producing countries, decreases occurred in France (-19 percent), Italy (-8 percent), and Spain (-5.6 percent), while increases were registered in Greece (+15 percent) and Portugal (+4 percent). EU-27 wine consumption is estimated to remain flat during CY 2012. The EU-27 remains the world's leading wine exporter and importer in CY 2012, exporting 22.3 Mhl valued at $11.3 billion, while importing 13.6 Mhl valued at $3.2 billion. The United States remains the leading export market for the EU-27 as a whole.

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

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Table 1: EU-27 Production, Supply, and Demand (‘000 Hectoliters, CY Jan/Dec)

	2011	2012	2013
Beginning stocks	164.921	160.483	140.978
Production	155.671	140.840	154.706
Imports	13.625	13.620	13.550
TOTAL SUPPLY	**334.217**	**314.943**	**309.234**
Exports	22.474	22.300	22.400
Total domestic use	151.260	151.665	151.979
Human consumption	126.000	125.000	126.000
Other	25.260	26.665	25.979
Ending stocks	160.483	140.978	134.855
TOTAL DISTRIBUTION	**334.217**	**314.943**	**309.234**

Source: FAS Europe Offices

Production

The European Union (EU-27) is the world’s leader in wine production, with almost half of the global vine-growing area and about 60 percent of production by volume. Italy, France, and Spain are the largest EU wine producing countries, representing 80 percent of total output, followed by Germany, Portugal, Romania, Greece, and Austria. Wine is an important sector also in Hungary, Bulgaria, and Slovenia.

The following table shows production trends in the leading EU wine producing countries in the last six years.

Table 2: Wine production* trend in the EU-27 (‘000 Hectoliters)

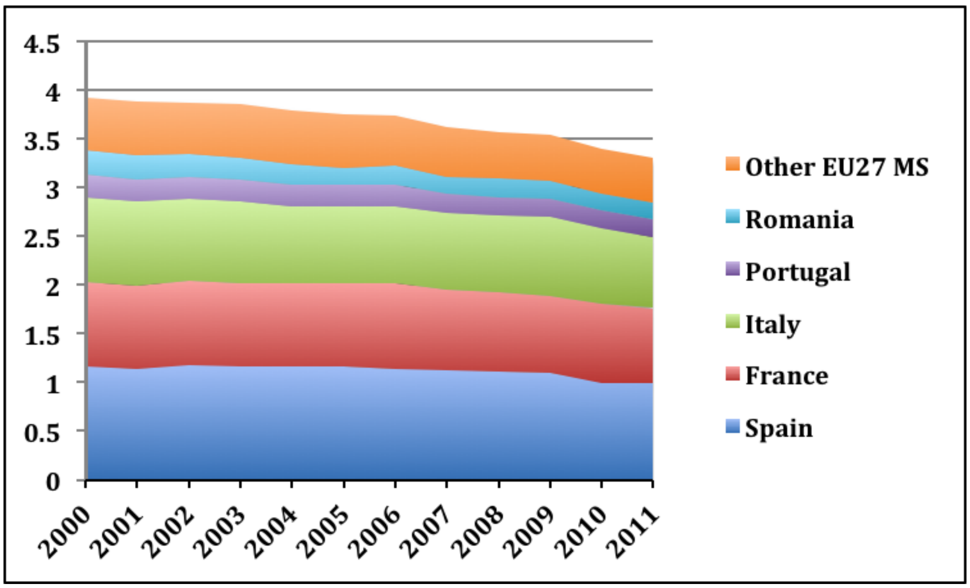
	2007	2008	2009	2010	2011	2012
France	45.672	41.640	46.269	45.669	50.757	40.609
Italy	42.514	46.245	45.800	46.737	42.705	39.300
Spain	36.408	35.913	36.097	35.363	33.397	31.500
Germany	10.261	9.991	9.228	6.906	9.132	8.903
Portugal	6.074	5.620	5.872	7.133	5.610	5.857
Romania	5.289	5.159	6.703	3.287	4.213	4.059
Greece	3.511	3.869	3.366	2.950	2.750	3.150
Austria	2.256	2.628	2.672	2.352	1.737	2.815
Hungary	3.222	3.460	3.198	1.762	2.750	1.874
Other EU-27 countries	3.853	3.604	3.034	2.616	3.177	2.773
EU-27	**159.060**	**158.129**	**162.238**	**154.775**	**155.671**	**140.840**

*Volume of product removed from fermenters after the first natural fermentation of the must of fresh grapes (juices and other musts excluded) 2011 (provisional) – 2012 (estimates)

Source: OIV (International Organization of Vine and Wine); Eurostat; FAS Europe Offices

EU-27 vine-growing area has been declining over the past few years due to shrinking margins and the implementation of the new Common Market Organization (CMO) grubbing-up scheme (see the Policy section for details). The grubbing-up scheme involved voluntary withdrawal from vine growing. Subsidies were decreased over three years (2009-2011) to reduce production of uncompetitive wines and cut surpluses. Producers were compensated for alternatives. According to the EU Commission, 175,000 hectares (Ha) were taken out of production between 2009 and 2011, the last year of the program. The 2012 EU area under vines is therefore the first in 3 years not to be influenced by these premiums. However, this does not mean that the community vineyard is permanently stabilized or the 2012 EU area under vines is the same level as 2011. Without accurate information at this stage, some countries (i.e., Romania, Bulgaria, and Hungary) are indicating an expected reduction in their vineyards between 2011 and 2012. Cumulative reductions in the surface areas of Member States are one of the effects of the low EU production levels observed in recent years. However, climate conditions over the past year have significantly influenced the expected 2012 production level.

Table 3: EU-27 total vineyards area* trend (Million, Ha)



*Area harvested (wine grapes + table grapes)
Source: FAOSTAT

CY 2012 EU-27 wine production is still preliminarily estimated at 141 Million Hectoliters (Mhl), 9 percent down from the previous year. Among the major EU wine producing countries, decreases occurred in France (-19 percent), Italy (-8 percent), and Spain (-5.6 percent), while increases were registered in Greece (+15 percent) and Portugal (+4 percent), but in comparison to modest 2011 wine production volumes. Significant decreases occurred in Hungary (-32 percent), and Austria (-24 percent), while Romania (-3.6 percent) and Germany (-2.5 percent) performed better. Bulgaria registered an increase of 2.1 percent.

France ranks as the world's largest wine producer in CY 2012, with 16 percent of the global market share, followed by Italy and Spain. After a few years of poor harvests and late frosts, heavy rain throughout the spring and early summer, and higher than usual levels of mildew in the vines, especially in the central regions, France's CY 2012 production is estimated at 40.6 Mhl, 19 percent below CY 2011 (50.7Mhl) CY 2010 vineyard area was officially reported at 774,000 Ha. Approximately 45 percent of French vineyards are devoted to AOC (Appellation d'Origine Contrôlée) and VDQS (Vin Délimité de Qualité Supérieure) wines; 28 percent to IGP (Indication Géographique Protégée) wines, 11 percent to table wines and 16 percent to *brandy* production (mostly *cognac*). On average, 85,000 farms produce 42 Mhl of wine per year (42.4 Mhl in 2011).

Italy's CY 2012 wine grape harvest has been the poorest in the last 60 years, because of the drought and the high temperatures that hit the crop at the end of summer. As a result, wine production dropped 8 percent from 42.7 Mhl in CY 2011 to 39.3 Mhl in CY 2012. The most significant decline occurred in the Centre-North area, especially in Lombardia (-20 percent), Toscana (-20 percent), Trentino Alto Adige (-15 percent), Veneto (-15 percent), Friuli Venezia Giulia (-15 percent), and Piemonte (-10 percent). In the Centre-South area, Lazio and Puglia registered a decrease of 15 and 10 percent respectively. In Sicily, wine grape production climbed 15 percent to 5.6 Mhl. The harvest started in mid August and ended in mid October with the bulk reaching the peak in mid September. Reportedly, quality is good on average due to limited fungi attacks and to a higher alcoholic content. About one-third of Italy's wine production is Controlled Appellation wines (DOC and DOCG), most of which are produced in Northern and, to a lesser extent, Central regions. CY 2011 production area was officially reported at 725,353 Ha. According to industry contacts, the most popular grape varietals for red wine are *Montepulciano*, *Barbera*, *Sangiovese*, and *Merlot*. *Tocai* is the most popular choice of white wine and *Montepulciano* for rosé. In white wine, other popular grapes are *Prosecco*, *Chardonnay*, and *Pinot Grigio*. In rosé, *Pinot Noir* and *Negroamaro* grapes experienced an increase in their popularity over CY 2011.

Despite having the largest vineyard area in the world, **Spain** ranks 3rd in EU-27 wine production behind France and Italy, primarily due to low yields as some vineyards are cultivated on marginal lands with limited water. CY 2012 production is estimated at 31.5 Mhl, 5.7 percent below the previous year because of dry and hot weather that affected mainly Central Spain (Extremadura, Castilla-La Mancha, and Valencia) during 2012. However, the widespread uses of irrigation–especially in Northern Spain–helped mitigate the impact of the drought. Reportedly, quality is good on average due to limited fungi attacks. The majority of wines produced in Spain are PDOs (Protected Denomination of Origin) or PGIs (Protected Geographic Indication), 13 Mhl and 2.5 Mhl respectively. Production of red and rosé wine accounted for 58 percent of the total in CY 2011, and white wine took the remaining 42 percent.

German CY 2012 grape wine production is estimated at 9 Mhl. This is a slight decrease of 2.5 percent from the previous year and qualifies as an average production compared to the last ten years. The quality is exceptionally good due to the sunny fall weather, which allowed a long ripening period and healthy grapes. Just over 73 percent of the harvested grapes qualify for "Praedikatswein" (premium wine) compared to 70 and 41 percent in 2011 and 2010, respectively. More than 99 percent qualify for controlled appellation wines. In Germany, approximately 102,096 Ha are currently planted with grapes for wine production: 64 percent to white wine varieties and 36 percent to red varieties. However, when looking at volumes, the relation is 60 percent white and 40 percent red, as red varieties generally have a slightly higher yield. The top five white varieties are *Riesling*, *Mueller-Thurgau*, *Silvaner*, *Pinot Grigio*, and *Pinot Blanc*, accounting for 77 percent of the white wine area. The most popular red varieties are *Pinot Noir*, *Dornfelder, Portugieser*, *Trollinger*, and *Black Riesling* accounting for 78 percent of the red wine area.

Portugal is the fifth largest wine producer in the EU-27, with production estimated at 5.9 Mhl in CY 2012, 4.4 percent more than the previous year, as a result of a flowering period without major problems, especially in Lisbon, Tejo, and Península de Setúbal. Quality is good, but grape caliber is estimated to be lower because of the hot and dry weather during 2012. Portugal is divided into 14 main high quality wine producing regions. After completing the 3-year EU "grubbing-up scheme," Portuguese grape growing area was reported at 179,472 Ha in CY 2011. The majority of wines produced in Portugal are either PDO or PGI. Production of red and rosé wine stood at 71 percent in CY 2010, and white accounted for the remaining 29 percent.

Romania's CY 2012 grape wine production is estimated to decrease by 3.6 percent due to the heavy frost in February 2012 and the severe heat and drought over the summer that damaged the crop in the main producing areas. However, the late summer heat helped sugar accumulation creating the grounds for a good quality wine. Because of early ripening, the harvesting period started three weeks earlier than usual. The vineyard area has been on a downward trend for the last three years, falling from 184,400 Ha in CY 2009 to 175,000 Ha in CY 2012. According to official data, white varieties occupy about 85 percent of the total vineyard area, while red varieties account for the remaining 15 percent. *Feteasca Alba* and *Feteasca Regala* are the main white varieties, followed by *Riesling, Aligote, Sauvignon,* and *Muscat*. Leading red varieties are *Merlot* and *Cabernet Sauvignon*. In CY 2010, PDO and PGI wines represented 10 and 18 percent of the market, respectively. Wineries can apply to EU funded reconversion programs to replace the hybrid vineyard with noble vineyard.

Greece's CY 2012 wine production is estimated to increase by 4 percent due to favorable weather. Greece's wine producing areas include Northern Greece, Central Greece, Peloponnese and the Ionian islands, the Aegean islands, and Crete. In Greece, there are two categories of VQPRD: Wines with Appellation of Superior Quality (Οίνοι Ονομασίας Προελεύσεως Ανωτέρας Ποιότητος, or ΟΠΑΠ) and Wines with Appellation of Controlled Origin (Οίνοι Ονομασίας Προελεύσεως Ελεγχόμενης, or ΟΠΕ**)**. ΟΠΑΠ wines include *Amyntaio, Anchialos, Archanes, Dafnes, Goumenissa, Lemnos, Mantinia, Naoussa, Paros, Patras, Rhodes, Santorini*, etc. ΟΠΕ wines comprise *Samos, Muscat of Patras, Mavrodaphne of Patras, Mavrodaphne of Cephalonia Muscat of Lemnos, Muscat of Rion of Patras,* *Muscat of Rhodes,* and *Muscat of Cephalonia.*

Austria's CY 2012 grape wine production is estimated at 2.1 Mhl (Statistik Austria), approximately 400,000 Hl lower than the five-year average. This can be attributed mostly to late frost in May, which caused significant losses especially in Lower Austria. However, summer was dominated by dryness and moderate heat, which had a positive impact on the grape quality. CY 2012 Austrian vineyard area is estimated at 43,783 Ha (no change from 2011). While the average size of winegrowing farms has increased significantly during the last two decades, the structure of viniculture in Austria is still characterized by small average size (2.3 Ha in 2009, latest vineyard census). White wine accounts for the larger share; 22 major white wine varieties were cultivated on 65 percent of the vineyards in 2009. During the last 10 years, the share of red varieties (14 major varieties) has increased from 26 to 35 percent of total vineyards. Average harvest yields are around 2.5 Mhl. Three general quality designations are recognized in Austria**:** "Tafelwein" (table wine), "Qualitaetswein" (quality wine), and "Praedikatswein" (premium wine). The categories are determined by sugar content of the grape must. More than 50 percent of Austrian wine production consists of quality wine. In addition, the number of denomination of origin areas, which feature wines defined by a specific taste profile (DAC = Districtus Austriae Controllatus) is increasing and totaled seven in 2010.

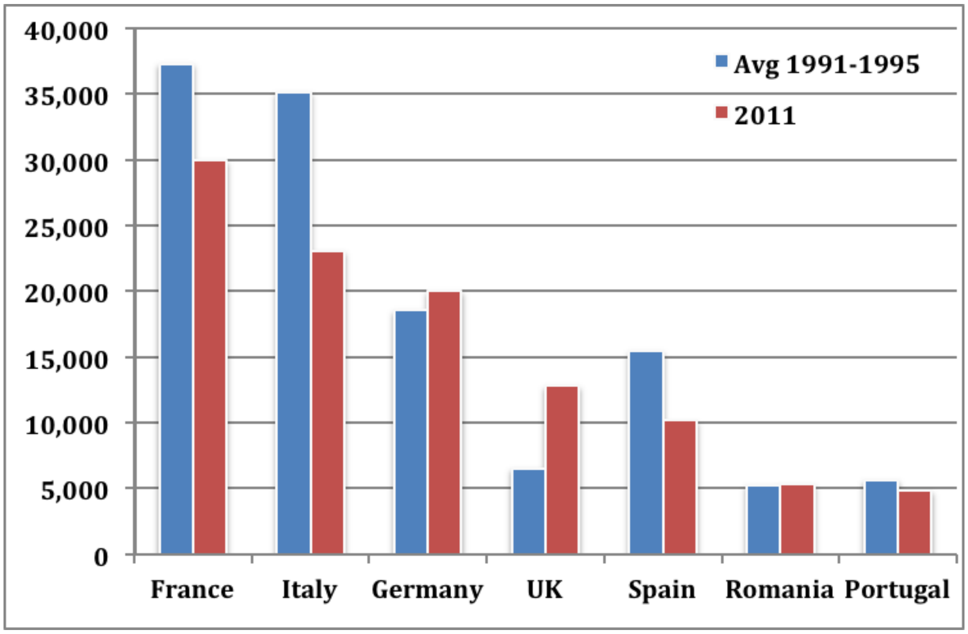
Hungary's CY 2012 grape wine production is estimated at 1.9 Mhl, 32 percent less than CY 2011 because of the severe drought, but quality is excellent. A slow decrease in wine production, along with shrinking vineyard area, is expected for the next couple of years. About 70 percent of Hungarian wine is white, 28 percent red, and less than 2 percent rosé.

Bulgaria's CY 2012 wine production is estimated at 1.2 Mhl, 2.1 percent higher than the previous year. Bulgarian vineyard area was estimated at 78,468 Ha in CY 2011. Total Bulgarian viniculture area has been decreasing since 2000 and this trend has not bottomed yet. The fragmentation in production and the high number of small vineyards and farms led to substantial problems with investment and marketing. As a result, total vineyard area declined by 51 percent over the last 10 years. Red varieties (mainly *Merlot*, *Cabernet*, and *Pamid*) account for 62 percent of total area, with the remaining 33 percent planted to white varieties (mainly *Red Misket*, *Muskat Ottonel*, and *Rkatsiteli*).

Consumption

CY 2012 EU-27 wine consumption is estimated to remain flat. Per capita wine consumption has been falling for decades especially in Southern European countries, where changing lifestyles and tastes, anti-alcohol drinking campaigns, and health concerns have affected overall demand. Meanwhile, consumption is neutral or even slightly increasing in Northern Member States, and it is more oriented towards branded wines or varietal wines than PDO/PGI wines. Another relevant development is the increasing demand for bulk wines, due to lower transport costs. Industrial use of wine in the EU-27 (i.e. potable alcohol distillation, by-products distillation, crisis distillation, etc.) has decreased from around 33 Mhl in 2006/07 to slightly over 26 Mhl in 2009/10 (-7 Mhl), mostly due to the decrease in EU subsidized distillations. Industrial uses of wine in the coming years can be estimated at 13 Mhl distilled into potable alcohol for the alcoholic beverages industry, 5-6 Mhl distilled into alcohol for energy or other non-potable purposes (including the alcohol resulting from compulsory or voluntary delivery of by-products) and 3-4 Mhl for vinegar.

Table 4: EU-27 MS wine consumption trend ('000 Hectoliters)



Source: OIV, Eurostat

France remains the largest European wine consumer, although per capita consumption has declined since the 1960s, stabilizing at 50 liters per year. French consumers purchase most of their wine in supermarkets. Specifically, AOP (Appellation d'Origine Protégée) wine sales remained stable in volume (5 Mhl), while growing in value by 2.1 percent to 2.6 billion Euros ($3.5 billion); sales of IGP (Indication Géographique Protégée) wines increased by 2.6 percent in volume (2.7 Mhl) and 3.9 percent in value (600 Mln Euros – $800 Mln). Table wines declined by 7.3 percent in volume (0.9 Mhl) and 6.4 percent in value (170.3 Mln Euros - $220 Mln). The market share of wine packaged in Bag-in-box (27.4 percent in 2010) grew in terms of both volume (2.6 Mhl) and value (559.7 Mln Euros – $727 Mln) by 10.4 and 11.2 percent, respectively.

Wine consumption has been declining in **Italy** for decades. Causes for the trend include changing lifestyles and tastes, anti-alcohol drinking campaigns, and health concerns. According to industry estimates, per capita wine consumption—currently less than 40 liters—will fall further by 2015, considerably down from 120 liters in the 70s. Recent wine consumer surveys show that Italian origin and knowledge of the winery are main elements in determining the consumer's choice. Italian wine consumers cope with the economic austerity climate, by seeking for higher quality wine at fair price. However, despite the longstanding Italian wine tradition, consumers' preferences are gradually shifting to other alcoholic beverages such as beer, liqueurs, and spirits. This trend is more relevant on occasional and out-of-home consumption, while wine is still the most consumed on a daily basis during meals.

Total **German** wine consumption in recent years has fluctuated between 19.3 and 20.8 Mhl. Similarly, per capita consumption varies between 23.8 and 24.4 liters. As a comparison, per capita consumption of beer, although declining, currently amounts to 107 liters. In 2011, German households spent 11.1 billion Euros on alcoholic beverages. Within this category, wine and sparkling wine together accounted for 40 percent of expenditures, followed by beer (29 percent), and spirits (26 percent). When looking at imported wine, German households tend to favor red wines over white wine. In 2011, 60 percent of household purchases at retailers consisted of red wine, 29 percent of white, and 11 percent of rosé wines. For German wines, the situation was reversed with 51 percent white wines, 39 percent red, and 10 percent rosé wines.

Total wine sales volume in the **United Kingdom** fell by 2 percent in CY 2012, while value increased by 3 percent due to excise duty increases. Austerity has replaced recession and consumer spending is likely to remain under severe pressure throughout 2013. While consumers have partly been trading down to less expensive wines, many have chosen to limit consumption volume and opt for better-quality wines. The fastest-growing red and white wines were in the above £5 ($8) price range. In addition to the economic gloom, government campaigns have been stepped up on youth anti-social drinking, as well as the health implications of daily recreational wine drinking by the middle aged and middle classes. Excise duty increases and discussions about minimum pricing per unit of alcohol are current policy levers aimed at reducing alcohol consumption generally. In the still wine category, white wine continues to be the most popular, representing over 50 percent of total still wine sales in value terms. Red wine sales have experienced a negligible decline, losing some share to rosé. Currently the most popular grape varietals in the UK are *Chardonnay*, *Sauvignon Blanc*, and *Pinot Grigio* (white wine); *Cabernet Sauvignon* and *Shiraz* (red wine); and *Zinfandel* (rosé). The United States is the largest supplier to the rosé sector, which is expected to grow further, especially if there is a warm late spring or extended summer. British and Irish consumers are now generally looking for less oak and alcohol content. During the recession, supermarket wine sales were increasingly discount driven with deals such as three for £10 ($16). Suppliers that have pursued this type of marketing over a sustained period have suffered from a lack of consumer loyalty. Consumers become conditioned to buying on-promotion and the perception of certain origins and brands have been degraded. Supermarkets continue to be the main distribution sector in the UK, as consumers reduce expenditure on drinking and eating out. Champagne sales have suffered in the economic gloom, as consumers continue to choose cheaper but high-quality sparkling wine alternatives, such as *Cava* and *Prosecco*. As consumers become more environmentally responsible, manufacturers, retailers, and producers are responding to the ‘green’ packaging and sustainability trend. Plastic bottles are increasingly replacing glass, especially in the 25cl bottle. Screw caps are also becoming more prevalent as consumers embrace the consistency and convenience that they offer. Total UK wine sales are expected to stagnate further in 2013 as the austerity environment continues. Looking further ahead, the UK wine market may return to growth, but it is unlikely to experience the level seen before 2007.

Spanish wine consumption has been decreasing for the last few years and stands currently at 22 liters per capita. Total domestic use is expected to continue falling after the end of the aid measures related to potable alcohol-distillation and as producers keep increasing sales of wine to export markets. Data released by the Ministry of Agriculture, Food, and Environmental Affairs (MAAM) show that wine consumption in households grew by 7 percent during CY 2012, since consumers reduced expenditure on drinking and eating out, and preferred purchasing most of their wine in supermarkets because of the economic recession.

Portugal's annual per capita wine consumption is the third highest in the European Union, after Luxembourg and France, and stands at 44 liters. Portuguese wine consumption has been stable for the last three years at 4.7 Mhl and is estimated to decrease as payments to potable alcohol-distillation come to a term and producers redirect production to increase exports of wine.

According to the Hellenic Statistical Authority (ELSTAT), **Greece**'s economic downturn has led to a 11.3 percent decline in national wine sales falling to 2.7 Mhl in CY 2011. Greeks are consuming less and opting for cheaper wine. The most popular varieties of still white wine are *Moschofilero* and *Asirtiko*, while *Ageioritiko* and *Xynomavro* are the leading still red wines. Wine is widely consumed in Greece by both genders and different age groups. White and rosé wine are mostly consumed over the summer months, whereas red wine gains ground in winter.

According to the latest statistics available, **Austrian** wine consumption totaled 2.5 Mhl in 2010/11. During the same period, per capita wine consumption was 30.3 liters. Austrians consume about three quarters of domestic production. About 50,000 Hl is used industrially. Consumption of domestic wines is increasing, especially at restaurants. Austrian consumers generally prefer locally grown light white wines.

Romania's per capita consumption declined from t27 liters in 2011 to 24.3 liters in CY 2012 and is forecast to further decline in CY 2013, because of the economy and declining consumers' purchasing power.

In **Hungary**, the decades-long decline in wine consumption has slowed during the past several years due to a stronger demand for quality and imported wines, as well as to the increase in beer prices. Homemade wine represents 20 percent of total consumption and is forecast to grow because of the deepening economic crisis.

Trade

The EU-27 remains the world's leading wine exporter and importer in CY 2012, exporting 22.3 Mhl valued at $11.3 billion, while importing 13.6 Mhl valued at $3.2 billion. Bottled wines represent the largest share of EU-27 exports, while the majority of imports are comprised of bulk wine to be bottled and then traded again. According to the latest EU Commission data, intra-EU trade has increased 14 percent from 43 Mhl in 2007 to 49 Mhl in 2011. A large portion of this trade (42 percent) involves the shipments of bulk wines used mainly for blending purposes: from Italy to Germany (4.9 Mhl) and France (0.7 Mhl); and, from Spain to France (3.5 Mhl), Germany (2.9 Mhl), and Portugal (1.1 Mhl). Bottled wines are slowly losing ground, decreasing from 52 percent in 2007 to 49 percent in 2011. EU-27 wine exports to third countries were stable from 2007 to 2009, and registered important increases in 2010 (+ 23 percent) and 2011 (+11 percent).

In CY 2012, the United States remained the leading EU-27 export market, representing 24 percent of the total volume and 28 percent of the total value. It was also the largest extra-EU export partner for France ($1.3 billion), Italy ($1.2 billion), and Spain ($0.3 billion). Russia was the second largest importer of EU wines in volume terms. EU-27 export volumes to China, valued at $978 Mln, climbed 9 percent in 2012.

Table 5: EU-27 wine exports by category

	000 HL			$ Mln		
	2010	**2011**	**2012**	**2010**	**2011**	**2012**
Sparkling wine	1,899	2,074	2,159	1,771	2,251	2,331
Bottled	13,466	14,936	15,761	6,722	8,503	8,554
Bulk	4,858	5,464	4,380	396	482	467
Wine total	**20,223**	**22,474**	**22,300**	**8,889**	**11,236**	**11,352**

Source: Global Trade Atlas (GTA)

Table 6: EU-27 wine exports by trading partner

	000 HL			$ Mln		
	2010	**2011**	**2012**	**2010**	**2011**	**2012**
United States	4,652	5,144	5,386	2,605	3,106	3,183
Russia	3,895	3,978	2,732	516	640	635
China	1,596	2,263	2,567	514	964	978
Canada	1,674	1,815	1,887	837	958	987
Switzerland	1,695	1,687	1,706	954	1,063	1,124
Japan	1,205	1,307	1,630	724	845	989
Angola	847	894	969	93	121	137
Norway	552	610	620	269	345	353
Brazil	289	320	292	133	164	147
Hong Kong	236	304	284	738	1,091	771
World	**20,223**	**22,474**	**22,300**	**8,889**	**11,236**	**11,352**

Source: GTA

The EU-27 is not only the world's largest wine exporter, but also the biggest importer. EU-27 main suppliers are Australia, Chile, South Africa, and the United States. Total EU-27 imports from third countries stagnated in CY 2011 and remained flat during CY 2012.

U.S. exports to the EU-27 increased in value terms by 1.74 percent in CY 2012. Over 70 percent of U.S. exports are represented by bulk Californian wine that is bottled in Europe for local consumption. Since 2004, this bulk trade remains competitive due to reduced tariff, transportation, and bottling costs. Bulk exports to Italy in CY 2012 were more than 444,000 Hl or 99 percent of total U.S. exports to Italy. Once bottled, this product is sold within the EU, mainly in the UK and German markets.

Table 7: EU-27 wine imports by category

	000 HL			**$ Mln**		
	2010	**2011**	**2012**	**2010**	**2011**	**2012**
Sparkling wine	163	129	115	84	68	63
Bottled	6,393	5,595	5,055	2,367	2,339	2,116
Bulk	7,019	7,901	8,450	689	934	1,008
Wine total	**13,575**	**13,625**	**13,620**	**3,140**	**3,341**	**3,187**

Source: GTA

Table 8: EU-27 wine imports by trading partner

	000 HL			**$ Mln**		
	2010	**2011**	**2012**	**2010**	**2011**	**2012**
Australia	3,526	3,508	3,306	756	764	697
Chile	3,031	2,793	3,014	757	790	761
South Africa	2,879	2,708	2,698	567	545	498
United States	2,283	2,530	2,296	410	507	490
New Zealand	584	659	657	290	332	353
Argentina	602	558	562	185	191	184
Macedonia	348	455	591	21	25	33
Moldova	110	131	157	19	20	21
Serbia	12	55	111	1	4	7
Morocco	37	48	29	7	9	5
Georgia	19	23	26	7	8	9
World	**13,575**	**13,625**	**13,620**	**3,140**	**3,341**	**3,187**

Source: GTA

France's CY 2012 exports, valued at $10.4 billion, remained flat compared to 2011. In value terms, the United Kingdom, the United States, and Germany are the main destinations for French wines. France's CY 2012 wine imports (5.9 Mhl), valued at $801 Mln, fell 12.81 percent because of reduced imports from Spain. Spain, Italy, and Portugal and are the major suppliers to the French market, in terms of both volume and value. Most U.S. wines sold in France are from California and include *Cabernet Sauvignon*, *Chardonnay*, *Zinfandel*, and *Pinot Noir* varieties, kosher as well as conventional, and are mainly purchased by restaurants.

Italian CY 2012 wine exports, valued at $5.5 billion, are expected to drop 8.46 percent in volume to 19.3 Mhl. Intra-EU CY 2012 Italian wine exports are projected to decrease to the Czech Republic, Hungary, Germany, and France. Extra-EU CY 2012 wine exports are expected to contract mainly in Russia, while increasing in Japan, Canada, Switzerland, and the United States. Italian CY 2012 wine imports, valued at $350 Mln, are expected to grow by 17 percent to 2.3 Mhl, due to increased imports especially from Spain, Bulgaria, Macedonia, and Austria. Spain and France remain the leading suppliers to the Italian market.

Spain's CY 2012 exports, preliminarily valued at $2.8 billion, are projected to remain flat. In value terms, Germany, the United Kingdom, the United States, and France are the main destinations for Spanish wines. Spain's CY 2012 wine imports, preliminarily valued at $158 Mln, are expected to surge by 51.77 percent to 591,231 Hl, thanks to increased imports from Argentina, Chile, Portugal, and Germany.

German trade data for 2012 is not yet available. However, the first 11 months of 2012 show a 4.49 percent decrease in total imports by volume and imports from the United States also declined 6.36 percent. This reduction in volume can be attributed to the higher per unit price of the imported wine. On a value basis, German total imports increased by 4.1 percent, while imports from the United States increased by 1.5 percent. In 2011, Germany imported 16 Mhl of wine. Of these, 58 percent were bulk wines, 37 percent bottles wines, and 5 percent sparkling wines. The top five origins were Italy (43 percent), Spain (18 percent), France (16 percent), South Africa (5 percent), and the United States (3 percent). Imports from the United States amounted to 470,000 Hl or 9 percent more than the previous year. Traditionally, the majority of U.S. wine imported into Germany is shipped as bulk wine and bottled locally. However, the share of wine imported from the United States in bottles has increased from 21 percent in 2006 to 35 percent in 2011. German exports of wine amounted to 4.1 Mhl in 2011, of which 78 percent were exported in bottles and 14 percent in bulk. The remaining 8 percent consisted of sparkling wine. Top export destination were the Netherlands (18 percent), the UK (15 percent), Russia (8 percent), and the United States (7 percent). German exports to the United States amounted to 320,000 Hl. However, it is more than likely that a substantial share of the German exports to the Netherlands consisted of transshipments, many of which were destined for the United States.

Portugal's CY 2012 wine exports, preliminarily valued at $906 Mln, are estimated to increase by 8.8 percent to 3.3 Mhl. In value terms, France, Angola, the United Kingdom, and the United States are the most important destinations. Portugal's CY 2012 wine imports, preliminarily valued at $105 Mln, are estimated to fall by 20 percent to 1.3 Mhl. In volume terms, Spain it the leading supplier to the Portuguese market, accounting for 93 percent of total imports.

Greece's CY 2012 exports, preliminarily valued at $73 Mln, are estimated to drop by 51 percent to 249,024 Hl. In value terms, Germany and the United States are the main destinations for Greek wines, representing 45 and 10 percent of total exports, respectively. CY 2012 imports, preliminarily valued at $29 Mln are projected to remain flat, with Italy and France remaining the main suppliers.

Hungary's CY 2012 wine exports are expected to decrease in volume by 19 percent to 458,109 Hl and in value by 14 percent to $69 Mln. Germany, Czech Republic, and Slovakia are the main destinations for Hungarian wines. CY 2012 wine imports are expected to fall in both volume (-27 percent) and value (-10 percent) to 372,376 Hl and $31 Mln, respectively. Italy, Germany, and France are the major suppliers to the Hungarian market. During 2012, wine imports from Serbia and Chile increased by 40 and 24 percent, respectively.

Bulgaria is a net wine exporter, even if exports have been declining in absolute terms, due to reduced production. CY 2012 exports are expected to slightly decrease by 5 percent in volume (520,000 Hl), while decreasing by 7 percent in value ($58 Mln). Russia remains the main export market by volume, accounting for 31 percent of total exports. Follow Poland and Romania. Imports have seen a decline due to the economic slowdown since 2009, but rebounded in late 2011 and 2012. CY 2012 Bulgarian wine imports are projected to increase by 11 percent in both volume (61,515 Hl) and value ($14.7 Mln). Italy, France, and Germany remain the main suppliers to the Bulgarian market.

The **UK** is the world's biggest wine importer by value. CY 2012 imports are expected to fall by 6.7 percent to 11.3 Mhl. France (38 percent), Italy (15 percent), Australia (9 percent), and Spain (8 percent) are the leading suppliers to the UK market. Often considered a hub of international trade in wine, the UK has a thriving industry of importers, bottlers, freight forwarders, and retailers as a result. CY 2012 exports are estimated to decrease by 21 percent in value ($615 Mln) and 10 percent in volume (702,894 Hl). Hong Kong, France, The Netherlands, and Ireland are the main destinations for UK wines.

Romania's CY 2012 imports are expected to decrease by 38 percent in volume (512,349 Hl) and 21 percent in value ($48.5 Mln). Spain, Italy, and Bulgaria remain the leading suppliers to the Romanian market, accounting for 92 percent of total imports. Moldova, Macedonia, Serbia, and Kosovo increased their exports to Romania during 2012, while South Africa registered a huge drop (-97.95 percent). Germany, the United Kingdom, Spain, China, and Estonia are the top Romanian wine destinations.

Austrian imports by volume increased by 10.5 percent in CY2011, reaching almost 900,000 Hl. In CY2012, imports are expected to drop by about 6 percent. Major suppliers are Italy, Germany, Spain, and France. The United States ranks 6th after Australia. Austrian wine exports reached 457,384 Hl in CY2011 and are estimated to increase to about 475,000 Hl in CY2012.

TRADE TABLES FOR SELECTED EU COUNTRIES

Table 9: Italian wine exports

	000 HL	$ Mln

	2010	2011	2012 Jan-Nov	10	2011	2012 Jan-Nov
EU-27	**14,842**	**16,557**	**13,340**	**2,778**	**3,252**	**2,861**
Germany	6,768	6,942	5,622	1,121	1,273	1,118
United Kingdon	2,672	2,977	2,692	609	707	629
France	1,056	1,089	875	114	151	146
Hungary	349	1,000	696	17	47	42
Czech Republic	618	680	304	48	59	39
Extra EU-27	**6,357**	**6,426**	**6,013**	**2,378**	**2,825**	**2,619**
United States	2,603	2,864	2,657	1,085	1,300	1,175
Russia	1,087	686	497	138	163	116
Canada	663	679	668	325	353	335
Switzerland	666	674	640	341	369	350
Japan	317	372	413	132	165	185
World	**21,199**	**22,983**	**19,353**	**5,156**	**6,077**	**5,480**

Source: GTA

Table 10: French wine exports

	000 HL			$ Mln		
	2010	**2011**	**2012**	**2010**	**2011**	**2012**
EU-27	**9,006**	**9,035**	**9,161**	**4,452**	**4,814**	**4,759**
Germany	2,466	2,591	2,591	851	974	911
United Kingdom	2,184	2,156	2,100	1,525	1,684	1,730
Belgium	1,601	1,503	1,505	728	719	711
Netherlands	1,191	1,140	1,212	399	402	408
Extra EU-27	**4,505**	**5,150**	**5,806**	**3,943**	**5,162**	**5,279**
China	754	1,177	1,395	367	708	702

United States	947	1,016	1,170	982	1,229	1,327
Japan	585	590	717	468	531	617
Canada	541	571	605	354	423	437
Switzerland	475	448	460	381	440	478
Hong Kong	154	205	182	408	600	408
World	**13,511**	**14,185**	**14,967**	**8,395**	**9,976**	**10,038**

Source: GTA

Table 11: Spanish wine exports

	000 HL			$ Mln		
	2010	**2011**	**2012 Jan-Nov**	**2010**	**2011**	**2012 Jan-Nov**
EU-27	**11,408**	**15,100**	**12,923**	**1,540**	**1,851**	**1,688**
France	3,341	4,394	3,500	170	240	236
Germany	2,518	3,059	2,887	411	467	416
Italy	489	1,811	1,708	29	87	105
United Kingdom	1,233	1,451	1,473	399	431	387
Portugal	1,777	1,415	1,087	79	71	64
Extra EU-27	**5,538**	**6,662**	**5,239**	**957**	**1,183**	**1,115**
Russia	1,274	1,655	514	55	85	40
United States	560	745	776	263	297	236
China	506	733	656	51	99	103
Canada	294	399	362	74	93	86
World	**16,946**	**21,762**	**18,162**	**2,497**	**3,034**	**2,803**

Source: GTA

Table 12: United Kingdom wine imports

	000 HL			$ Mln		
	2010	**2011**	**2012 Jan-Nov**	**2010**	**2011**	**2012 Jan-Nov**
EU-27	**6,593**	**7,110**	**5,880**	**2,859**	**3,243**	**3,011**

Italy	2,334	2,516	2,219	646	716	656
France	2,173	2,061	1,690	1,511	1,731	1,689
Spain	1,033	1,456	1,137	355	405	351
Germany	637	673	521	175	212	171
Portugal	155	163	139	86	88	76
Extra EU-27	**6,268**	**6,184**	**5,421**	**1,457**	**1,534**	**1,380**
Australia	2,412	2,400	2,068	469	480	415
United States	973	1,204	1,005	153	223	256
Chile	1,172	1,064	930	310	314	274
South Africa	1,042	811	780	192	154	144
New Zealand	490	541	495	233	262	256
World	**12,861**	**13,294**	**11,301**	**4,316**	**4,777**	**4,391**

Source: GTA

Table 13: German wine imports

	000 HL			**$ Mln**		
	2010	**2011**	**2012 Jan-Nov**	**2010**	**2011**	**2012 Jan-Nov**
EU-27	**12,291**	**13,550**	**11,430**	**2,400**	**2,878**	**2,380**
Italy	6,411	6,880	5,232	1,006	1,163	971
Spain	2,183	2,961	2,816	328	473	403
France	2,428	2,576	2,361	797	950	759
Austria	409	252	276	82	78	74
Greece	145	184	125	32	43	26
Portugal	200	183	153	49	48	39
Extra EU-27	**2,419**	**2,564**	**2,304**	**372**	**422**	**365**
South Africa	707	785	630	100	116	94
United States	428	467	410	87	98	84
Australia	383	455	394	59	72	63
Chile	492	425	343	72	75	63
World	**14,710**	**16,114**	**13,734**	**2,772**	**3,300**	**2,745**

Source: GTA

Policy

In April 2008, the EU Council of Ministers reformed the Common Market Organization (CMO) for wine. The detailed rules for the implementation of the reform can be found in Commission Regulation 555/2008. The reform aimed to reduce overproduction, phase-out expensive market intervention measures, and make EU wine more competitive on the world market. To reach those goals the Commission proposed a number of different measures, beginning in August 2008, including grubbing-up, issuing planting rights, and abolishing crises distillation. The European Commission claims that EU wine producers are disadvantaged because they are smaller than their competitors in other countries and their production is too small to meet the needs of large-scale retailers. EU wine is losing market share because of regulatory constraints and ineffective market strategies. The CMO reform also addresses: increasing production and competition from non-EU countries, a systematic review of crisis distillation, and the grubbing-up policy, reevaluation of enrichment practices and labeling rules, and possibly more flexibility in oenological.

Grubbing-up: "Grubbing up" was when grape growers received a financial incentive to voluntarily pull up their grape vines. This incentive, which was aimed at rapidly reducing wine production, was available for three years. The EU targeted an area of 175,000 hectares to be grubbed up over a three year period (2008/2009- 2010/2011), with an allocated budget of €1.074 million. During all three years the scheme was substantially oversubscribed, and the Commission acceptance level was on average only 50 percent. The reasons for the oversubscription of the grubbing-up program were low wine prices, labor intensive practices, and financial difficulties. Lump sums were allocated to Member States (MS) to distribute. So, a MS could decide whether to distribute its allocation to all applicants providing only partial compensation or it could prioritize which applicants were accepted. The two largest priority groups were older people and people who decided to leave wine production completely.

Initially, when the Commission prepared the reform the estimated surplus of wine was 18.5 million hl. According to a report from the European Court of Auditors (ECA), the grubbing-up scheme only reduced EU production by an estimated 10.2 million hl per year largely because the assumptions on which the initial target were based did not materialize. The ECA believes that the aid rates were set too high and that the scheme would have achieved more significant results with the available resources if lower aid rates had been set.

Planting rights: **"**Planting rights" in the 2008 reform refers to the right of a wine producer to plant vines. The EU has prohibited any new plantings until December 31, 2015. Replanting is allowed only to renew or replace areas where producers voluntarily pull up the vines. After the current restrictive planting rights regime in the EU ends, MS may decide to extend the prohibition in their territories until 2018. However, many wine producing MS consider the planting right to be a tool to keep stability in the wine market. Twelve of the largest wine producing countries have joined together to try to make the

Commission keep a planting regime. On January 20, 2012, Commissioner Ciolos formed a high level group to look into this request, which would allow planting rights to be kept after 2015. In December 2012, the high-level group presented its conclusions, which included a recommendation to maintain a regulatory framework for wine planting in the EU for all categories of wine and a system of "authorizations" for new vine plantings applicable to all categories, which would be managed by the Member States. The conclusions are to be presented to the Council and the European Parliament during the first quarter of 2013. The European wine industry welcomes the high-level group's conclusions. They see them as helping strengthen the competitiveness and the market orientation of EU wine in the global market.

Single Payment: In order to bring the sector in line with the reformed Common Agricultural Policy (CAP), all areas formerly under vines can claim the status of areas eligible for decoupled single payments. One reason for making these areas eligible for the single payment scheme is that the environmental benefits from these areas have to meet cross-compliance rules.

National Envelopes: The term "National Envelope" refers to a funding allocation that gives Member States the flexibility to distribute their monies according to their own priorities. Article 7 of the Wine CMO outlines 11 measures which MS can use to support their wine industries, including restructuring and conversion of vineyards, green harvesting, and crises distillation.
Promotion in third-country markets: Under the wine CMO, MS can promote wine in third country markets using funding from their National Envelope. The Community contribution for this may not exceed 50 percent of the eligible expenditure. However, the Commission has not made this a priority, so funding has been minimal at only 5 percent of the budget.

Crisis Distillation scheme: Crisis distillation of wine was an important way for the EU to get rid of surplus production. However, the distillation scheme of surplus wine has been gradually phased–out over the last four years concluding in July 2012. The maximum was 20 percent of national funding in 2009, 15 percent in 2010, 10 percent in 2011, and finally only 5 percent in 2012. MS were allowed to increase the available funds for crisis distillation using national funds. However, EU support for crisis distillation completely ended on July 31,2012. Beginning August 1, 2012, Member States were allowed to grant national aid to wine producers for the voluntary or mandatory distillation of wine but only in justified cases of crisis and with the approval of the Commission. Distilled alcohol must be used in the industrial sector.

Rural Development Funding: There is an overall aim to transfer money from Pillar I into Rural Development (RD) of the CAP. However, only three MS: Spain, France and Italy, have allocated budget for using RD funds for the wine sector. The total budget for these MS increased from about €40 million in 2009 to €80 million in 2010 and rose to €120 million in 2011 and 2012. The largest portion of this money is used for education to improve the quality of the wine. Some of this money is also used for environmental purposes, for example to keep vineyards on slopes where planting other types of agriculture is difficult, and where there is risk of abandonment of land and the cultural environment is important for the region. It is too early yet to say how the current CAP reform proposal might impact the wine sector. One reason that RD funding is not used anymore is that all 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 the funding amount and the region. The MS or local authority pays the remainder.

Organic Wine: Until recently, there was no EU legislation on organic wine. The only wine available had been "wine made from organic grapes." On March 8, 2012, the Commission published the implementing rules for organic wine. The most complicated issue in drafting this legislation was sulfite reduction. In the new rule the maximum sulfite content is set at 100 mg per liter for red wine (150 mg/l for conventional) and 150mg/l for white/rosé (200 mg/l for conventional), with a 30mg/l differential where the residual sugar content is more than 2g per liter. When the U.S. - EU Organic Equivalency Arrangement was signed in 2012, the EU still did not have its regulation for organic wine finalized so wine was not included in the Arrangement. On June 20, 2012, the Commission published the implementing rules for imports of organic products from third countries. The regulation states that for organic wine, exported from the United States to the EU, the U.S. authorities have agreed to apply and certify compliance with the rules for organic wine in the EU Regulation. The wine section of the arrangement entered into force on August 1, 2012, and is valid until a working group examines and concludes an examination of the equivalency of organic wine making. This means that U.S. organic wine is now allowed to be exported to the EU and can use the EU organic logo. Regulation 203/2012 sets out the conditions to label wine as organic. Sorbic acid and desulfurization are not allowed and the level of sulfites must be at least 30-50 mg per liter lower than their conventional equivalent.

Marketing

Health Issues: In the EU, alcoholic beverages are important economic commodities. They also represent a cultural value for several regions in Europe. The production, trade, and marketing of alcohol contribute to economic growth in the EU. Europe has one of the highest levels of alcohol consumption per capita. At the same time, alcohol is a key public health and social concern across the EU. Harmful and hazardous alcohol consumption is a net cause of 7.4 percent of all ill-health and early death in the EU. Targeted measures aimed at limiting the availability of alcohol, drunk-driving countermeasures, and improved education and information campaigns are still nascent. The Commission has developed an EU alcohol strategy that aims to help governments and other stakeholders coordinate their actions to reduce alcohol problems in the EU.

Oenological Practices: Commission Regulation 606/2009 lays down detailed rules for permitted oenological practices. Annex I A sets out the oenological practices authorized in the EU and the conditions for their use. For experimental purposes, Member States may authorize the use of certain oenological practices not provided for in the relevant EU regulations for a maximum of three years. Annex I B sets out the maximum allowed sulfur dioxide content: 150 mg per liter for red wines, 200 mg per liter for white and rosé wines.

Legislation: Rules on oenological practices, designations of origin and labeling, originally established by Council Regulation 479/2008, have been incorporated into the Single CMO (Council Regulation 1234/2007).

EU Wine Labeling Requirements can be found at the following website:
http://www.usda-eu.org/trade-with-the-eu/eu-import-rules/eu-labeling-requirements/wine-labeling/

Labeling: Commission Regulation 607/2009**,** as amended by Commission Implementing 1185/2012, lays down detailed rules on protected designations of origin and geographical indications, traditional terms and labeling. Chapter II of Regulation 607/2009 establishes the application procedure for a designation of origin or a geographical indication. Designation of origin or geographical indications which have been accepted are entered in a "Register of protected designations of origin and protected geographical indications" maintained by the European Commission. The register is available through the Commission's online "E-Bacchus" database.

Chapter III of Regulation 607/2009 sets out rules on the use of traditional terms. The "E-Bacchus" database lists the traditional terms that are protected in the EU. The use of expressions such as "style," "type," "method`', "as produced in", "imitation", "flavor", "like" or similar, accompanied by a traditional term included in the E-Bacchus database is not allowed. Third countries may use traditional terms not listed in the database. Since Regulation 607/2009 became applicable, the European Commission has received 15 applications – of which 13 were from the U.S. – seeking to use EU protected traditional terms. Commission Implementing Regulation 723/2012 allows the use of the traditional term "Cream" on U.S. grapevine products. Allowing the use of the traditional term "Chateau" on U.S. grapevine products is still under consideration by the European Commission.

Chapter IV of Regulation 607/2009 sets out rules for the indication of compulsory and optional information on wine labels. The mandatory information must appear in the same field of vision on the container, in such a way that all the information (except the lot number) is readable without having to turn the container. The mandatory information must be clearly distinguishable from surrounding text or graphics.

For detailed information, see GAIN REPORT E49061 "New EU wine labeling rules". The indication of the wine grape variety on the label is optional. For third country wines, the wine grape variety must be included in at least one of the lists established by the "international Organization of Vine and Wine

(OIV), the "Union for the Protection of Plant Varieties (UPOV)" or the "International Board for Plant Genetic Resources (IBPGR)". Terms such as "barrel matured," "barrel aged" (listed in Annex XVI to Regulation 607/2009) may not be used on wines produced with the aid of oak chips. The use of the term "alcohol free wine" is not allowed in several Member States.

Allergen Labeling: Under the EU's general labeling directive 2000/13/EC, the indication of allergens listed in Annex III is mandatory on all food and beverage labels. A temporary derogation from this rule for wines fined with egg and milk derivates expired on June 30, 2012. Commission Implementing Regulation 579/2012 sets out the modalities for the labeling of allergens on wine. Starting July 1, 2012, a wine label must state that it "contains" one or more of the following allergens: "sulphites", "sulfites", "sulphur dioxide", "sulfur dioxide", "egg", "egg protein", "egg product", "egg lysozyme", "egg albumin", "milk", "milk product", "milk casein" or "milk protein". The translation of these terms in all the official EU languages is available in Part A of the Annex to Regulation 579/2012. Information on the authorized languages to label allergens in the different EU Member States is available on the European Commission's website at http://ec.europa.eu/agriculture/markets/wine/labelling_allergens.pdf. The terms designating the allergenic ingredient may be supplemented by the pictograms laid down in Part B of the Annex to Regulation 579/2012. Allergen labeling is mandatory for alcoholic beverages with sulfite concentrations of more than 10 mg/liter. Wine products in which the milk/egg proteins cannot be detected are exempt from the mandatory labeling rules.

US-EU Wine Agreement: In March 2006, the U.S. and the EU signed the "Agreement between the United States and the European Community on Trade in Wine". The Agreement covers wine with an actual alcohol content of not less than 7 percent and not more than 22 percent. All U.S. wine exports must be accompanied by certification and analysis documentation using the format specified in Annex III (a) to the Agreement. More information on the simplified EU import certificate form can be obtained from the Alcohol and Tobacco Tax and Trade Bureau at http://www.ttb.gov/industry_circulars/archives/2007/07-02.html. The Agreement's "Protocol on Wine Labeling" sets conditions for the use of optional particulars on wine labels. Commission Regulation 1416/2006, as amended by Commission Implementing Regulation 1212/2011, concerns the protection of U.S. names of origin in the EU. Information on the US-EU Wine Agreement can also be obtained from the U.S. Dept. of the Treasury – Alcohol and Tobacco Tax and Trade Bureau (http://www.ttb.gov/itd/index.shtml).

Wine promotion in the EU

Promotion in third country markets has become widely used by the wine sector, supporting the growth in exports of wines with PDO/PGI in recent years. EU funds cannot be used on wines without GI, except varietal wines. The main target markets are the U.S., Canada, Japan, and Switzerland, although China, Brazil, and India are being developed as new markets. Activities range from "public relations and campaigns measures" to "participation in events, fairs, or exhibitions." Private companies can apply for the subsidy and even use their trademarks in the promotion campaigns. In September 2010, following a MS request, the Commission extended the length from 3 to 5 years to draw benefits for any given activity in a third country market.

In **France**, the Wine Board of FranceAgriMer (the French Association for Horticultural and Wine Products) manages the 2009-2013 National Program for the wine Common Market Organization (CMO). The Wine Board agreed that aid from the European Union to restructure vineyards to reduce production of lower quality grapes (and wine) would be a priority until the end of the multiannual program 2009-2013. The French Minister of Agriculture has just received confirmation that this program will continue beyond 2013. FranceAgriMer also administers EU subsidies allocated to French wine promotion, research, and development (10 Mln Euros in 2011). FranceAgriMer supports pavilions at select trade shows such as VINEXPO, the largest wine trade show in France, which will be held in Bordeaux June 16-20, 2013.

The **German** Wine Institute (Deutsches Weininstitut, DWI) carries out most of the generic marketing for German wines both domestically and abroad. The DWI is funded through a mandatory check-off program. The fee for wine grape growers is based on the acreage and amounts to 67 Euro/Ha. The fee for wineries is 0.67 Euro per 100 liters of domestically produced wine they sell. DWI has offices in eight European countries (Belgium, Denmark, Finland, the Netherlands, Norway, Sweden, Switzerland, and the UK), as well as four overseas offices in Russia, Japan, Canada, and the United States. Furthermore, the German Ministry of Food, Agriculture, and Consumer Protection (BMELV) supports pavilions at select trade shows abroad. In 2012, BMELV supported a German pavilion at the VINEXPO Hongkong and the Wine & Spirits Fair Hong Kong. For 2013, BMELV is supporting participation at VINEXPO, Bordeaux, France (June 2013) and the Wine & Spirits Fair, Hong Kong (November 2013). The largest German trade show for wine and spirits is the annual ProWein show, held in Duesseldorf (March 24-26, 2013, and March 23-25, 2014). For more information, please visit: www.prowein.com

In **Italy,** funds for promotion from the EU wine Common Market Organization totaled 49 Mln Euros in CY 2011, 82 Mln Euros in CY 2012, and are stated to reach 102 Mln Euros in CY 2013. Funds will be used to participate in fairs, shows, workshops, and wine tastings in the United States, the United Kingdom, Canada, Switzerland, and Japan. Moreover, the Italian major wine trade show (Vinitaly) keeps promoting Italian wines in foreign markets (U.S., Russia, Hong Kong, etc.) through Vinitaly International.

The **Hungarian** Government has budgeted 3 Mln Euros for wine export promotion in Russia, Japan, China, the U.S., and Canada from 2013 to 2016.

Wineries in **Romania** have been developing side attractions and creating “wine roads” to increase consumers’ appetite. Apart from the retail chains, wineries have started to build their own sales stores network. Moreover, the “Bag-in-box” segment expanded as an effort to adjust to economic challenges. The number of specialized wine shops is growing. The Romanian wine market is currently estimated at about 350 Mln Euros, although the economic challenges and the weakening consumers' purchasing power have adversely affected prospects.

Bulgaria runs three EU funded projects. A joint program of the National Chamber of Vines and Wines and the Greek Association of Winemakers & Viticulturalists of Northern Greece (ENOABE SA) aims to advertise Bulgarian and **Greek** wines in the U.S., China, and Switzerland from September 2012 to September 2015, with a total of budget of 4.6 Mil Euros. In addition, on April 6, 2012, State Fund "Agriculture" and the Regional Vine and Wine Chamber ("Trakia"), in cooperation with the Romanian Association of Wine Producers and Wine Products "Dobrudzha" agreed to implement a multinational program to promote PDO and PGI wines in Russia and China. The EU approved program will last three years (March 2012- March 2015), with a total budget of 3.2 Mil Euros. Half of the budget is provided by the European Union (EU), 30 percent by the State budget, while the remaining 20 percent is paid by the beneficiary. A third EU funded project aims to promote GI wines from Southern Europe/Mediterranean region (Bulgaria, Romania, and Greece) to UK, Germany, and Italy and is managed by the "Trakia," in cooperation with the Greek Consortium of Wine Producers and the Italian Enoteca Regionale Emilia-Romagna. The program will last three years (2013-2016), with a total budget of 5.2 Mil Euros.

Author Defined:

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SP1237	Lower Production Wine in Spain	12/31/2012
PT1203	Portugal Wine Standing Report	03/07/2012
EZ1201	California Wines Score High Again in Prague's Annual Competition	02/02/2012

The above reports can be accessed through the FAS website
http://www.fas.usda.gov/scriptsw/attacherep/default.asp

Abbreviations and definitions used in this report

Harmonized System (HS) codes:
Grape wine total: 2204
Sparkling wine: 220410
Bottled wine: 220421
Bulk wine: 220429

HL = Hectoliter = 100 liters
Mhl = Million Hectoliters
Ha = Hectares
CY = Calendar Year; wine production of a specific CY refers to the wine made from the wine grapes harvested in that CY. I.e. 2012 production refers to wines made from grapes harvested in Fall 2012.
AOC = Appellation d'Origine Contrôlée
AOP = Appellation d'Origine Protégée
CMO = Common Market Organization
DAC = Districtus Austriae Controllatus
IGP = Indication Géographique Protégée
PDO = Protected Denomination of Origin

PGI = Protected Geographical Indication
VQPRD = Vin de Qualité Produit dans des Régions Déterminées
VDQS = Vin Délimité de Qualité Supérieure
MS = EU-27 Member State