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DIRECTORATE-GENERAL FOR AGRICULTURE AND RURAL DEVELOPMENT

Directorate E – Markets
The Director

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MINUTES

Meeting of the EXPERT GROUP WINE MARKET OBSERVATORY

14 November 2022

Chair: AGRI.E2

Delegations present: All delegations were present, except European Council of Young Farmers (CEJA) and European Coordination Via Campesina (ECVC).

1. Approval of the agenda and of the minutes of previous meeting

Unit AGRI E2 chaired the meeting. The meeting was held via videoconference with interpretation from/to FR and EN. The Members of the Observatory approved the previous meeting's minutes and the agenda of the present one.

The purpose of this meeting was to assess the overall situation of the EU wine market and the wine production forecast for 2022/23, to evaluate the medium-term perspectives of the EU wine sector, the current situation of the EU organic viticulture, the monitoring of EU wine prices and to discuss on the evolution and trends of EU wine consumption.

2. Nature of the meeting

The meeting was non-public.

3. List of points discussed

3.1 Presentation of the market situation – wine production forecast 22/23

The Commission services presented the market situation. The estimated EU wine production 2022/23 (161 MioHl) foresees yields slightly increasing compared to the production 2021/22 (+1%), but remains below the five-year average (-2%). All the observers foresee a vintage 2022/23 of very good quality.

With an estimated production of 50,3 MioHl (same as 2021), Italy would remain at the top, followed France (44 MioHl +18%) and Spain (37 MioHl -7 %). These three MS represent 81% of the Union production (IT 31%, FR 27% and ES 23%).

More than two thirds of the wines produced are quality wines (this proportion remains stable: 47% are PDOs and 22% are PGIs). Over the last three campaigns, there is a trend towards a slight increase in the production of PDOs, PGIs and varietal wines while the production of wines without appellations is going downward.

During the campaign 2021/22, exports of wines outside the EU broke again a record, even better than in 20/21: 32.1 MioHl of wine have been exported, i.e. +12% compared to last year. These exports are mainly composed of quality wines, and PDOs alone represent more than half of the exports. In value, it is the same: record broken with 17.2 billion euros exported. PDOs and PGIs represent 90% of the value exported. However, since August/September 22, there has been a slowdown of exports.

ECVC underlined the difficult economic situation of producers, due to the dramatic increase in production costs and decline in consumption, and fears that the next campaign will be difficult.

COPA-COGECA acknowledged the good analysis of the market situation presented by COM services and supported ECVC intervention regarding concerns over rising input costs and questioned the need of eventual targeted interventions to reduce the production costs of the sector.

3.2 Presentation of medium-term projections of the EU wine sector

The Commission services presented the main following market development hypotheses in the medium term (10 years horizon):

Wine projections:

- Production: 150 million Hl, declining -0.1% per year,
- Import: 7.5 million Hl, declining -0.2% per year,
- Export: 33 million Hl, increasing +0.6% per year,
- Area: stable, 3.2 million Ha,
- Yields: declining 46.7 Hl/Ha (-0.1% per year) by 2032.

Assumptions:

- increasing global wine market and demand for quality wines,
- increasing costs of energy and transport,
- proposed reduction in use of pesticides and fertilizers,
- climate change (yields partially compensated by new varieties better adapted to water and thermal stress).

Regarding these medium-term prospects, COPA COGECA did not agree on the assumption of a strong reduction in pesticides. This would not be possible without any support provided to the sector. On the other hand, the development of resistant grape varieties is a pathway to follow, but it still needs development. The sector does not want to become an assisted viticulture and want to maintain all its dynamic aspects.

3.3 Update of perspectives of organic viticulture (exchange of view)

The Commission services presented some figures on organic viticulture: in EU, the percentage of vineyard managed under organic production rules continue to increase. The situation in each MSs varies widely from 1.6 % in Romania to 18 % in France (figures for 2020); the average at EU level is 13.22 %, which is higher compare to the percentage of 9.07 % for all utilised agricultural area. Among the independents wine growers, this percentage is much higher and reaches 50 %. Organic wine is still a niche market but the trends is positive and consumers increasingly attach importance to the organic logo on wine.

CEVI highlighted the positive aspects of the organic sector for smallholders. Even if it is still only a niche market, there are projections in Italy for growth in this sector.

CEEV confirmed CEVI intervention, emphasizing that though consumption is below the area dedicated to organic in IT, a strong growth is expected, as today's consumer is more attentive to organic wine, and now has a recognized added value, though so far it has not been a primary choice option. This is confirmed by the increase in wine organic areas observed in the Union.

3.4 Update of management and monitoring of price notifications in the wine sector (exchange of views)

The Commission services presented an overview of the current wine prices database monitored by DG AGRI, in relation with Member States. Many data provided by the four Member States currently involved (FR/IT/ES/DE) are available, not always very regularly however. There is a strong heterogeneity of the data received. It would therefore be useful to progress in the way of collecting data, and the COM proposed the creation of an ad-hoc working group focused on this subject, that would meet in Brussels in early 2023.

The experience in this field of some members of the Observatory could be very useful, in order to review the current categories and then to create relevant indicators. A face-to-face meeting could thus be organized at the beginning of next year.

CEEV underlined the indeed large diversity and segmentation of the sector and the difficulty of homogenizing the data, due to market disparities (bulk wines, table wines, many different grape varieties, etc.). A possible option would be to focus on PDOs and PGIs prices, which represent the most important market share of the EU wine sector.

3.5 Estimation of production costs and prices of Cava for 2022

The Institute of Agrifood Research and Technology (IRTA) presented a method for forecasts on grape production costs that can be applied to all PDO wines. The forecasting method has been applied for the growing year 2021/22, starting from an analysis of FADN data (2016-20) on the production of Macabeu, Parellada & Xarel·lo (the three most important cava grape varieties,) mainly produced in three production regions: Penedès, Conca de Barberà & Tarragona. The distribution of total cost/kg for each production year (2016 –2020) is analysed, presenting statistical moments (standard deviation, asymmetry & kurtosis) to determine the confidence levels of production cost, and removing outliers from the final sample. In the example, labour costs represented about 50% of the overall cost, and other costs remained quite stable across the years. These data, once analysed, allow developing projections on the costs for the coming years.

As a conclusion, for the three varieties studied, the study shows in all cases a significant increase (between 12% and 17%) in production costs for the current campaign.

3.6 Major trends in terms of wine consumption

Eurocommerce made a presentation on wine consumption patterns, mostly in France but with some figures on other countries.

Key facts:

- **Economic context in Europe:** household confidence in Europe has been shrinking in recent months. Households continue to anticipate price increases in the coming months. In terms of retail channels, the sales of non-specialised food retailers continued to grow. At the same time, foodservice sales have returned to growth in 2021. In 2022, the sector has finally recovered its 2019 level of activity:
    - 55% of Europeans feel that there is a significant risk of finding themselves in a precarious situation in the coming months.
    - Nearly 1 in 17 Europeans consider this risk very high. Italians are particularly worried (70%), as are Greeks (68%) and a majority of Poles (56%). In other countries, it also affects a significant proportion of the population, notably in Germany (49%), in the UK (47%) and in France (42%). In all European countries, many people have already had to restrict themselves because of their financial situation (travel, energy consumption, etc.). 29% said they had to skip a meal (41% in Greece, 30% in France).
- **In France:**
    - **Still wine**, according to Kantar, during the first 9 months of 2022, sales in supermarkets fell by -6% in volume compared to 2021 (-9% compared to the 2019/21 average) and by -4% in value compared to the 2019/21 average. The average price was €4.85/l, up compared to 2021 (+2% and +5% compared to the 2019/21 average). All categories are down in volume, with white and rosé wines doing slightly better in terms of value. Despite a decline in volume, sales in volume are up by 1.7% compared to 2021.
    - **Sparkling wine sales** were down -2% in volume and down -3% in value compared to 2021 and down -1% in volume and up -4% in value compared to the 2019/2021 average. Also noteworthy is the lower valuation with an average price paid at 7.62 €/bottle, down 2% compared to 2021.
    - **Wine & alcohol sales,** from January to June 2022, sales in supermarkets of still wines have fallen by 7% in volume and 5.6% in value compared to the first half of 2021. The downturn particularly affects red wines (respectively -10.3% in volume and -9.2% in value), but also white wines (-7.8 and -6.1%) and rosé wines (-2% and +0.9%).
    - **Organic wine**: in 2021, organic wine sales in supermarkets amounted to 36.2 million litters, for a turnover of 271.2 million euros according to IRI (-0,4 % in volume and +2,8 % in value compared to 2020). Noting that the organic wine category remains better oriented than conventional. In terms of valuation, the dynamic is also slowing down, but remains strong. Representing a little less than 4% of GD wine sales, organic wine accounts for almost 6% of sales in 2021.
- **In Italy:**
    - **Still wine:** as of the end of September, volumes were down 7%, to 5.6 million hectolitres, for values down 3.5%. Cumulative average prices since the beginning of the year were +4% (3.61 euro/litre for total wine and sparkling

wine). The largest decline in sales is PDO wines (-9% in volume), sales of PGI have also declined sharply.

   - **Organic wines** (1% of the total volume) declined, not only in terms of bottles consumed (-2%, of which -10% for whites), but above all in terms of value generated (-6%).The three large formats are down -7.6% in volume for 0.75 glass bottles, -13% for other glass formats and -7% for bricks.

- **In Spain,** for wine consumption in 2022, all wine categories are down, except for wines with PGI, whose consumption is up in volume (+1.7%)

4. Conclusions/recommendations/opinions

The Commission services thanked the participants, but regretted once again the low level of participation to this meeting by members other than those presenting certain points.

The Commission services will contact soon some of the experts regarding the forthcoming working group on wine prices monitoring at EU level, with a view of organising a meeting in person in early 2023.

The presentations referred to in these minutes will be published on the Wine Observatory's website.

5. Next meeting

The next meeting is foreseen on 6 June 2023.

6. List of participants

See Annex

[e-signed]

Pierre BASCOU

List of participants– Minutes

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14 November 2022

ORGANISATION
Comité Européen des Entreprises Vins (CEEV)
Confédération européenne des vignerons indépendants (CEVI)
Eurocommerce
European agri-cooperatives (COGECA)
European farmers (COPA)
European Federation of Origin Wines (EFOW)
Institut de Recerca i Tecnologia Agroalimentaria (IRTA)