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MINUTES

Meeting of the Expert Group Wine Market Observatory

24 October 2024

Chair: AGRI.E2

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

The Members of the Observatory approved the agenda.

2. Nature of the meeting

The meeting was non-public. Commission representatives and experts attended in video-conference modality (Interactio).

3. List of points discussed

3.1 Harvest Developments and Market Trends: Short-term Perspectives - Experts Intervention

The COM presented the latest data on EU's wine production for the 2024/2025 marketing year. The production is forecasted at 146.6 mHl, a 1.5% decrease from last year due to extreme weather events like drought, frost, and flooding, compounded by climate-related vine diseases. Italy is expected to lead production with a 7% recovery, reaching 41 mHl, while France (39 mHl) and Spain (38 mHl) face an 18% drop and 19% increase, respectively. These three countries, which together make up 80% of the EU's wine production, remain below their five-year production averages. Smaller wine-producing nations show sharp contrasts, with Cyprus, Greece, and Slovakia seeing growth, while Czechia and Romania face significant declines. Overall, 2024 production is 8.4% below the five-year average, highlighting the sector's increasing vulnerability to climate-related volatility.

Discussion:

Experts from OeMv and COPA underlined that Spain's production may be underestimated, with Castilla-La Mancha potentially exceeding 23 mHl, though production remains lower in other regions. In Spain, a good balance is noted between lower-than-last-year stocks and current production. EFOW complemented that in

France, a challenging year with severe frost suggests that the estimated production might be optimistic and could fall below 2021 levels.

3.2 Evolution of the international wine markets - the US market (OeMv)

The OeMV presentation provided an overview of the recent trends of the global wine market, reflecting on whether the shifts observed recently respond to structural and temporary challenges, especially in key markets like the U.S. and U.K., but also in other countries like Russia and China.

The first half of 2024 saw stable but low trade volumes overall, with bulk wine improving. White wines have shown stronger performance than reds since 2017. France maintained good export levels, while Italy stayed steady, and Chile struggled significantly in 2023.

In terms of importing regions, North America and the U.K. have recovered better post-COVID, while Germany remains in decline, and China shows gradual recovery in value. U.S. data indicate a return to normal purchasing trends in early 2024 after a drastic drop in Q2 2023, possibly due to overstocking. However, the UK's economic challenges are impacting wine consumption, and Russia and China are experiencing declines, with China facing more structural issues. However, latest trends may point towards slow recovery of trade.

Key conclusions highlight that world wine consumption is stagnant or decreasing affecting trade, and in this context, markets show a rising preference for sparkling and white wines, increasing demand for fresh, light, and low alcohol wines reflecting changing consumer tastes, and an increasing polarization in the wine market: premium wines for wealthier consumers and cheaper wines presented in BiB perform well, while middle-market wines face challenges. The presentation ends with a call to understand varying wine preferences globally as opportunities to expand the market, particularly in developing countries.

Discussion:

The discussion centred on the possible importance and impact of overstocking in key wine markets explaining the current challenges facing red wines. EFOR sees the crisis as temporary, influenced by extended storage times for red wines, while OeMv suggests that this situation clearly reflects the longer-term shift, as red wines may not align as well with evolving consumer tastes.

3.3 A Decade of Competitiveness: Competitiveness of EU wines (Italian, French and Spanish) and non-EU Wines (Chilian and Australian) in main foreign consuming countries (Germany, UK, USA, Japan) (CREDA-UPC-IRTA)

The presentation examines the competitiveness of EU wines from key exporting countries in key international markets, assessing factors such as export trends, market share, unit values, and Comparative Export Performance (CEP) for EU, Chilean, and Australian wines. Focusing on key markets (Germany, the United Kingdom, the United States, and Japan), the analysis identifies these as diverse and influential markets for both sparkling and non-sparkling wines, considering each market's preferences without specific distinctions on wine colour.

The findings reveal that EU wines, especially from Italy, France and to a lesser extent Spain, maintain strong positions globally, though they face increasing competition from countries like Australia and Chile, which benefit from innovative production techniques

and distinct climates. In Germany and the United Kingdom, demand remains robust for both Old and New World wines, while the U.S., as the world's largest wine market, continues to provide considerable export opportunities to EU wines. Japan, with its preference for quality wines, is identified as an emerging premium market. The CEP index indicates that EU wines possess comparative export advantages in these markets, though ongoing competition underscores the need for adaptability.

Overall, the presentation highlights that while EU wines enjoy substantial market shares, maintaining and enhancing competitiveness will require a keen understanding of the unique preferences and demands of each market.

Discussion:

The discussion highlighted the importance of understanding competitive advantages in the EU wine market, particularly beyond price factors. CREDA-UPC-IRTA underlined that while price is one component, for sparkling wines like cava, which are cheaper than FR and IT wines alike, smart promotion like advertising, market presence in mature markets (UK and US), and engagement with sommeliers and restaurants are key. There was a call to explore diversification in expanding markets and reaching appropriate consumer segments.

COM raised methodological questions regarding competitiveness metrics, with the current formula deemed effective but suggestions to potentially use alternative indices and consider further breakdown by wine origin, reflecting a nuanced view of market positioning strategies.

3.4 Current development of sales of German wine estates and cooperatives: January to September 2024 (COPA)

The presentation by COPA examined the evolving trends in German wine sales from January to September 2024, providing insights into volume and value shifts across various market channels. Data from over 450 wine estates and cooperatives indicate a consistent decline in both sales value and volume, impacting key sectors such as food retail, specialty wine shops, and on-trade venues like restaurants and bars. Food retail, a traditionally stable channel, recorded a 6% drop in sales value alongside a 9% reduction in volume. Similar declines were observed in specialty retail and direct-to-consumer sales, revealing broader challenges across multiple purchasing platforms. Exports showed a slightly more resilient performance, with value increasing by 1%, although export volume still fell by 1%, reflecting the complexity of maintaining market presence amid shifting demands.

The presentation identified several factors driving this decline in Germany's wine market. Lower incomes and growing health awareness have influenced consumer purchasing behaviour, while rising competition from alternative beverage options is attracting younger people away from wine. Demographic changes are especially important, as the country faces a shrinking consumer base (aged people) for wines and lower per capita consumption among wine drinkers. Additionally, a notable decline in revenue per bottle within on-trade and export channels underscores the ongoing challenge for producers to adapt to market pressures. The findings suggest that demographic shifts, evolving health trends, and economic factors are collectively reshaping the landscape of Germany's wine market, calling for strategic adaptations to meet changing consumer needs.

Discussion:

COPA highlighted that health concerns impact demand for wine and other alcoholic beverages, with beer consumption also declining and younger consumers gravitating towards well-advertised international spirits, while wine faces challenges due to its complexity; additionally, IRTA underlined that much of the wine consumption now occurs outside the home, especially in restaurants.

3.5 The Pulse of Italian Viticulture: Market Health Perception from Producers and Consortia (EFOW)

The presentation provides an analysis of the current market sentiment and outlook among Italian wineries and consortia, focusing on economic expectations, demand trends, and priorities for the sector. Data collected in October 2024 shows uncertainty surrounding the national economic outlook and international demand across key markets, with both wineries and consortia generally expecting sales to remain stable over the next six to twelve months. There is a unified perception of increasing demand for specific wine categories, particularly organic and low or no-alcohol wines. However, wineries and consortia hold varied perspectives on international demand based on wine value categories, reflecting differing market strategies and consumer bases.

Discussion:

Participants express support to simplify bureaucracy and expand funding access for marketing and promotion, particularly for small producers. Recommendations include increasing EU investment in educational campaigns promoting responsible wine consumption, especially among younger generations, and strengthening measures to protect and promote regional wine identities, particularly using the prestige of GIs. Additionally, participants suggest prioritizing internationalization efforts through more coordinated EU actions, aiming to boost competitiveness in foreign markets.

3.6 Estimation of 2024 Production Costs for Five Key Grape Varieties in Spain (CREDA-UPC-IRTA)

The presentation on grape production costs for 2024 focused on forecasting the costs associated with producing key grape varieties in Catalonia, using data from 2018 to 2022 as a baseline. Objectives include estimating costs per hectare and per kilogram for varieties like Tempranillo, Merlot, Macabeu, Parellada, and Xarel·lo. The methodology uses data from the Xarxa Comptable Agrària de Catalunya (XCAC) and official agricultural price indices to adjust nominal costs to 2020 values, which are then projected forward to 2024.

Findings reveal variations in average costs and yields across grape varieties, with significant increases in production expenses. These costs are segmented into categories like labour, crop protection, fertilizers, and machinery. For instance, costs per hectare and per kilogram are expected to rise notably by 2024 for all varieties, driven by factors like inflation in input costs. Yields for 2024 are forecasted to decrease due to lower production levels, particularly for red varieties such as Tempranillo and Merlot. This reduction is likely to impact cost-per-kilogram estimates, leading to higher production expenses for producers. The presentation highlights the increasing financial pressures on grape production and the need for efficient cost management to maintain profitability.

Discussion:

COM comments addressed the option of using average costs to compare with average prices in the wine sector. CREDA-UPC-IRTA offered to provide and share data next year specifically for cava, covering production, sales, and storage costs.

3.7 AOB

The Commission noted that the June 2024 report, "Prospects of the EU Wine Sector," drafted by the EU Wine Market Observatory, was highly valued and widely utilized within the sector.

4. Next meeting

For 2025 there will be two meetings scheduled and the schedule will be distributed to the experts as soon as they will be available.

5. List of participants

All organisations were present (see the enclosed list), except COGECA.

Meeting of the CDG Meeting of the Expert Group Wine Market Observatory

24 October 2024

List of participants

ORGANISATION
COMITÉ EUROPÉEN DES ENTREPRISES VINS (CEEV)
CONFÉDÉRATION EUROPÉENNE DES VIGNERONS INDÉPENDANTS (CEVI)
EUROPEAN FARMERS (COPA)
INSTITUT DE RECERCA I TECNOLOGIA AGROALIMENTARIA (IRTA)
EUROPEAN FEDERATION OF ORIGIN WINES (EFOW)
EUROCOMMERCE
RAFAEL DEL REY (OBSERVATORIO ESPAÑOL DEL MERCADO DEL VINO)

