



WINE - Market Situation¹

Evolution and Background information

Updated July 2015

Commission's main objectives

- After many years of structural surpluses which had to be eliminated by distillation, the 2008 Wine reform ensured reaching a balance between demand and supply and increasing the competitiveness of the EU wine producers.

Issues at stake

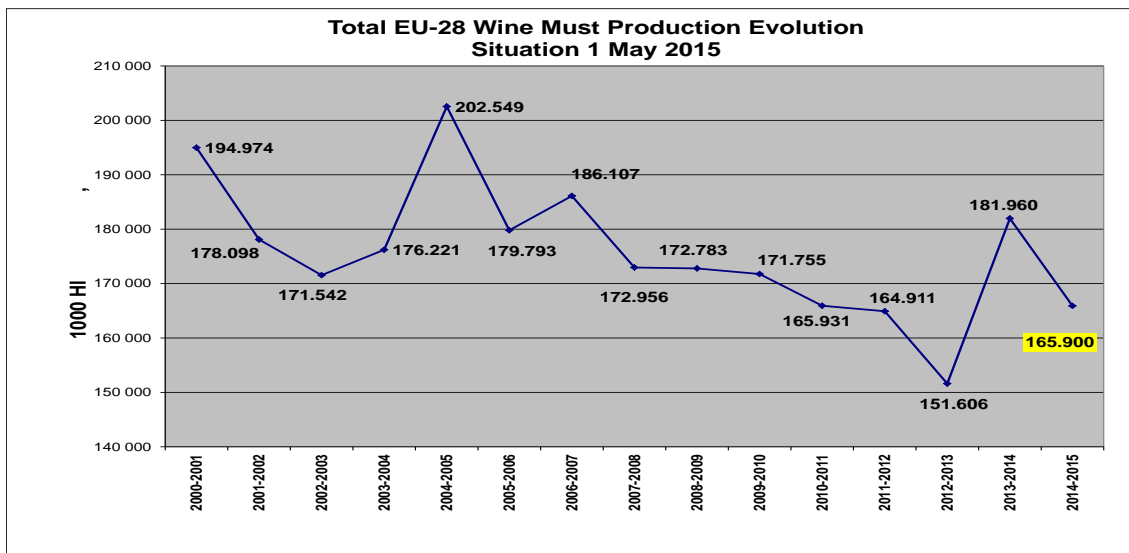
- The European Union remains the world's biggest wine producer, producing around 60% of world production of wine. Wine is not a commodity: Each type of wine even produced within the same area has specific particularities. The quality and price of a same wine produced in another year can differ from the one produced this year. Appreciation and consumption of a certain type of wine also depends of cultural aspects and is also bound to trends.
- Several regions, mainly in the South of Europe, depend on the direct and indirect economic activity linked to winemaking and the commercialisation of wine.
- Even with a stable production potential, European wine production varies a lot from year to year (Yields +20% / -20%) highly influenced by weather conditions and/or sanitary conditions of the vines. Furthermore wine producers are able to increase or decrease the wine production depending on the market situation forecasts. Yield variations in Spain resulted in 2012 to a total harvest situated 15% below 5-year average whereas 2013 wine harvest ended 38% above the same 5-year average resulting in a harvest twice as important as the previous year (+55%).
- Huge production fluctuations have an important impact on the price levels. High availabilities result in low prices and reduced income. Shortage of wine lead with higher prices to lower export opportunities, resulting in a loss of market shares in key world markets. In order to facilitate market stability efforts are being made in supporting promotion actions, investments like irrigation systems or production and/or storage facilities as well in harvest insurance support.
- Export of wine yearly contributes with more than 6 billion euro to a positive effect of the EU trade balance. 5 main destinations (USA, Switzerland, Japan, Canada, China-Hong Kong) account in value for up 70% of all wines exported outside EU.
- Exports outside the EU account only less than 15% of EU wine production. As EU intra trade of wine accounts over 25% of the volumes produced, remaining wines (60%) are consumed in the MS where they have been produced or are transformed into wine-based products.
- Imports of wines from outside EU account up to 10% of all wines consumed in the EU, in some MS like UK this market share of imported wines reaches however over 50%.

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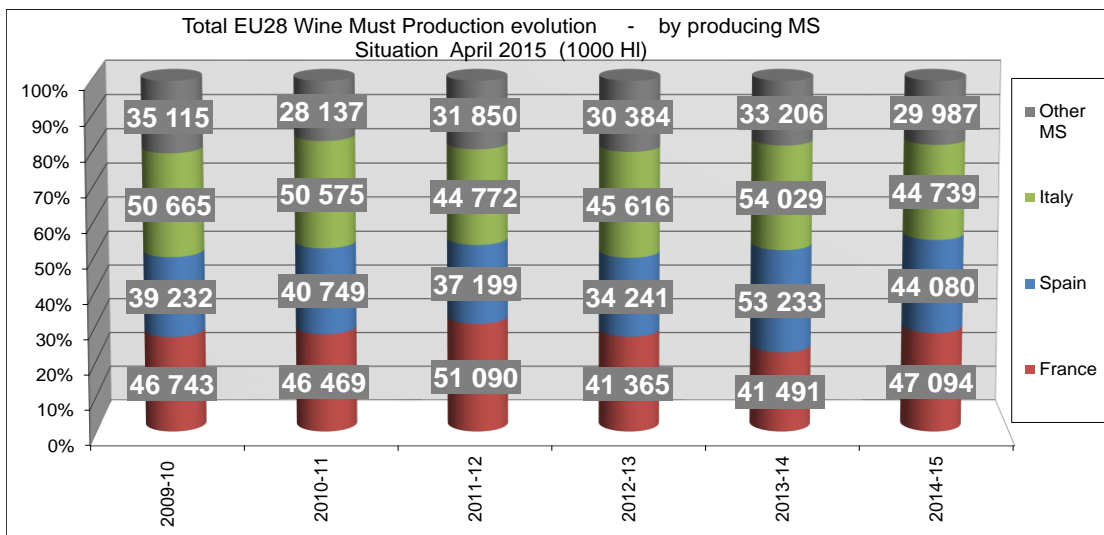
Background information

Wine Production.

Between 2007 and 2014 the average production of wine must has evolved from 173 Mio hectolitres (HL) to 166 Mio Hl. The volumes produced during this period were far below the volumes produced before the 2008 Reform and this result is generally attributed to the elimination of distillation facilities offered by the previous Market Organisations and to the result of grubbing up operations executed in 2009, 2010 and 2011. The 2012 harvest has with 152 Mio Hl turned out as being one of the lowest ever known. Stocks which were already nearly on their lowest level since the modest harvests during the previous years, became in several wine regions fully exhausted. In Spain wine from Chile needed to be imported to fulfil the market needs of some segments of wine. In response to the low harvest in 2012, and the corresponding increase of wine prices, the harvest of 2013 jumped to the high level of 182 Mio hl, on EU-level +20% compared to the previous year, in Spain yields went up by +53%. During 2014 the harvest came back to the average level of 166 Mio hl, however prices remain low in particular in Spain and Italy.



Italy, France and Spain are the 3 main producing MS accounting together for 80% of all production, followed by Germany (9 Mio Hl), Portugal (6 Mio Hl), Romania (5 Mio Hl) and 14 other MS. (EL, HU, AT, HR; BG, SI, CZ, SK, CY, LU, UK, MT, BE, NL)



Wine Price evolution

Wine not being a commodity, a wide range of prices (+1000) exists between high range premium wines and low based ordinary wines without geographical indication or variety.

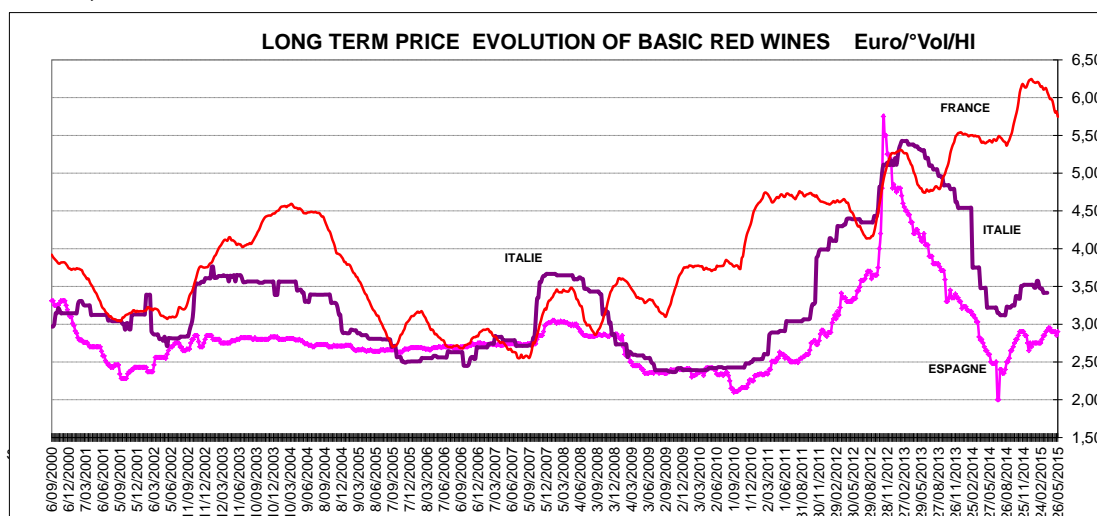
At EU level DG AGRI follows in particular prices for Spanish, Italian and French red and white basic wines without any geographical indication and mention of variety, expressed in euro per hectolitre and per degree alcohol (hectogrades). In the past these price quotations were mainly used to determine the intervention price for measures like obligatory distillation and/or private storage.

Prices of basic bulk wines without PDO/PGI in EUROS /°Vol./ HI						
Sources: Unione Italiana Vini - VINIFLHOR - Semana Viticola						
Country	Wine	April 2014 price	March 2014 price	Change this month vs. Last month	April previous marketing year price	same month of previous marketing year
France:	Red wine	5,44	5,50	-1%	5,03	8%
	White wine **	6,32	6,41	-1%	5,75	10%
Italy:	Red wine	3,48	3,75	-7%	5,37	-35%
	White wine	3,40	3,57	-5%	5,75	-41%
Spain:	Red wine	2,79	3,02	-8%	4,25	-34%
	White wine	2,20	2,44	-10%	4,76	-54%

As shown in the right column of the table above, prices for basic wines in Spain and Italy have suffered during 2014 a reduction of approx. 35-55% compared to previous year. Prices for same type of wine produced in France increased however by 8-10%. The evolution of these prices illustrates the correlation between supply and demand but also the fact that wine is not a commodity.

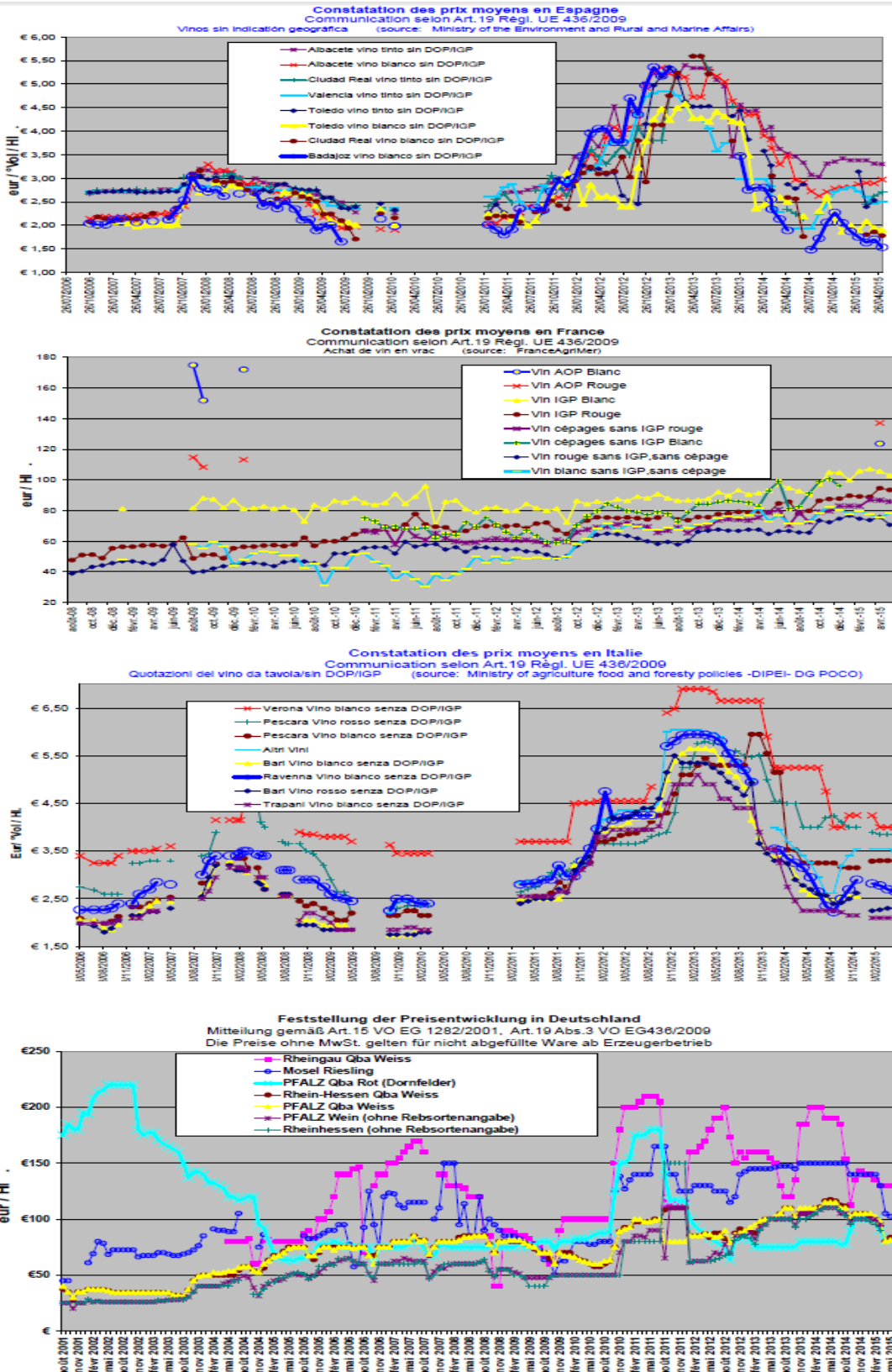
Although prices for ES and IT dropped by 35-55%, they are back to the 'normal' level of the period before 2012. Indeed, 2012 prices were abnormally high due to the shortage caused by the extreme low harvest and the non-availability of certain wines. Prices in France remain however very high.

version Weekly



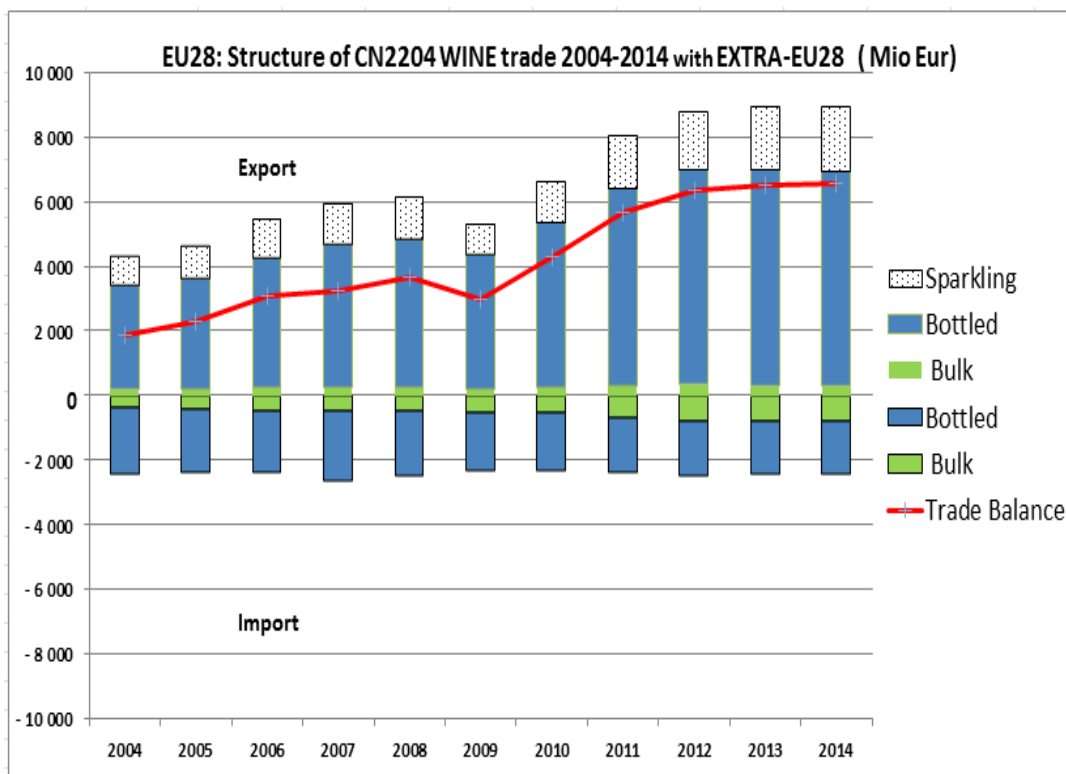
Source: DGAGRI: Sources: Unione Italia Viniflor, La Semana Viticola. Campagnes 2000 à 2015 (en Euro/°Vol/HI.)

Furthermore DG AGRI receives from those Member States producing 5% or more of the EU total production, communications on average prices of 8 of their most representative wines, as required by Art.19§3 of Regulation (EU) 436/2009. These prices cannot be compared to each other as the basis of data collection, the categories provided and the units of measurements are not identical, however they are important as they clearly indicate price trends by MS.



Wine Trade with extra-EU partners

Although the fact that EU produced wines are for 75% consumed within the EU, the export of wines (Combined Nomenclature CN 2204) has since the 2008 Wine Reform become an important asset to the EU trade balance: imports remained stable but exports increased to reach 20 Mio Hl in volume and nearly 9 billion euro in value.



2013 CN 2204 Extra EU export of wine

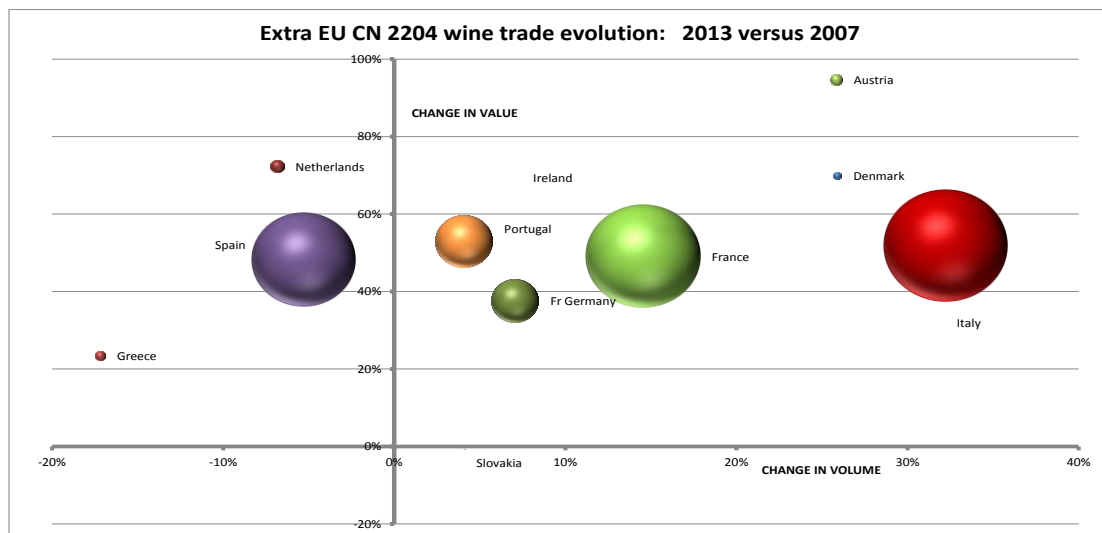
Export 11 Main Trade Destinations and Origins

Exports in HL				Exports in 1000 Euro			
2013 - EU27				2013 - EU27			
1	USA	5.306.232	25,9%	1	United States	2.571.903	28,7%
2	Russia	2.358.233	11,5%	2	Switzerland	880.484	9,8%
3	China	1.974.971	9,6%	3	Canada	769.115	8,6%
4	Canada	1.747.681	8,5%	4	Japan	745.525	8,3%
5	Switzerland	1.590.544	7,8%	5	China	660.538	7,4%
6	Japan	1.552.160	7,6%	6	Hong Kong	577.218	6,4%
7	Angola	929.125	4,5%	7	Russian Federati	547.767	6,1%
8	Norway	628.177	3,1%	8	Singapore	304.575	3,4%
9	Nigeria	333.464	1,6%	9	Norway	292.475	3,3%
10	Brazil	287.448	1,4%	10	Australia	164.954	1,8%
11	Hong Kong	262.212	1,3%	11	Angola	120.324	1,3%
	Other extra-EU	3.514.000	17,2%		Other extra-EU	1.317.448	14,7%
	TOTAL	20.485.560	100,0%		TOTAL	8.952.326	100,0%

Exports in HL 2013 - EU27			
1	Italy	6.337.237	30,9%
2	France	5.434.306	26,5%
3	Spain	4.493.242	21,9%
4	Portugal	1.403.166	6,8%
5	Fr Germany	958.645	4,7%
6	Lithuania	789.061	3,9%
7	Latvia	435.112	2,1%
8	Bulgaria	141.183	0,7%
9	Utd. Kingdom	88.538	0,4%
10	Netherlands	75.814	0,4%
11	Austria	59.644	0,3%
	Other extra-EU	3.514.000	17,2%
	TOTAL	20.485.560	100,0%

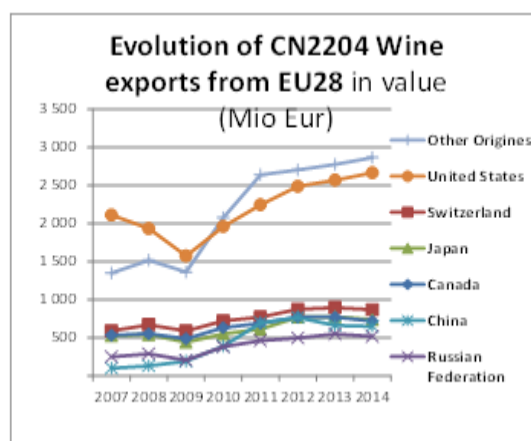
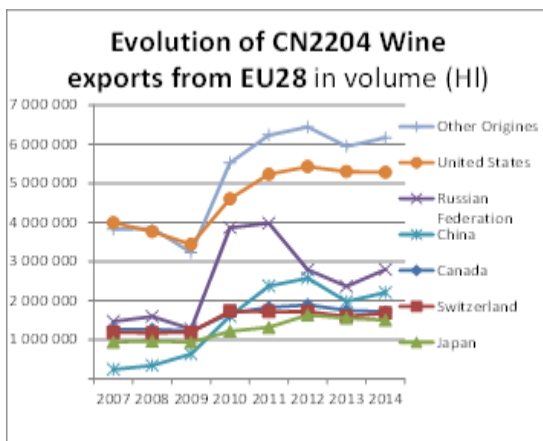
Exports in 1000 Euro 2013 - EU27			
1	France	4.072.460	45,5%
2	Italy	2.360.639	26,4%
3	Spain	948.092	10,6%
4	Fr Germany	392.801	4,4%
5	Portugal	313.677	3,5%
6	Utd. Kingdom	286.683	3,2%
7	Lithuania	162.615	1,8%
8	Latvia	145.706	1,6%
9	Netherlands	109.222	1,2%
10	Austria	35.752	0,4%
11	Belgium	29.196	0,3%
	Other extra-EU	95.484	1,1%
	TOTAL	8.952.326	100,0%

Compared to 2007, the value of all the main exporting MS has increased between 40-60%. In volume exports from Spain have declined (mainly cheaper bulk wines exported with export refunds) and exports of Italian wines have increased in volume.



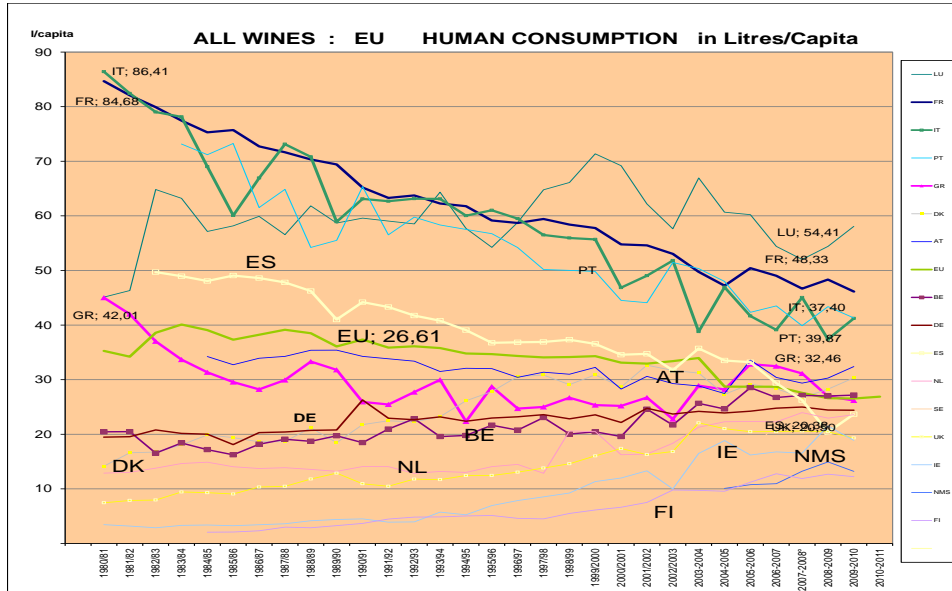
Source: Eurostat COMEXT Trade database

During 2013-2014 as well exports as imports remained stable. However in some important markets (US, China, Japan) consumption is increasing fast and EU is loosing important market shares, even whilst increasing exports.

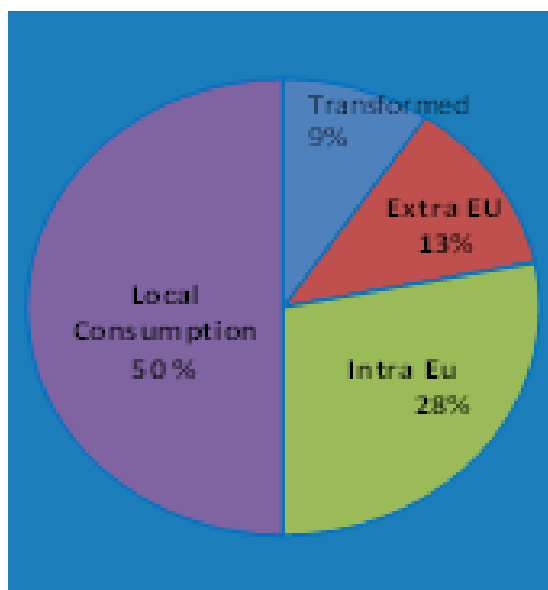


Human Consumption of wines

Although the human consumption by capita is still increasing on World level, we see a constant decrease of the consumption by capita in Europe. Nevertheless the average consumption in Europe remains with 26 litre/cap. far above the consumption in other parts of the world (USA: 17.5 l/cap.).



The decline of the consumption in Europe is mainly due to a change in consumption pattern in the Mediterranean countries: where basic table wines used to join meals on a daily basis have been replaced by high value premium quality wines used for more special occasions.



Wine surplus

Stocks of wines represented by the yellow line in the graph below, have been declining from 2008 onwards by 6-7Mio HI resulting from low harvest and increasing export figures. The important harvest of 2013 will bring back stocks at the level of 2012.

