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MINUTES

Meeting of the EXPERT GROUP WINE MARKET OBSERVATORY

06 June 2023

Chair: AGRI.E2

Delegations present: All delegations were present, except: ECVC, CEJA.

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

Unit AGRI E2 chaired the meeting. The meeting was held via videoconference. The Members of the Observatory approved the previous meeting's minutes and the agenda of the present one.

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. Market situation - issues in some specific regions – state of play

Members of the observatory presented the current situation of the market in the main producing Member States:

A - In ITALY: COPA explained the difficulties in the sector, due to very high stocks of red wine in certain regions and climatic problems. The demand for red wines is decreasing, which pulls the prices down. The problem of rising production costs (energy, transport, bottling, labelling) remains also present. However, the campaign is still long, and it is too early to predict what this year's production will be.

Regarding consumption, EUROCOMMERCE added that in 2022, the only clearly positive element concerns the "Other Charmat sparkling wines" category (other than Prosecco), which closed 2022 with 13% growth in volume, against a drop in shelf purchases of over 6%, with above-average losses for still wines (-7%), and in particular for PDOs red wines, which saw a double-digit drop (-11%). The 2022 balance sheet for supermarket sales also shows a loss in terms of value (-2%, to 2.94 billion euros).

B – In FRANCE: according to COPA, the wine area in France decreases a bit (-1% in 2022) but remains stable around 770 000 Ha. The yield 2022 was rather good, around 40 Mio Hl, including 43% of white and rosé PDOs wines and a decrease of the red wines. The total availability of wines (production + opening stocks) remains at a high level. Some regions are in a difficult situation: in Nouvelle Aquitaine, production is declining but stocks are very high, even higher than the harvest. In Bordeaux, the white wines prices are stables, but those of red and rosé wines are declining since 2016.

Regarding exports, there is currently a trend of decrease in volume by -5% but an increase in value of +12% (partly due to the success of Champagnes who leads exported volumes and values to the top). Concerning imports, we note for now an increase in the volumes and values imported, which seem to be due to imports of lower quality wines intended to be then transformed into low-end sparkling wines in France. Finally, consumption in France is following a structural downward trend (-1% per year), with an average of 45 liters per inhabitant and per year.

EUROCOMMERCE explained that in France, in Q1 2023, sales of still wines in supermarkets fell by -6% in volume compared to Q1 2022 (-11% compared to the 2020/22 average) and remained stable in value compared to Q1 2022 (also -3% compared to the 2020/22 average). The average price was €5.04/l, up on 2022 (+6% and +8% on the 2020/22 average). All categories are down in volume terms, with white and rosé wines faring slightly better in terms of value. For white wines, despite a decline in volume, sales by value are up by around 1.7% compared to Q1 2022.

Regarding sparkling wines, with 32.5 million bottles, sales of sparkling wines in supermarkets (HM + SM + E-commerce + proxi) over the first three months of 2023 (02/01/2023 to 26/03/2023) were down in value and volume compared with 2022. Despite the decline in value compared to 2022, sales in 2023 remain above the 3-year average (+2%). The Champagne is in sharp decline (-20% in volume and -10% in value). Contrary to the overall trend for sparkling wines, PDOs wines are doing well, with increases in both volume and value, both compared to 2021 and the 3-year average. However, certain appellations, such as Blanquette de Limoux and Crémant de Bordeaux, are experiencing more difficulties. Foreign sparkling wines are also on the rise (+12% in volume and +20% in value).

Regarding organic market in hyper and supermarkets, in 2022, French supermarkets sold 42.9 million bottle equivalents of still organic wine, for sales of 251 million euros, according to Nielsen-IQ. This represents a drop of 9% in volume and 7% in value. While conventional wines are down 5% in volume and 2% in value. While inflation is having an impact on consumer behaviour, with trade-offs to the detriment of wine, organic wine is clearly suffering from its higher prices. In 2022, the average price of a bottle of organic wine sold in supermarkets and hypermarkets was €5.85 (+2.4%), compared with €3.79 (+3.2%) for a conventional bottle.

C – In SPAIN:

- Wine Consumption: wine sales in the on-trade totalled 2.14 million hectolitres over the last 12 months, the highest level since 2020, but a long way from the pre-pandemic figures of around 3 million hectolitres. The on trade has been hard hit by the trade restrictions resulting from the health crisis. Retail sales fell to 4.14 million hectolitres.

- According to the *Observatorio español del mercado del vino*, the on-trade's share of wine sales in Spain has recovered in 2021 and 2022 (YTD rolling to January 2023). The share of home consumption has fallen in favour of consumption in the on-trade sector.

3.2. Focus on Italian wine market (prices, stocks...)

CCEV confirmed the drop in wine consumption in Italy (-7% in 2022), although Italy still has a significant consumption per capita (37 liters per capita and per year - 3rd largest consumer of wine after the USA and France). Italy, which is the world's leading producer (with 50 Mio HI in 2022), has a stock of wine equivalent to more than one year's production which must be kept under surveillance (57 Mio HI at 04/30/2022 of which +9% for PDOs). The prices of red table wines and PGIs are currently falling while those of PDOs red wines are holding up - quality wines have a more stable evolution but due to an increased declassification. Thus, for the 2022/23 campaign, we see:

- * prices of whites wines: -6%
- * prices of table red wines: -15%
- * PDOs prices increase slightly +2% for white wines (partly due to the success of Prosecco) and +6% for red wines.

For table wines, the intense competition from other Member States also plays a significant role.

EFOW then underlined some factors that explain the reduction of red wine consumption in Italy:

- sparkling white wines associated with diverse types of cocktails are very fashionable (especially Prosecco),
- the negative aspects of alcohol are more considered by consumers, who tend to associate the high degree of alcohols in spirit drinks with wine,
- the increase in consumption habits of Asian dishes, which are well suited to white wines and beers, to the detriment of red wine,
- some new consumption patterns are appearing, especially among young people, who favour light and low-alcohol drinks, or gin,
- the desire of many consumers to reduce their sugar consumption,
- and finally, the climate change, which with the sharp rise in temperatures, discourages drinking red wine.

CEVI confirmed that young people are more attracted by white wines, which work very well with the Asian food and that they appreciate a lot. There could be therefore a strong potential for aromatic dry white wines with low alcohol degree (11°-12° max.) on the European market for young populations as well as for export to Asian countries.

EFOW confirmed again these trends, reminding the structural difficulties of the sector:

- the combination of an aging indigenous population and an immigrant population not really interested in wine will increase the drop in consumption in the future,
- the health aspects are abandoned to social networks and the wine educational aspects are close to disappear,
- it would be necessary to encourage the education of the consumer, and to invest in Europe to dissipate the rumours on the bad sides of wine, otherwise the difficulties can become chronic.

3.3. Current and emerging issues in the Italian market

The speaker could not present this point. He will share his presentation with the participants in the forthcoming days.

3.4. Consumption patterns of the different types of wine in Spain in the last decade (quantities, volume and prices)

IRTA presented the consumption patterns on domestic market of the different types of wine in Spain in the last decade:

- Wine consumption at home: over 20 years, the per capita consumption has decreased from 15 liters per capita in 2000 to 8 liters per capita in 2021. The main decrease is on the table wines (consumption divided by 3 in 20 years), while PDOs are doubling (from 2 l/pc to 4 l/pc) and sparkling wines consumption remains stable. Wine consumption at home is steadily increasing (mainly Rioja, Ribera del Duero and Rueda) but has yet to return to pre-covid levels.
- Wine consumption out of home: the first quarter of 2022 shows significant growth in consumption outside the home, around +53% in volume compared to the first quarter of 2021. This is the effect of the post-Covid recovery, which mainly benefits the Cava (+90%) and bottled still wines (+58%). Turnover in the Horeca sector increased by 64% in the first quarter of 2022 compared to the first quarter of 2021.

3.5. Expected production costs for grapes for sparkling wine under different drought scenarios

IRTA introduced then the grape production costs forecasting for the season 2023-24. The objectives are to:

- o Present the grape production costs data (2016-2021) for the selected case studies (Designations of origin) and its structure ,
- o Describe forecasting method to predict the cost per hectare of grape production destined for base wine for cava for the growing season 2022-23,
- o Estimate the cost per kg,

Details of the presentation can be found here:

[Point%205.b_IRTA_European%20Wine%20Observatory-costs](#)

3.6. Update of perspectives of organic viticulture

The COM presented some figures on organic viticulture.

In 2020, 13,2 % the total EU area under grapes were organic (converted and in conversion). For the target of 25 % of organic, the viticulture remains in good position.

Unfortunately, 2021 data are incomplete for area in conversion to organic are not available. In 2021, the figures for the viticulture area fully converted show a steady

increase in IT, FR, PT while in ES, BG, EL and RO, the figures indicate a slower increase or even a decrease in viticulture area cultivated under organic.

4. Conclusions/recommendations/opinions

The COM acknowledged that the overall picture reveals significant differences between types of wine and regions. The COM is aware that some wines producers, especially of red wines, are in a very uncertain situation and some regions are suffering for serious market imbalances due to structural issues, aggravated by the long-term downward trends especially in red wine consumption.

The COM will therefore adopt very soon exceptional measures and a set of flexibilities in the management of the wine national programmes to help producers in difficulties. But these problems seem to become structural, so it will be necessary to have an overall discussion of the strengths and weaknesses of the sector during the next meetings of this Wine Observatory, and considering this upcoming new imbalanced situation, what solutions can be found to help the sector in the future.

5. Next meeting

The next meeting is scheduled in November 2023 (date and time to be confirmed).

6. List of participants

See Annex

[e-signed]

Pierre BASCOU

List of participants– Minutes
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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)