European Commission
Agriculture and Rural Development

"Challenges and opportunities for European Wines"

Wine Seminar

16/02/2006

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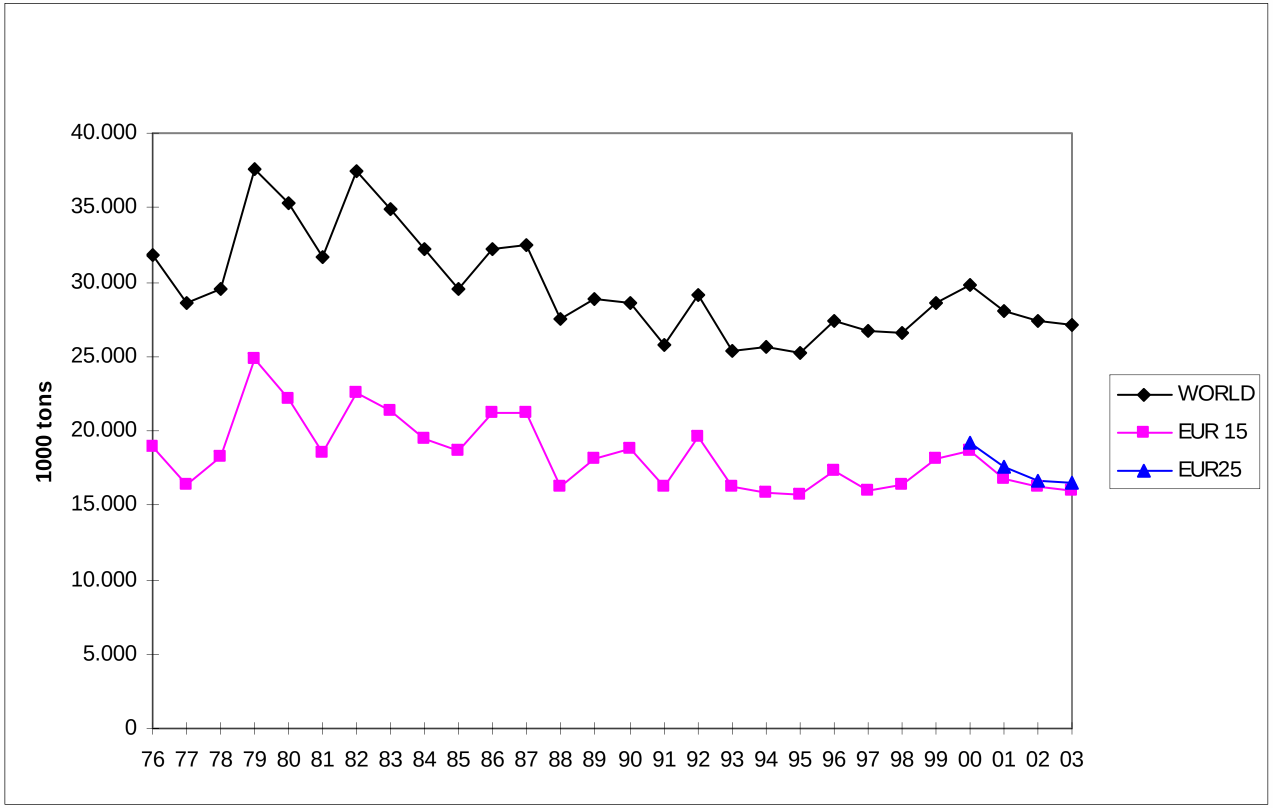
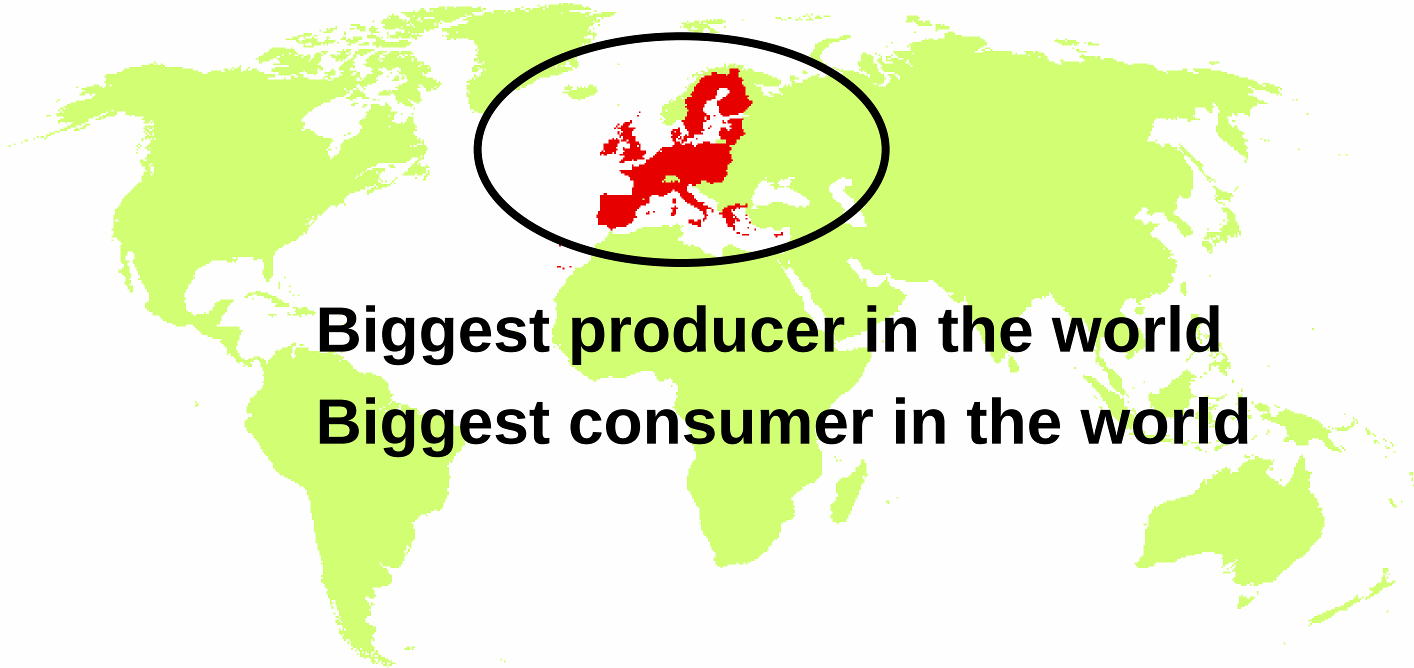
EU25, biggest world player

Biggest producer in the world

Wine production (FAO)



EU25, biggest world player



Biggest producer in the world

Biggest consumer in the world

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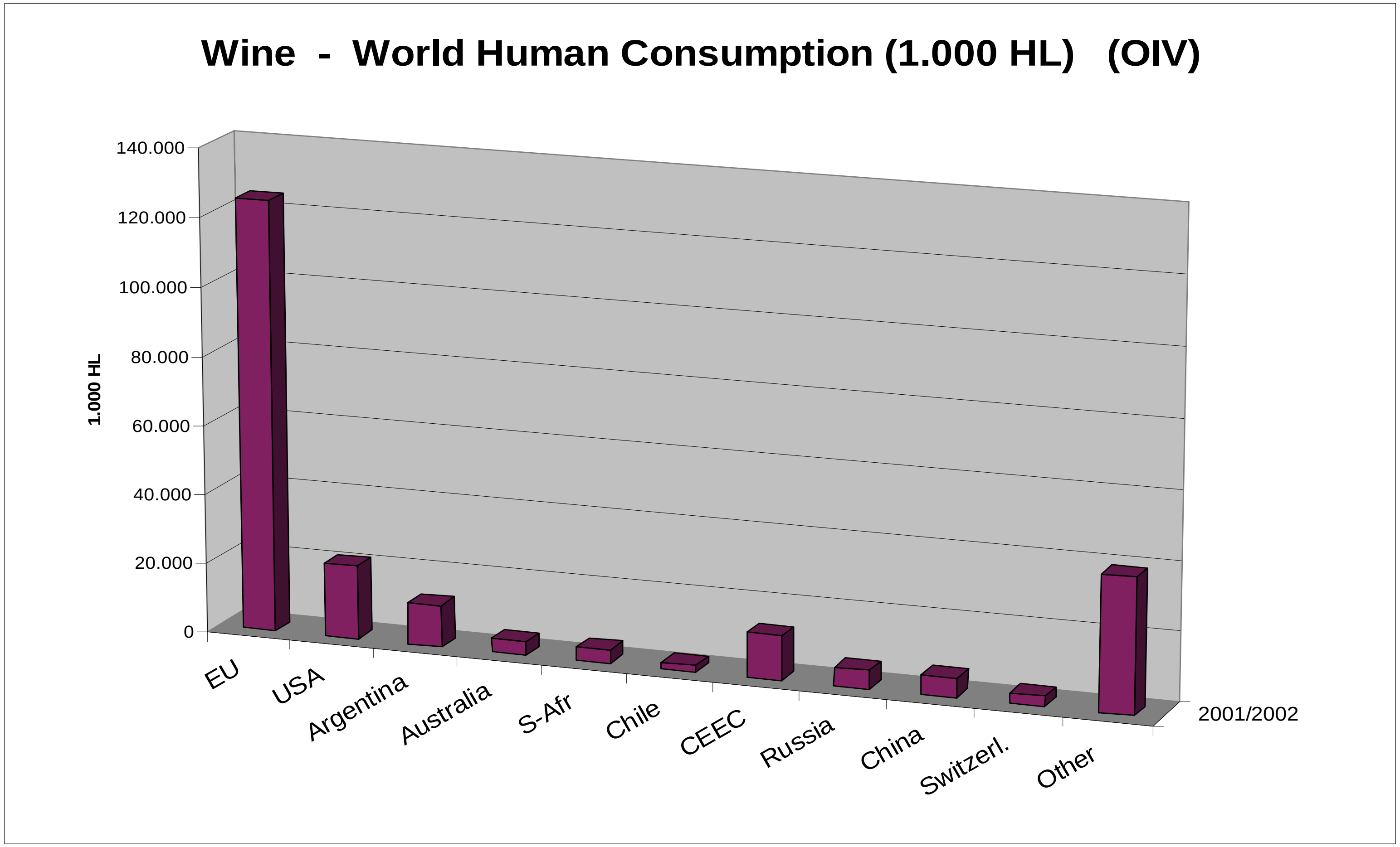


EU25, Biggest world player

Biggest producer in the world

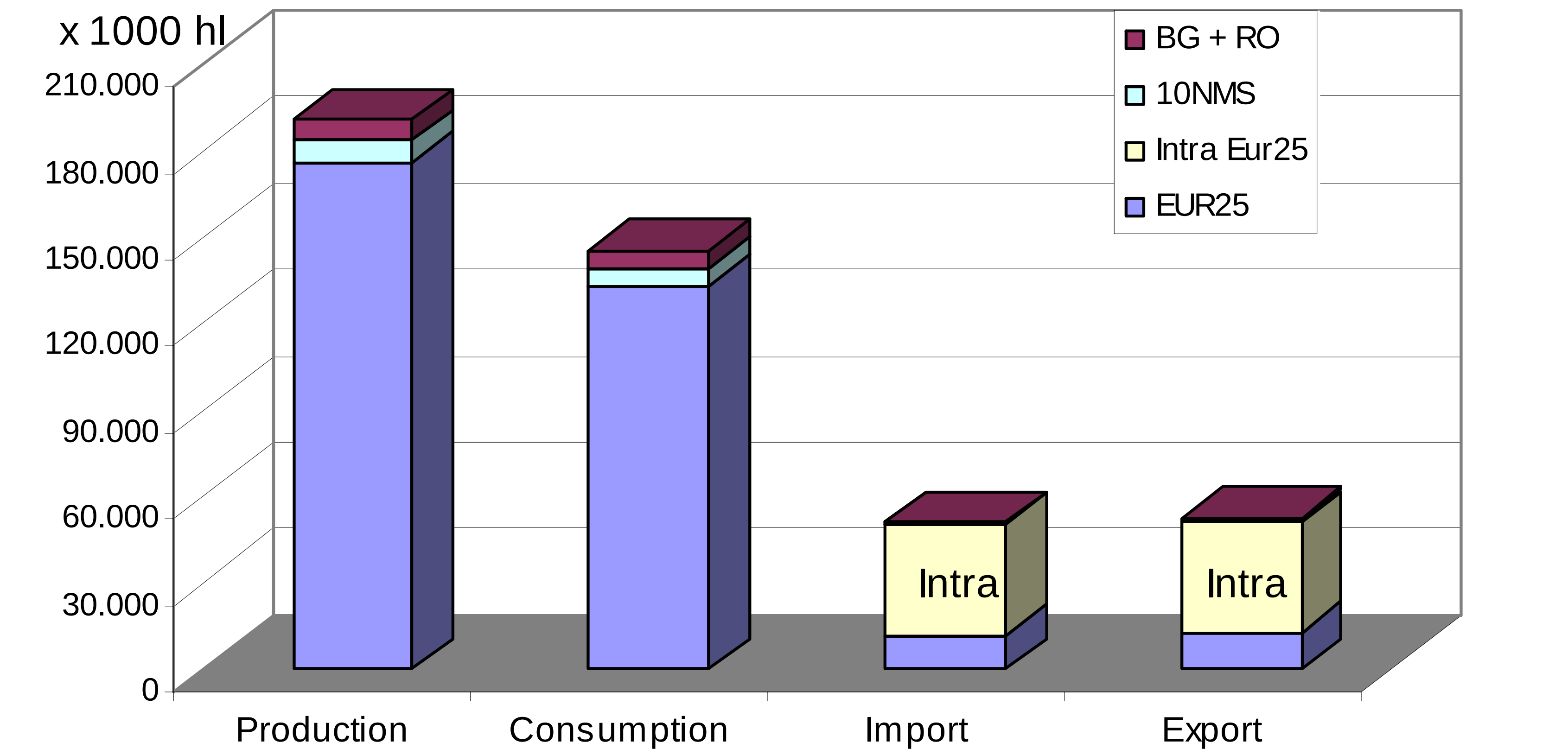
Biggest consumer in the world

Biggest exporter in the world (4.4 billion €)

Biggest importer in the world

- **Net exporter (2 billion €)**

First place to be strengthened in EUR 27



Source: DG AGRI based on 2004 data

What does wine production mean in the European Community?

Strengths and weaknesses

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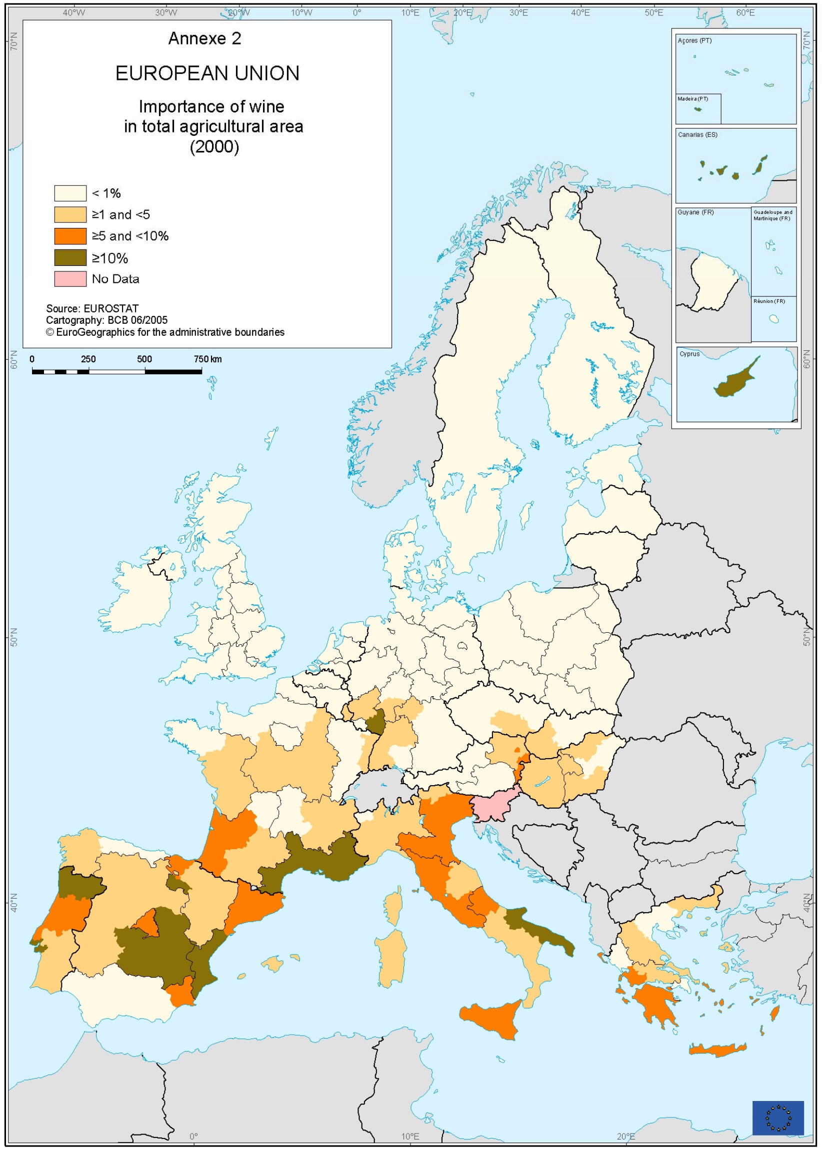
Land and landscape

- 3.2 millions ha (2000) = 2% of AUA
- 14 producing MS
- Many regions in objective 1 and/or LFA and with few alternative crops
- Landscape value of vineyards



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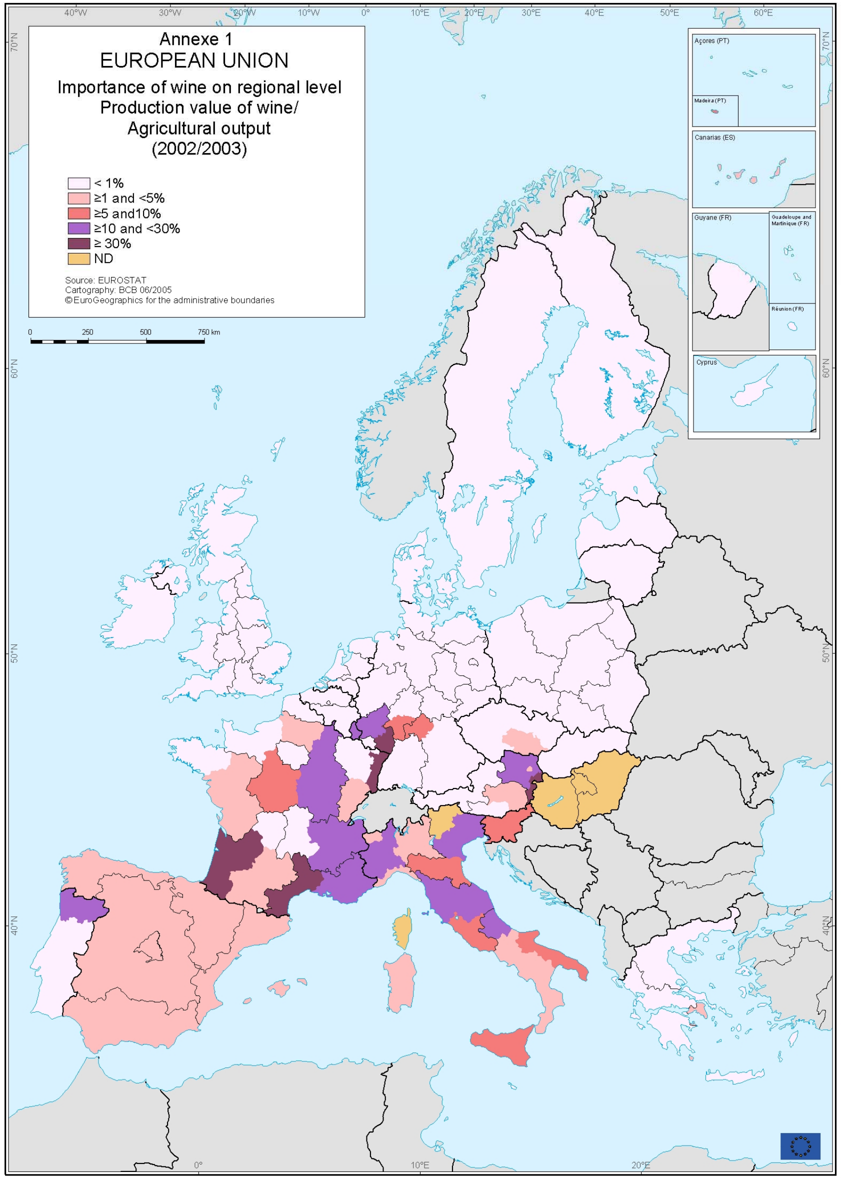
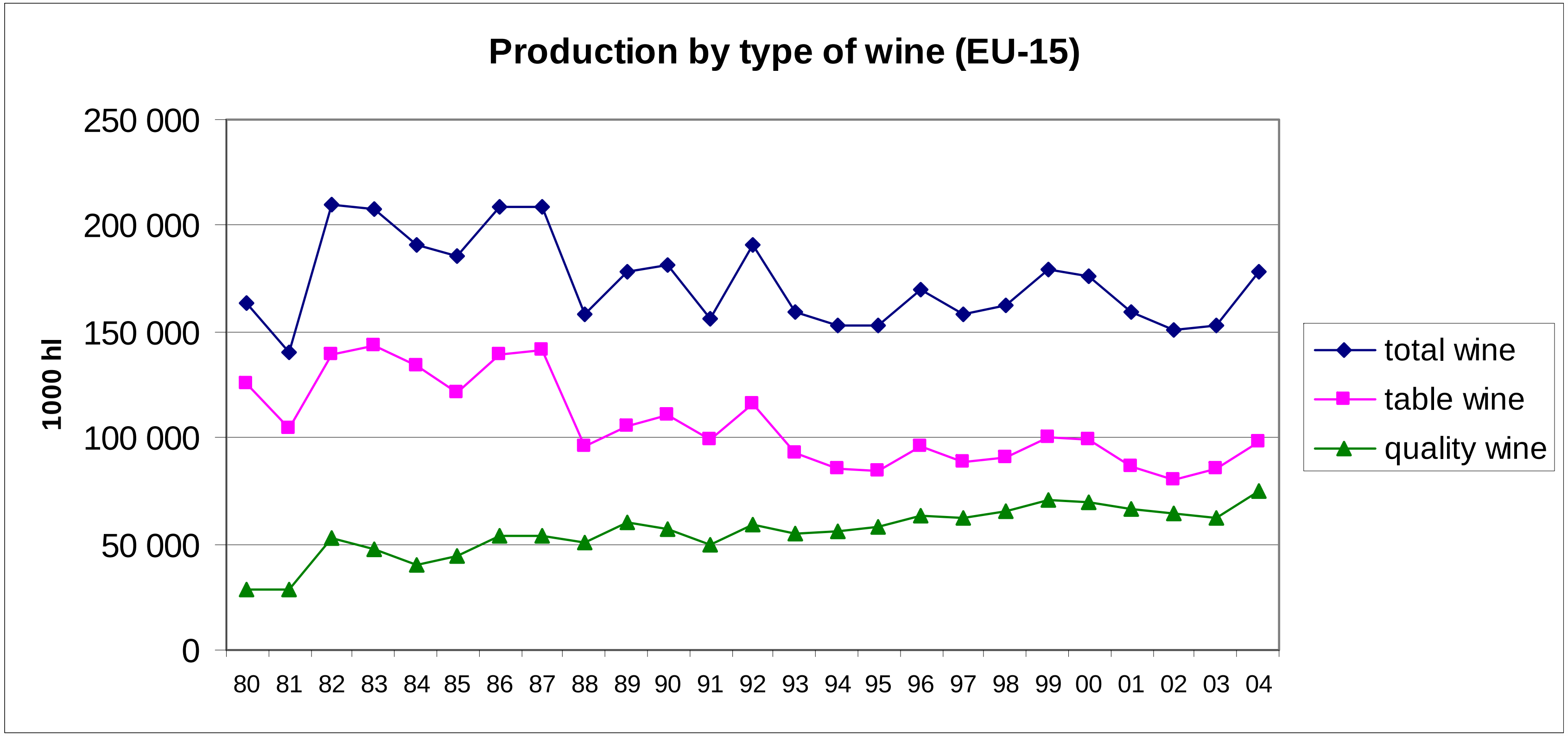
Production Quantity and quality

- 17.4 billion €
- 5.4% of EUR 25 agricultural output (wheat 6.6%
  sugar 1.7%)
- Quality wine 60% area



Production by type of wine



People

- **1.5 million wine holdings**
- **16% of EU25 farms**
- Small average size: **10 ha,** (70% of holdings < 5ha)
- Of which **3 ha vines**
- **Labour intensive** crop and processing

EU Vineyard are concentrated in a few Member States

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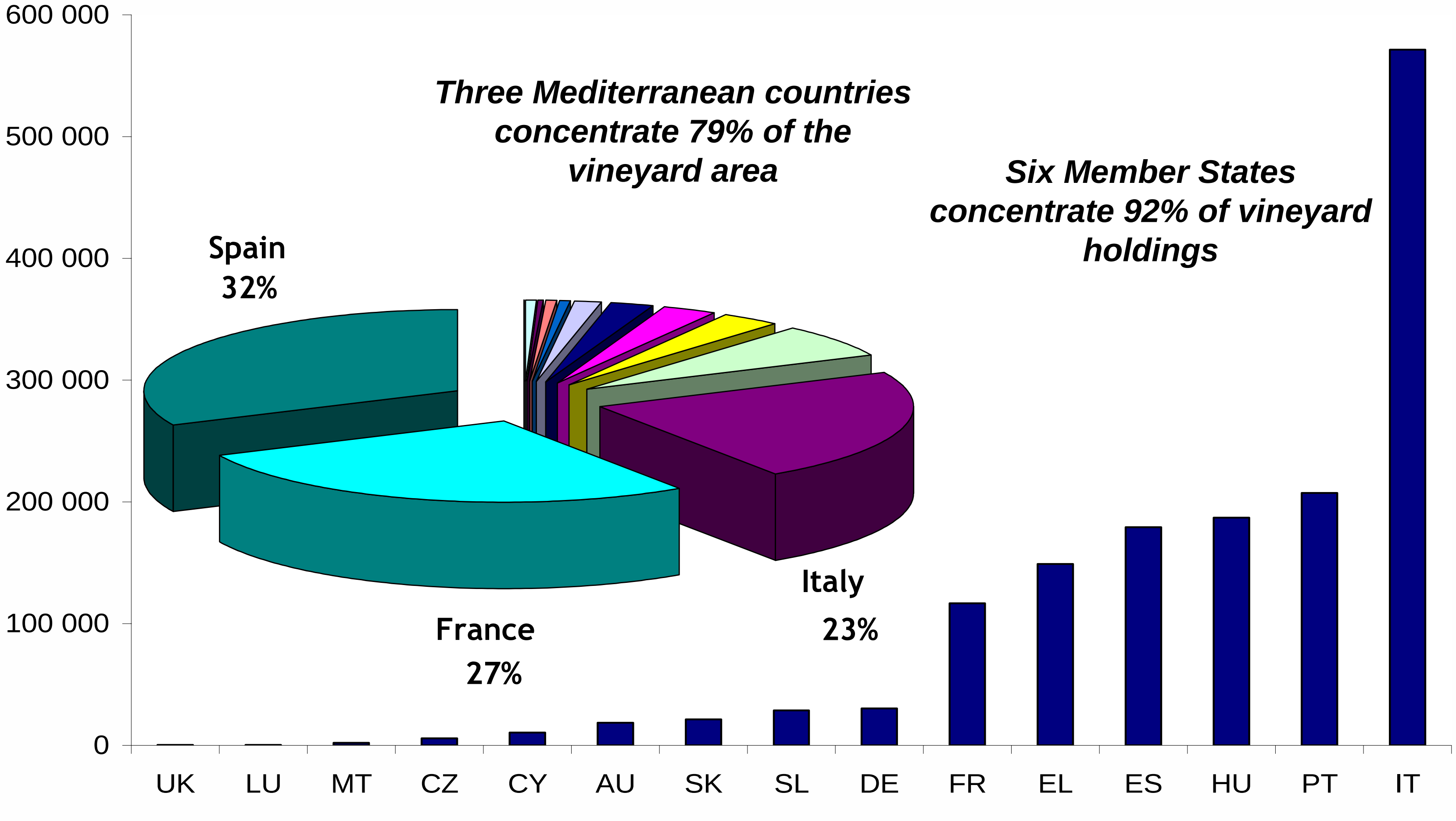
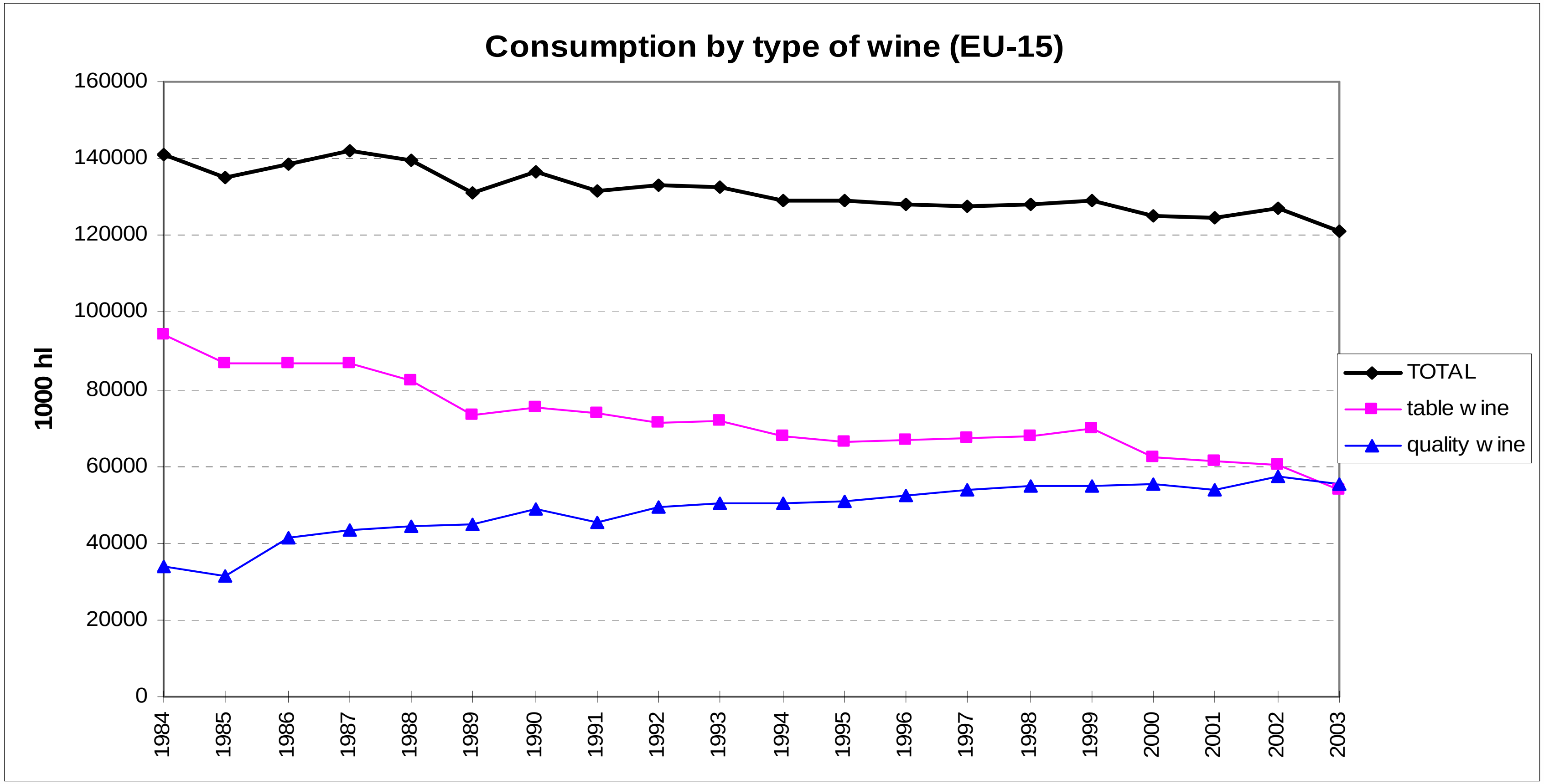


But, two major challenges:

1- decreasing trend in consumption

2- loss of internal and external market share

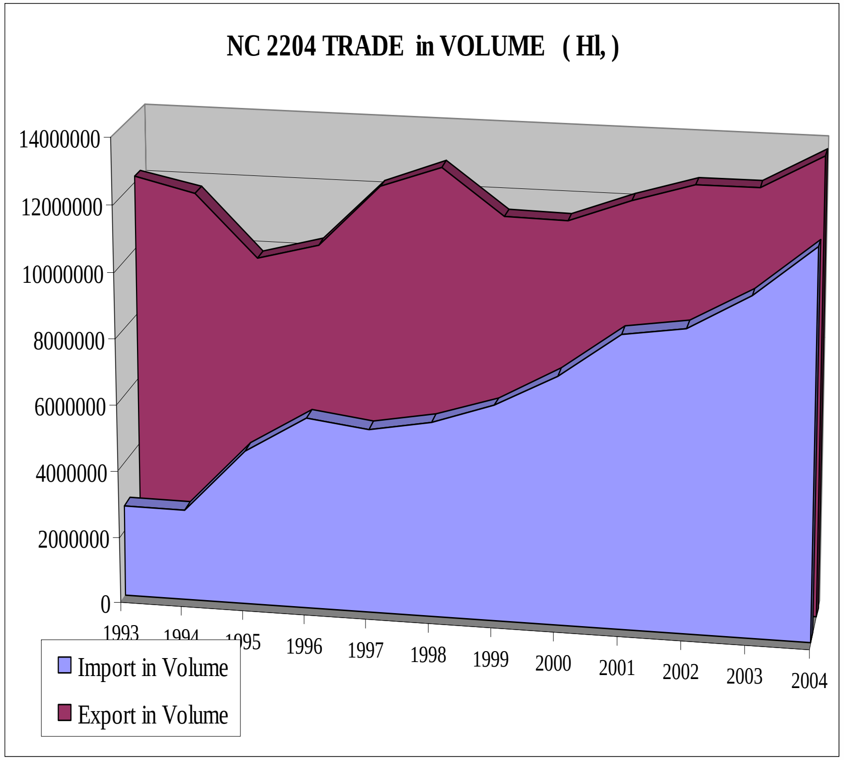
Consumption by type of wine

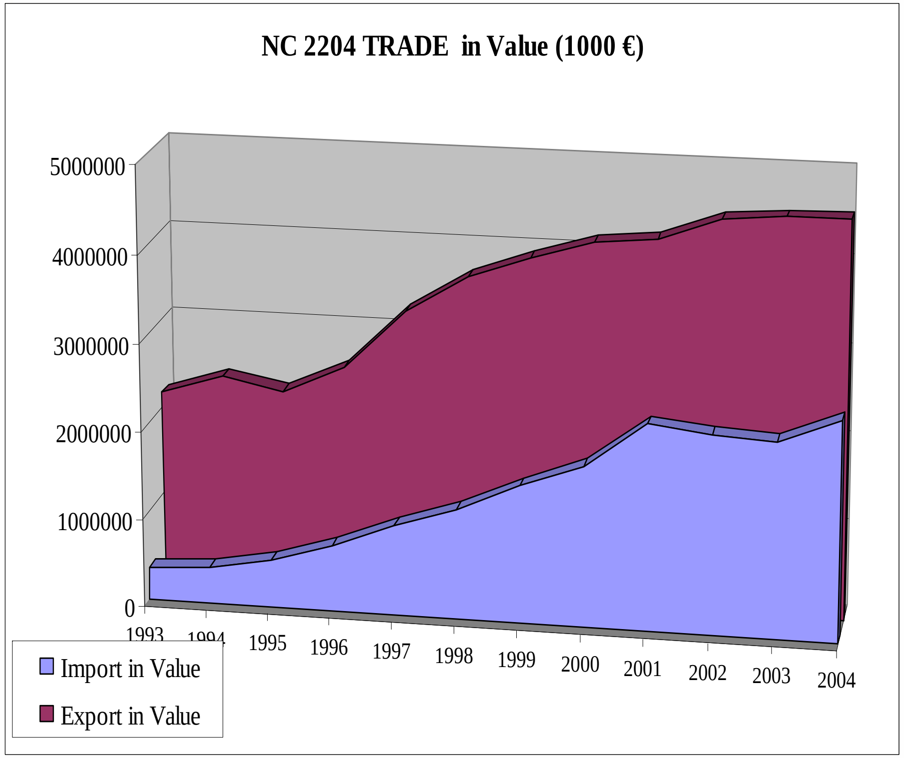


Why this decrease in global consumption ?

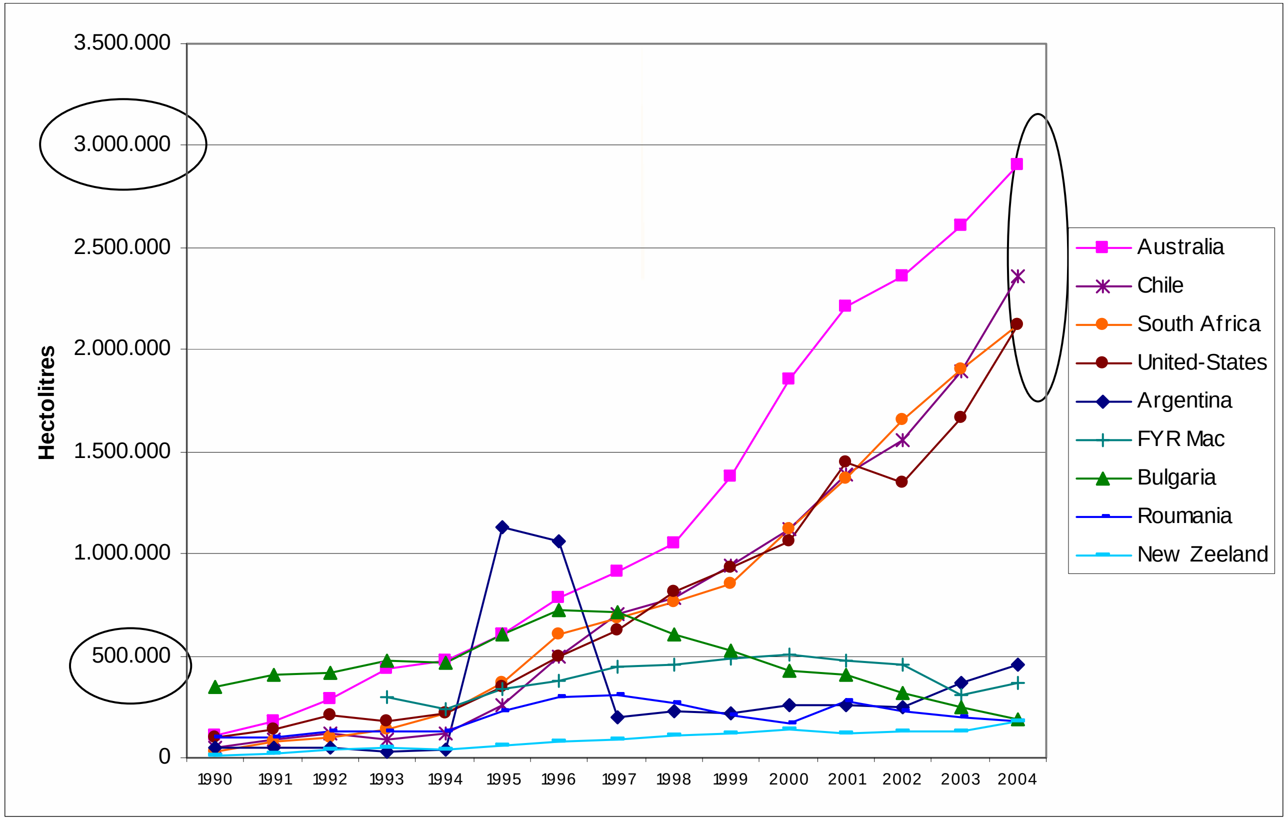
- Historical high level of consumption in the major producing Member States
- Changes in way of life (urbanization, time for cooking and types of meals, …)
- Quality preference versus quantity
- Competition with other drinks
- Public health policy

EU Imports and exports (extra) (Comext)





EU15 imports by origin in volume
(comext)



Why this success of “New World” wines ?

Production scale ?

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Production Potential	EU	AUS	USA	S-AF	CHILE
Planting rights limitation	Yes	No	No	No	No
Area evolution (86-90/2002 OIV)	-16%	+169%	+26%	+29%	+48%
“reserve”	5%	+15 000 ha 1998 + 8 000 ha 2003 + 4 000 ha 2010	14%	10%	ND
Prod evolution (86-90/2002 OIV)	-19%	+167%	+12%	-6%	+41%
Exports	x1.2	x19	x4	x47	x19

Labelling ?

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US

- Trade mark
- Region of origin
- Wine variety
- vintage
- Producer and bottling
- Alcoholic strength

EU (table wine with GI's)

Compulsory

- Name of the country of origin
- Name of the GI's
- Bottler, consignor or importer
- Lot number
- Alcoholic strength
- Nominal Volume
- Sulfite level

Optional

- Type of product
- Wine variety
- Vintage
- Name of the holding
- Other (traditional mentions, award…)

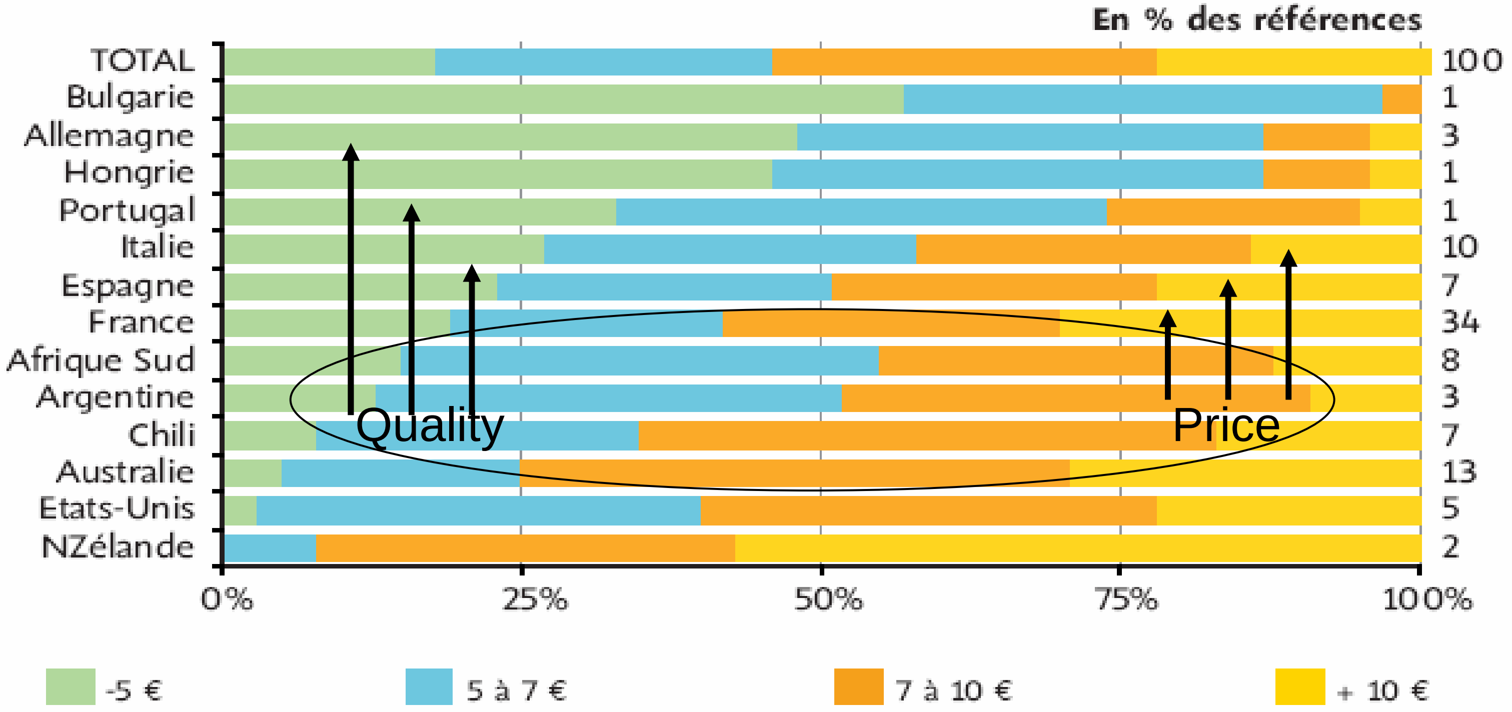
Type of products ?

Range of products

Australia	EU
▪ **Family bottles** with labels linking one color to one wine variety, generally same shape ▪ **Design** described by consumers as modern, funny, easy to remember ▪ **Clearly targeted** to young consumers and women	▪ **Family bottles** with labels according to EU wine classifications, to GI's, different shapes according to wine color ▪ **Design** described by consumers as traditional, sometimes difficult to understand, to help the choice and to remember

Prices ?

Consumer prices positioning on the UK market



Source : Ubifrance pour ONIVINS données 2002

Which consequences on the wine market?

Wine market

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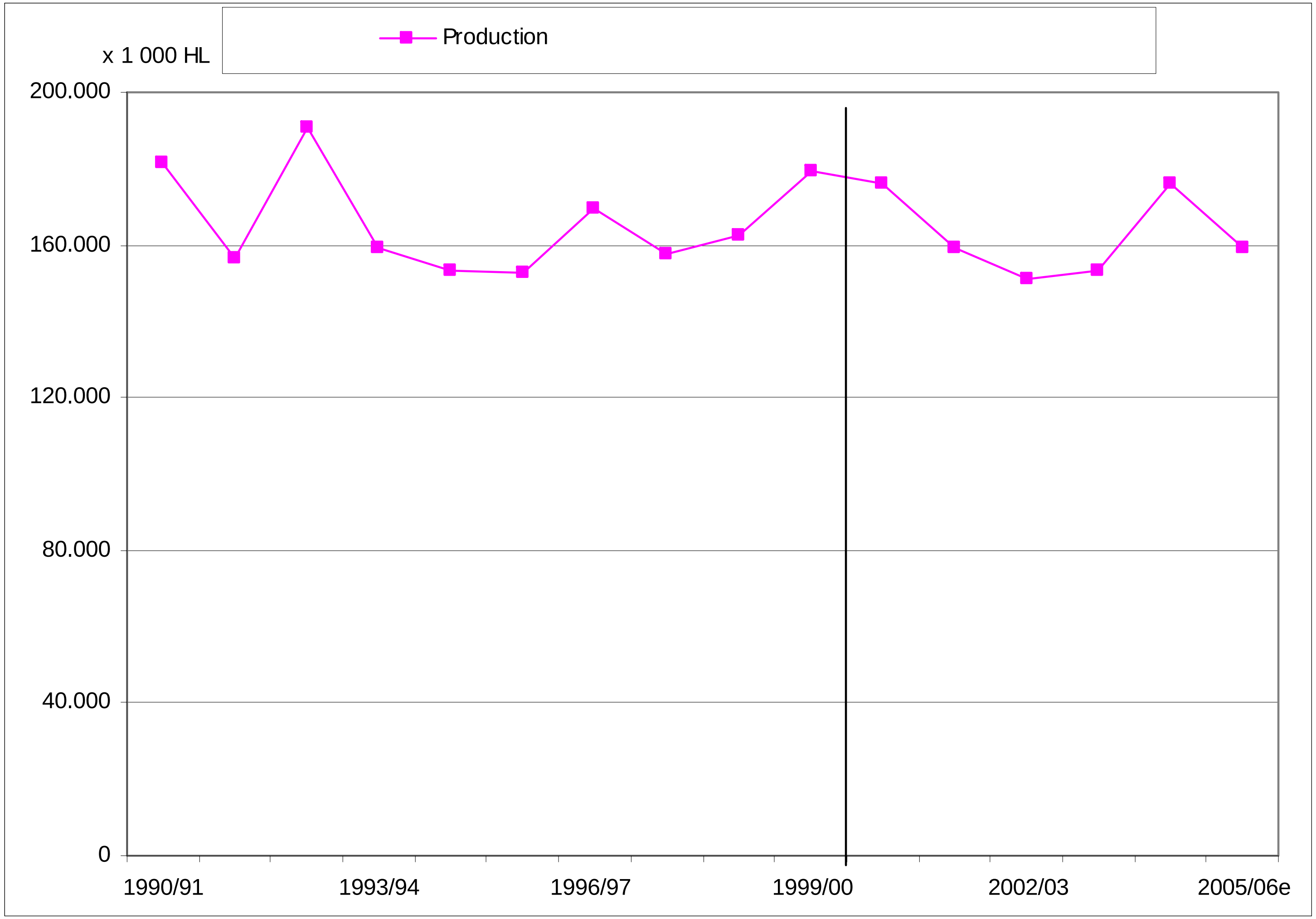

Wine market

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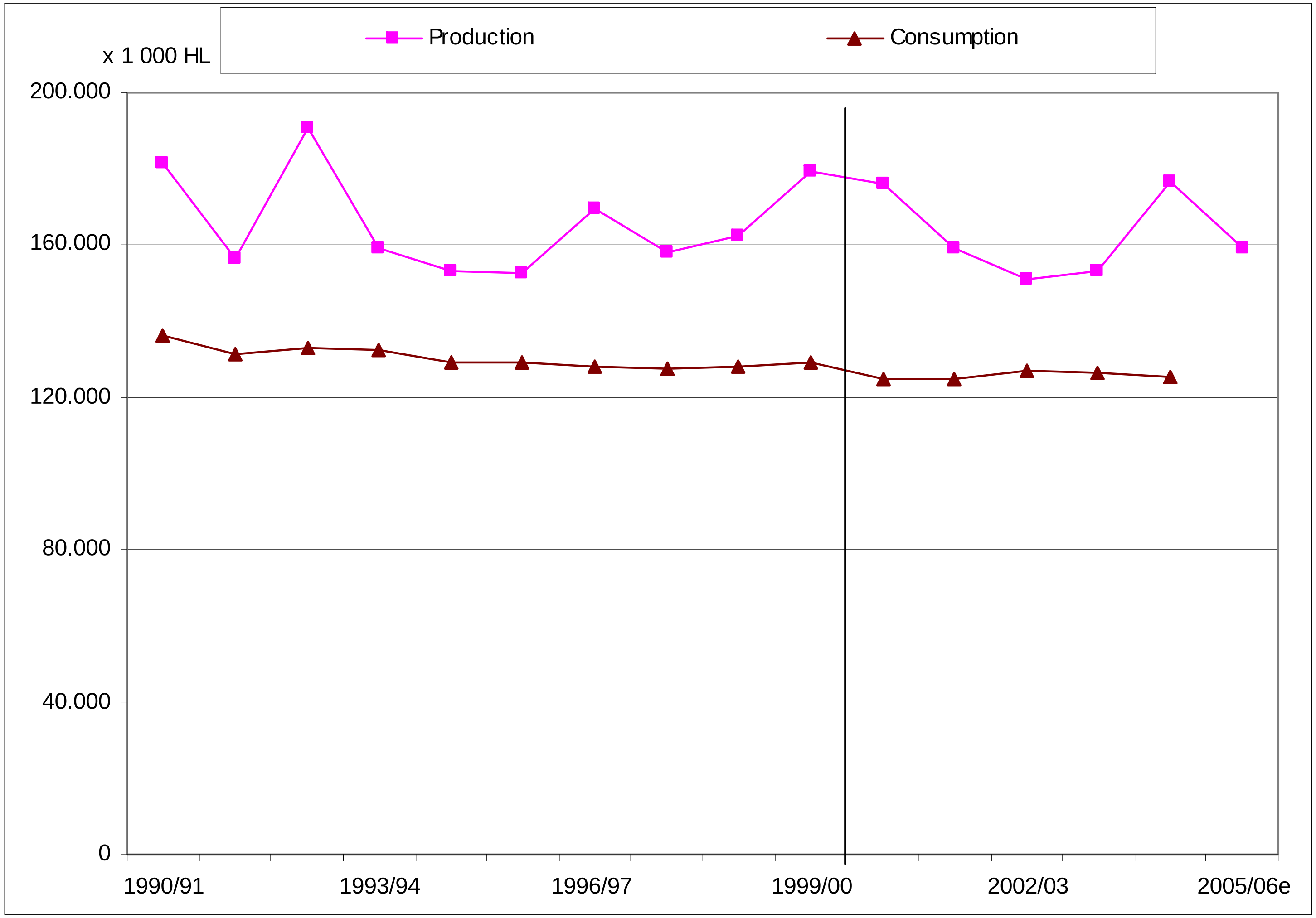

Wine market

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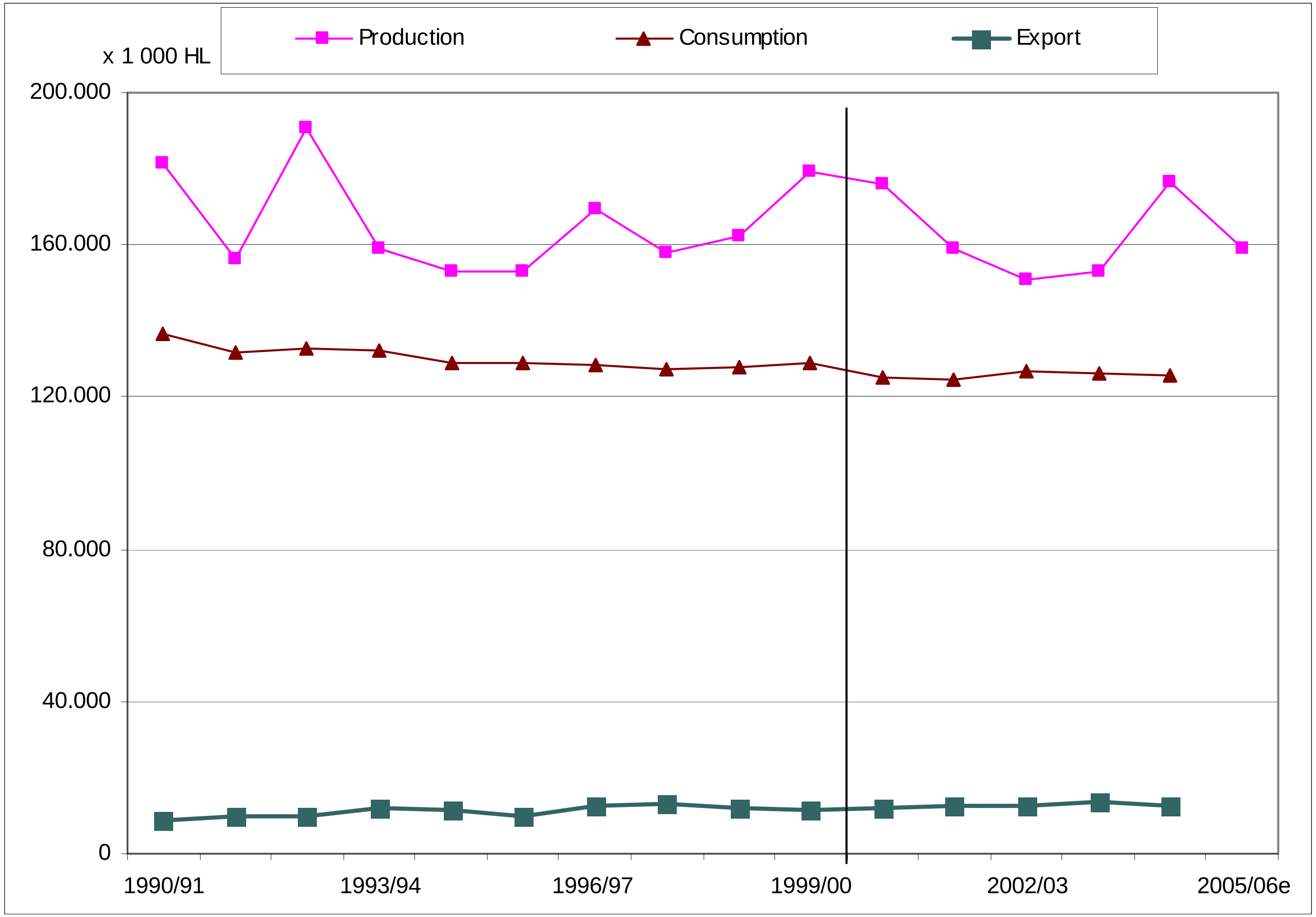

Wine market

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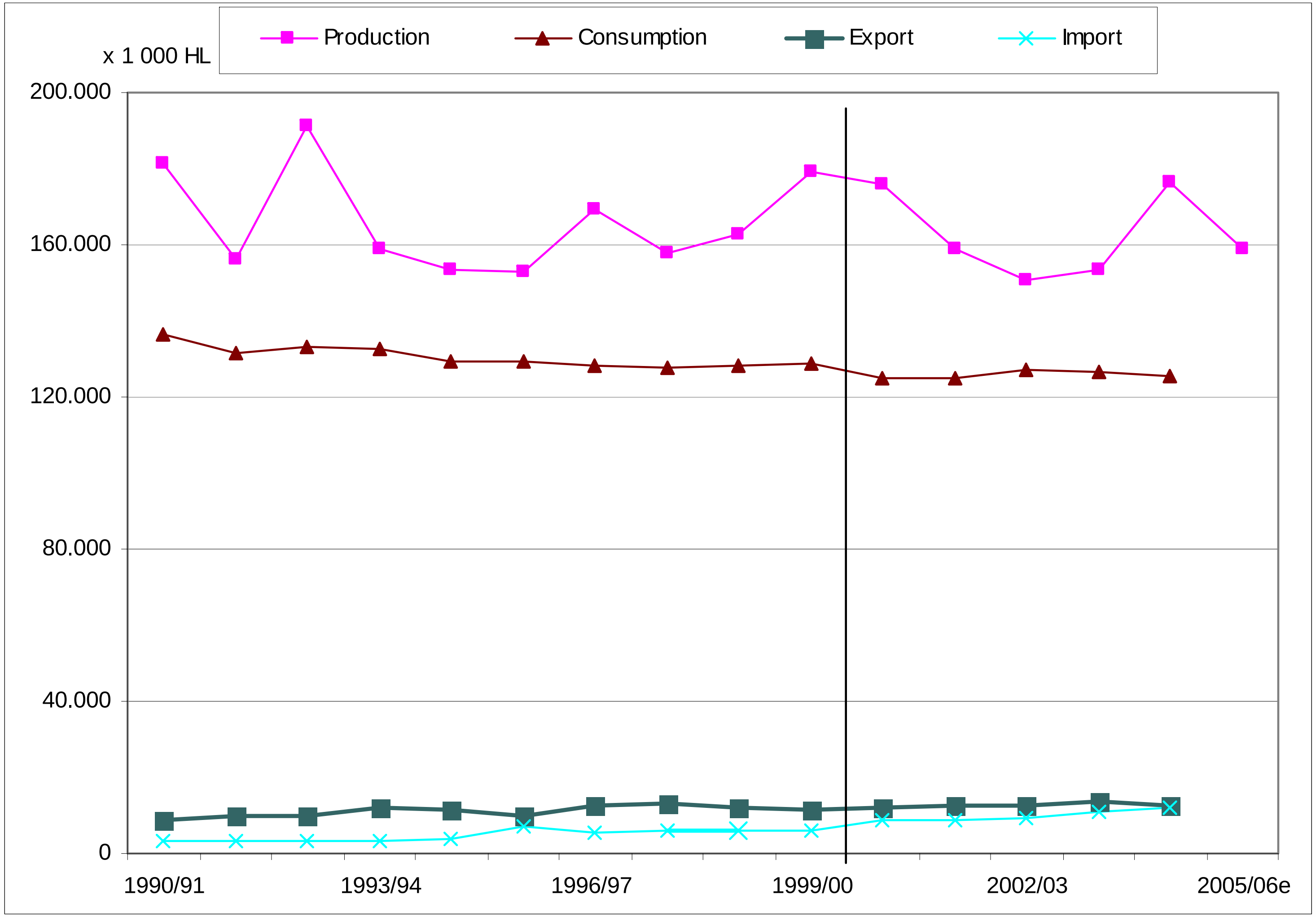

Wine market

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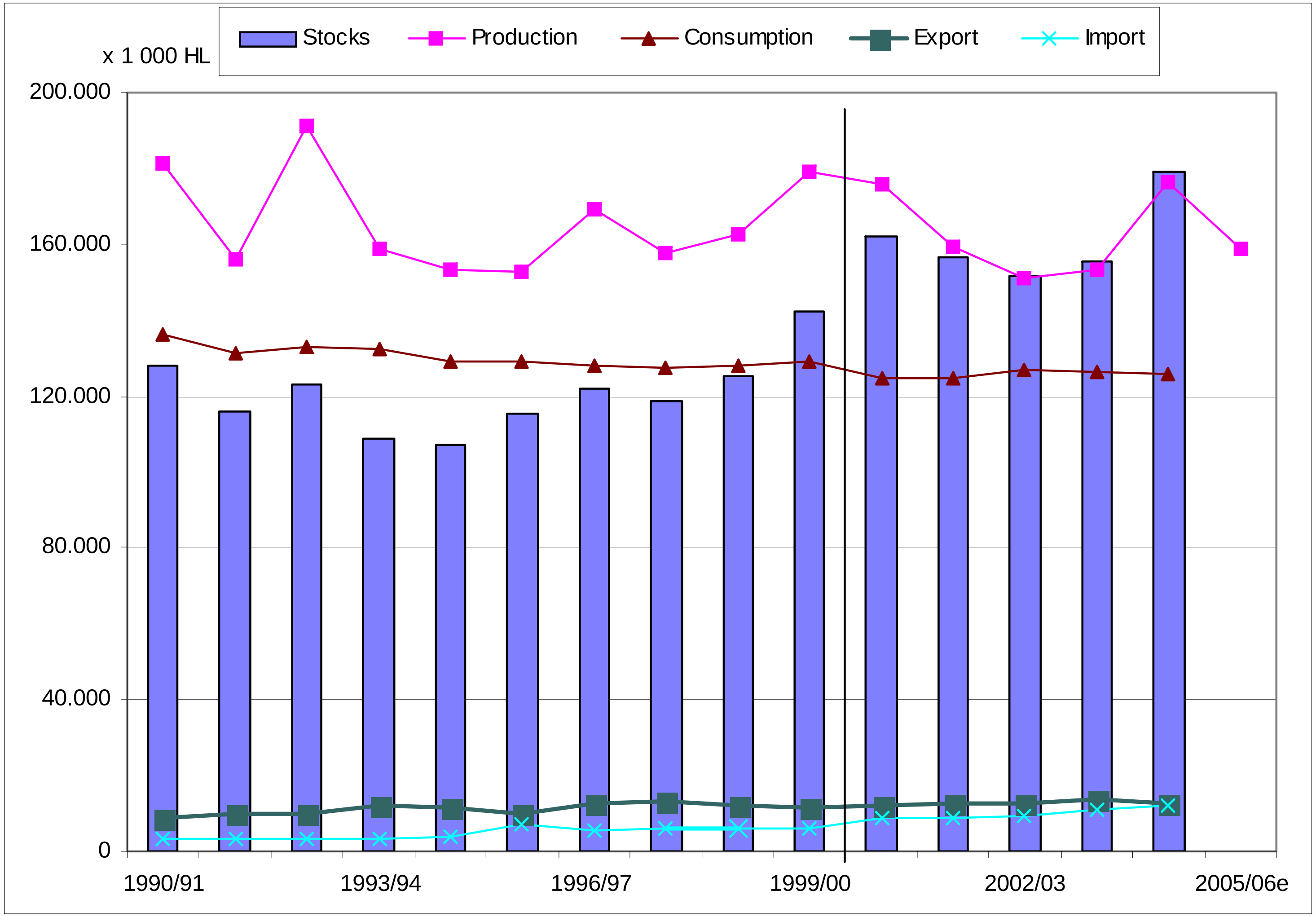
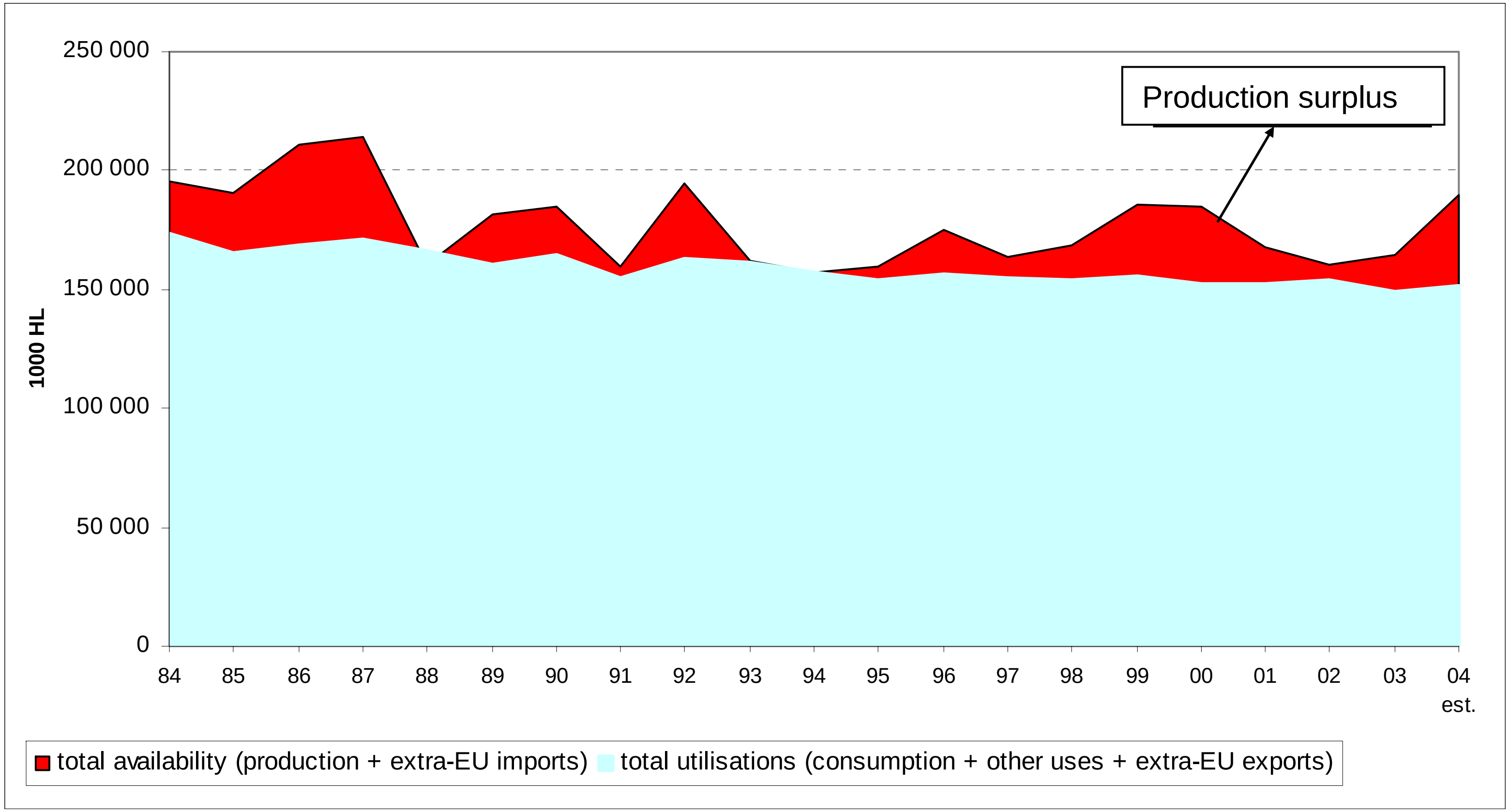
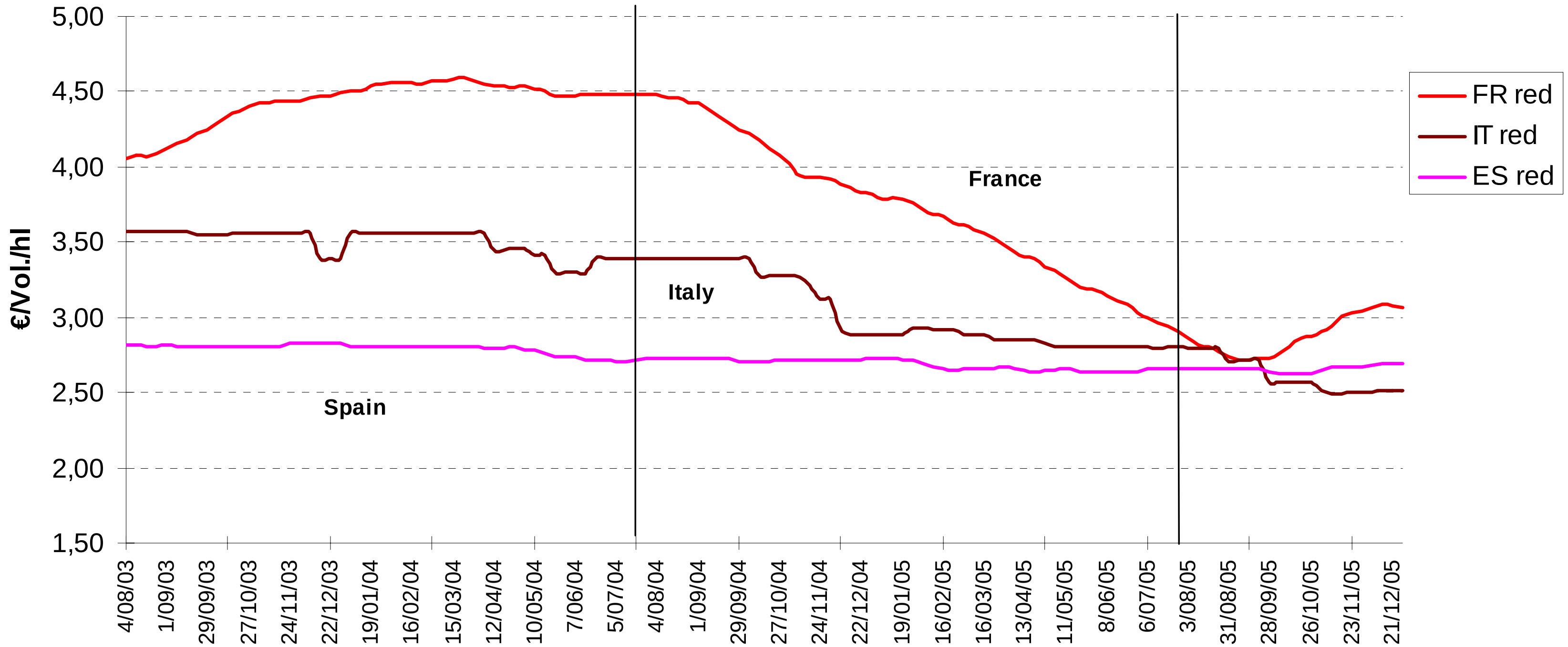


Market balance (EU-15)



What consequences on the producers' income?

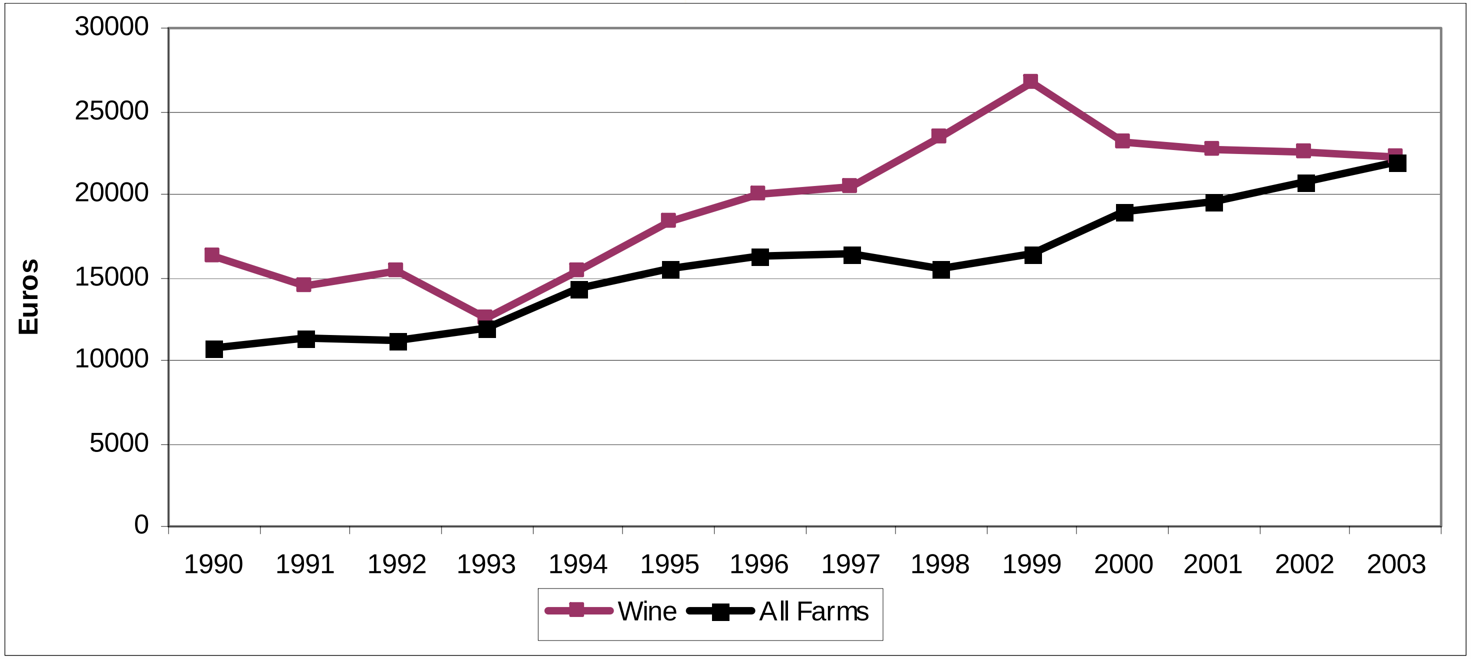
Recent development of table wine price



*) Prix français calculés comme moyenne écrêtée à 10 termes
Sources: Unione Italiana Vini - Onivins - La semana vinicola

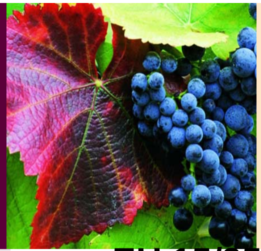
Farm Income: wine vs. all agricultural sectors

FNVA/AWU of specialised wine farms vs. average agricultural sectors in the EU-15
Years 1990-2003



Source: DG AGRI - FADN

What are the forecasts ?



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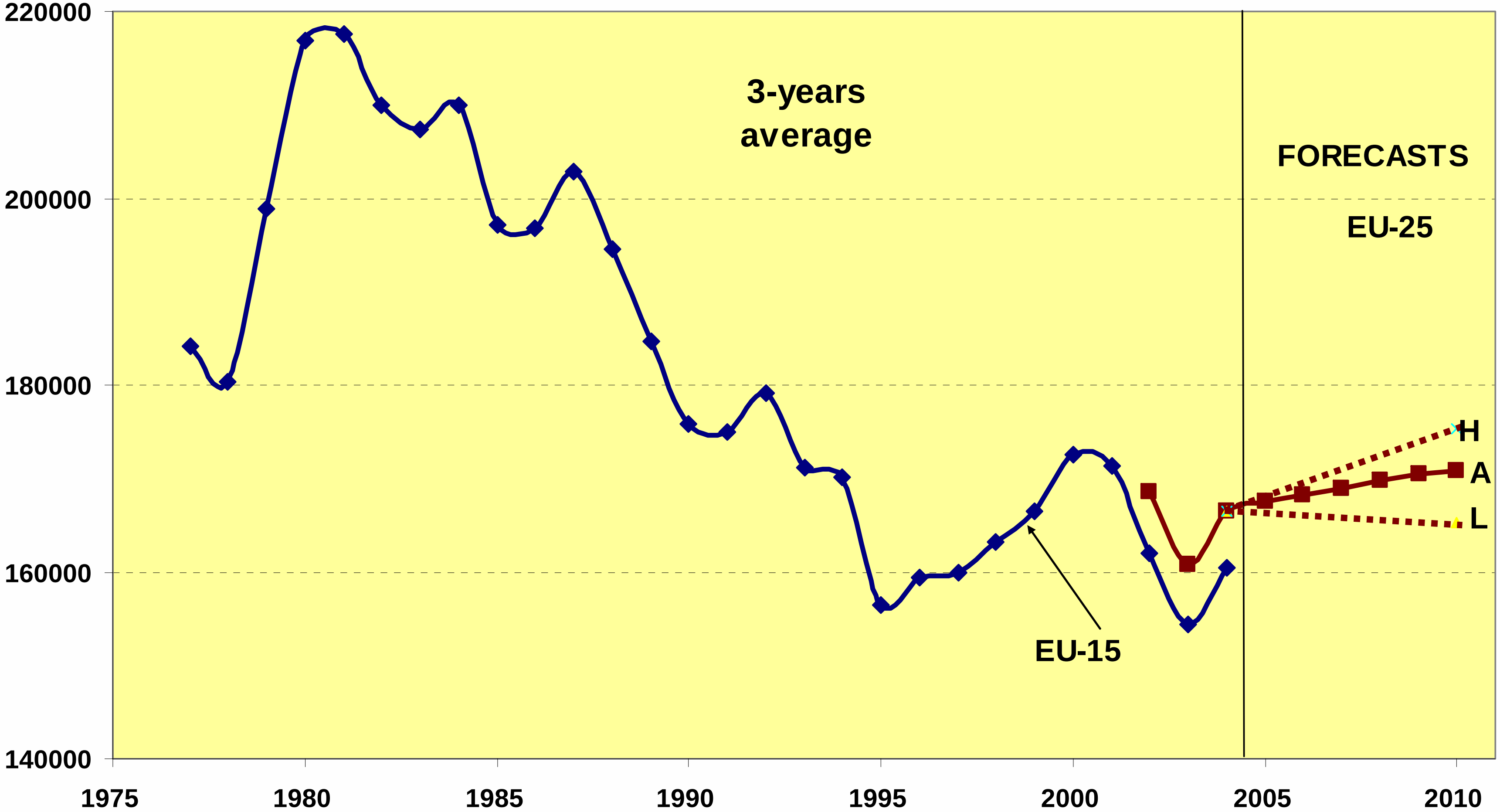
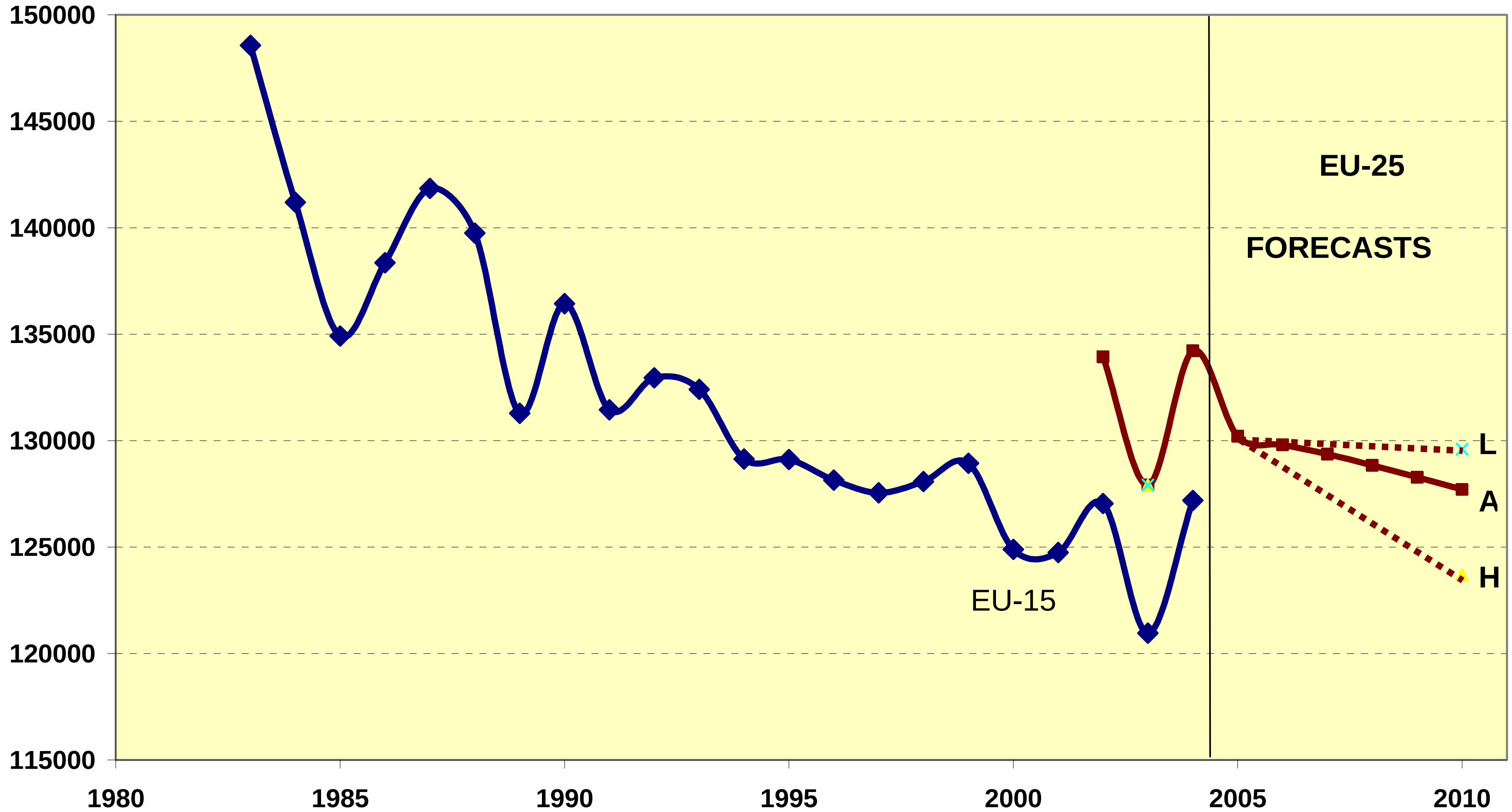
EU-15/25 TOTAL WINE PRODUCTION (000 hl)



TOTAL WINE EU-15/25 Consumption (000 hl) trend 1994-2003



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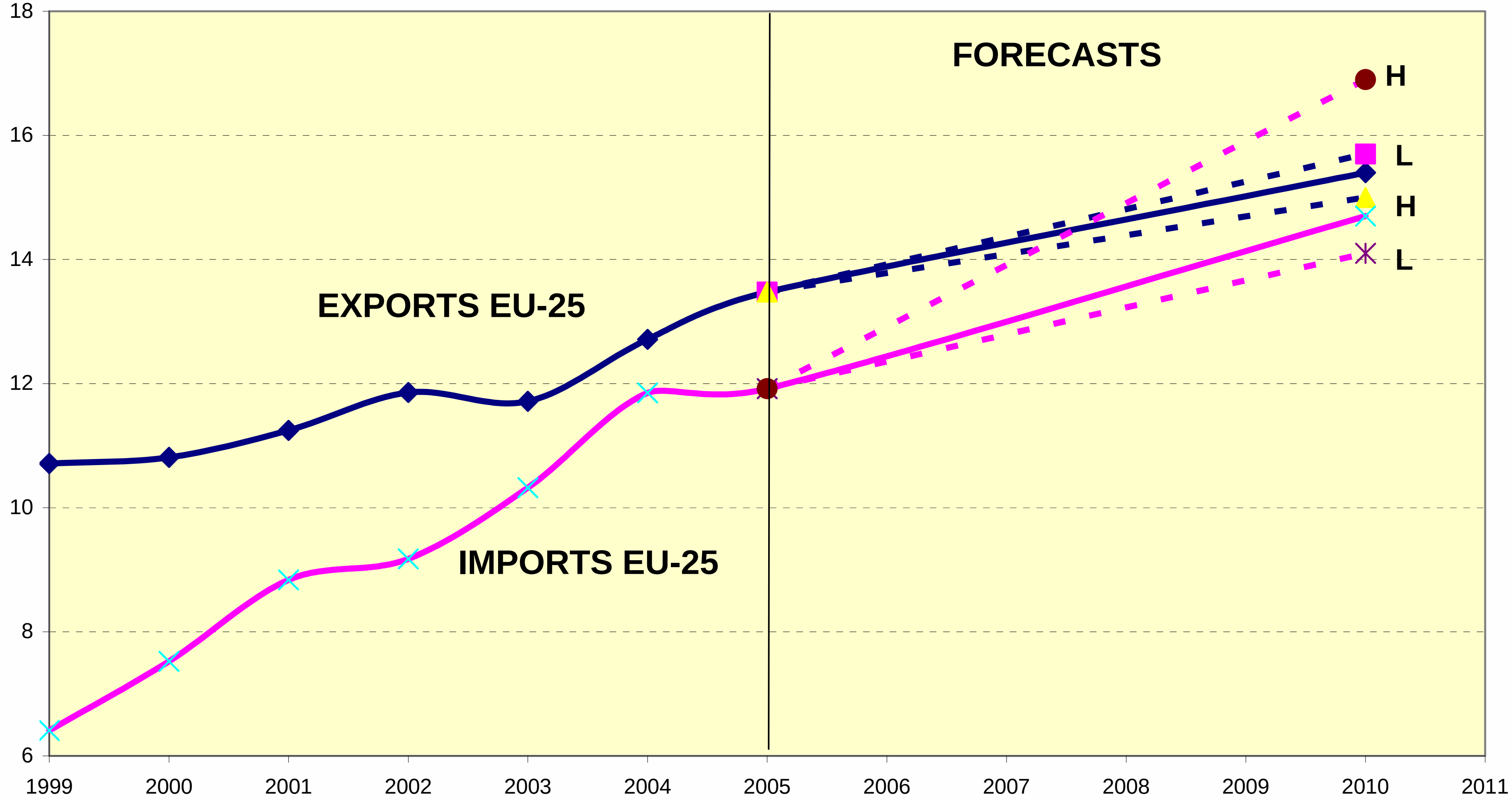
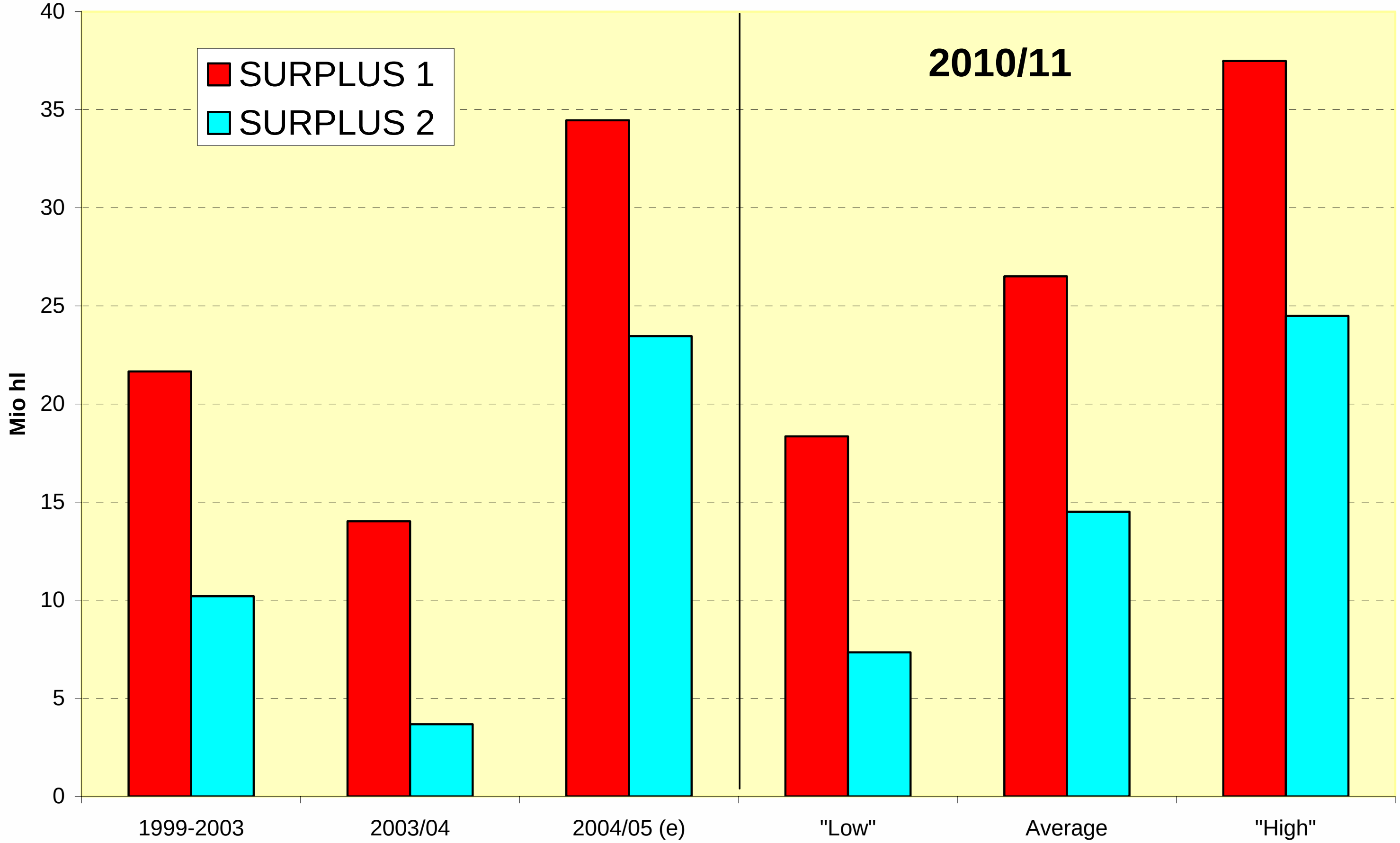
External trade (mio hl)



SURPLUS 1 & 2



Surplus 1 = Availabilities (inc imports) – {human consumption (inc exports) & industrial uses}
Surplus 2 = Surplus 1 – Potable alcohol distillation

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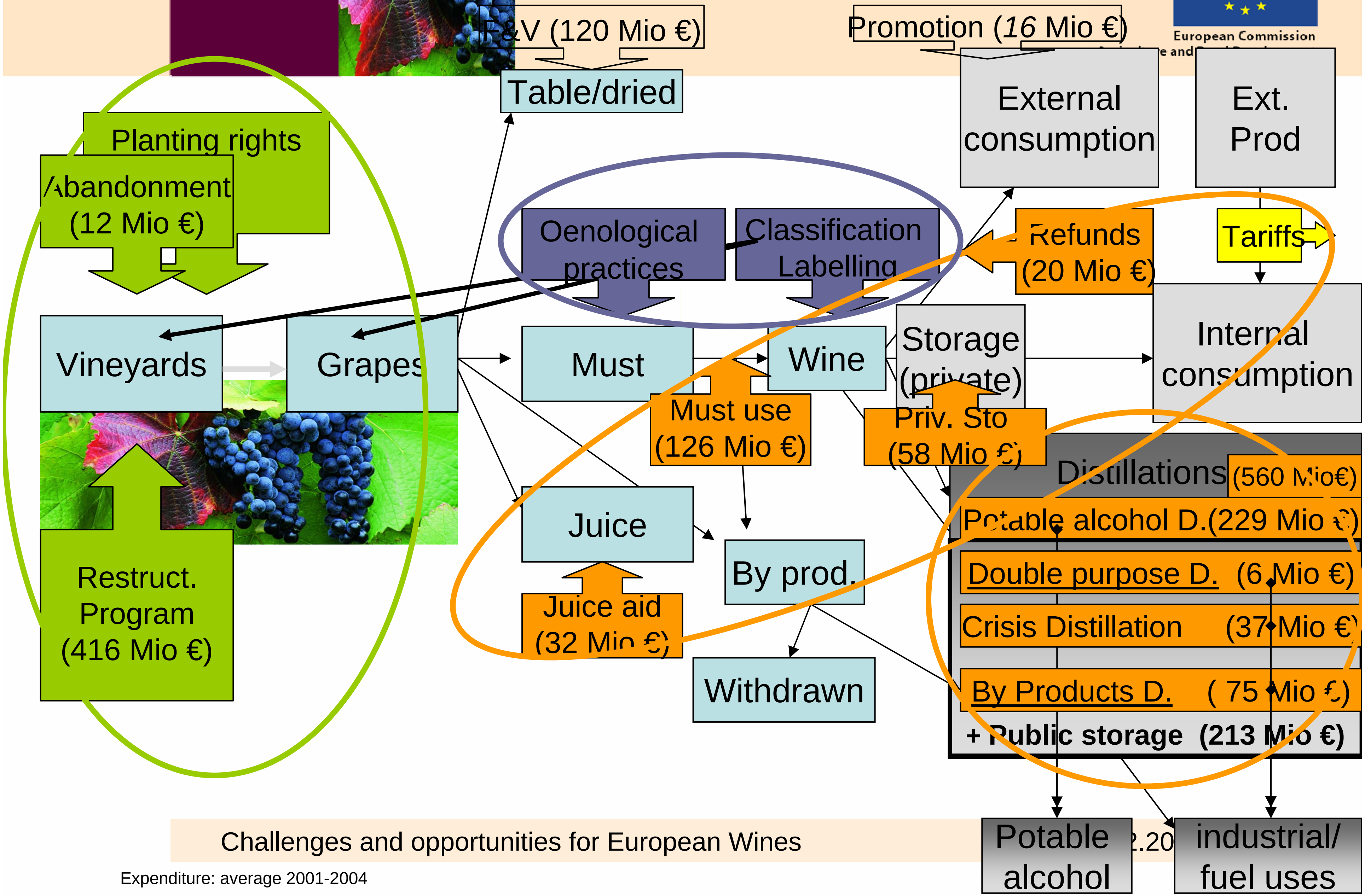
SIMPLIFIED WINE BALANCE SHEET WITHOUT GRAPE JUICE & STOCK CHANGES EUR-25 (Miohl)

.	OLYMPIC AVERAGE 1999-2003	MARKETING YEAR 2003/04	MARKETING YEAR 2004/05 (e)	FORECASTS 2010/11		
				SCENARIO Average	SCENARIO "Low surplus"	SCENARIO "High surplus"
PRODUCTION	173,0	159,2	183,7	**170,9**	**165,3**	**175,4**
SURPLUS 1 **in % of production**	**21,7** **12,5%**	**14,5** **9,1%**	**36,0** **19,6%**	**26,5** **15,5%**	**18,3** **11,1%**	**37,5** **21,4%**
SURPLUS 2 **in % of production**	**10,2** **5,9%**	**4,2** **2,6%**	**25,0** **13,6%**	**14,5** **8,5%**	**7,3** **4,4%**	**24,5** **14,0%**

What are the current tools ?

Wine Processing, Uses, CMO



Expenditure: average 2001-2004

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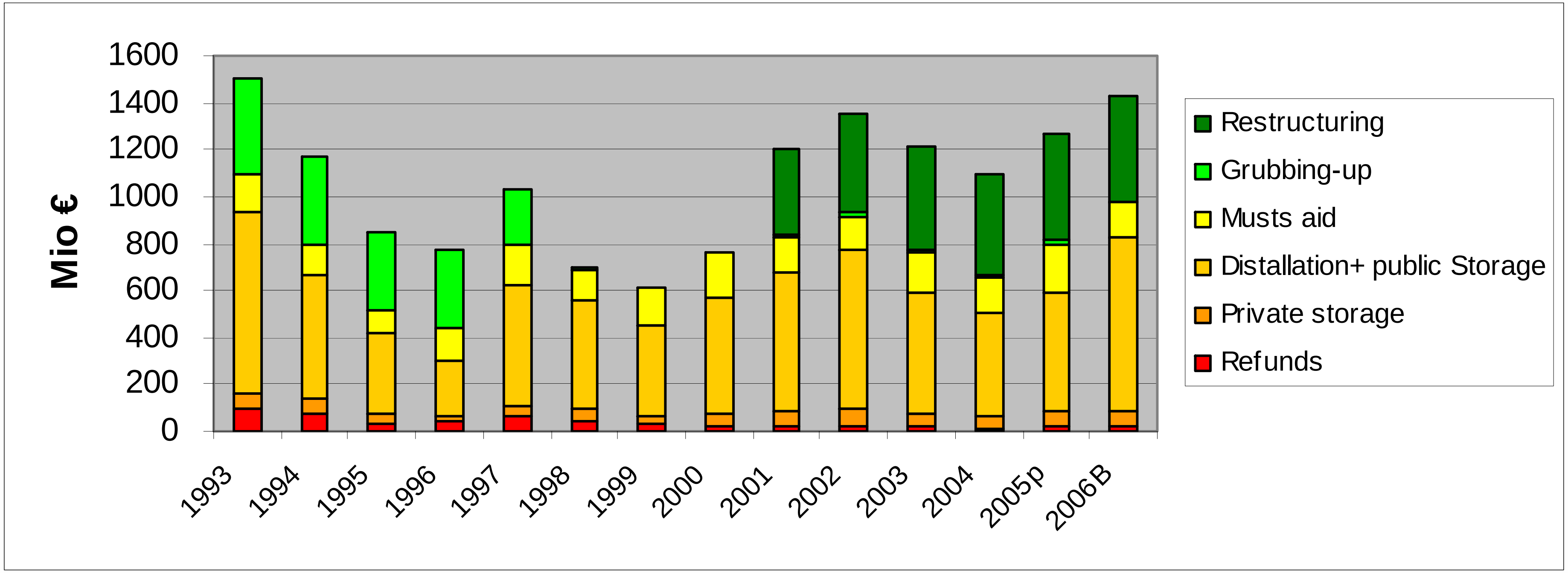
CMO Budget evolution



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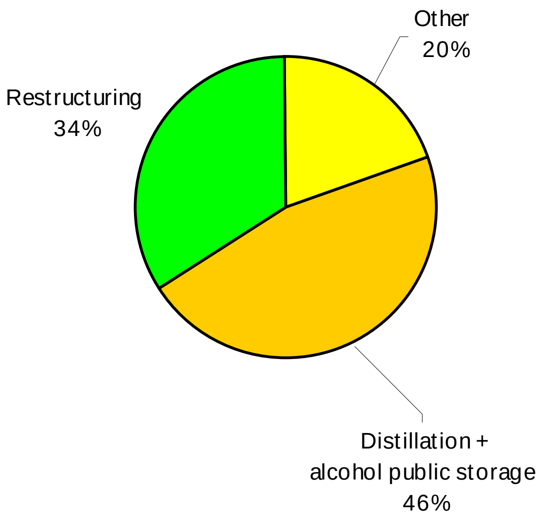
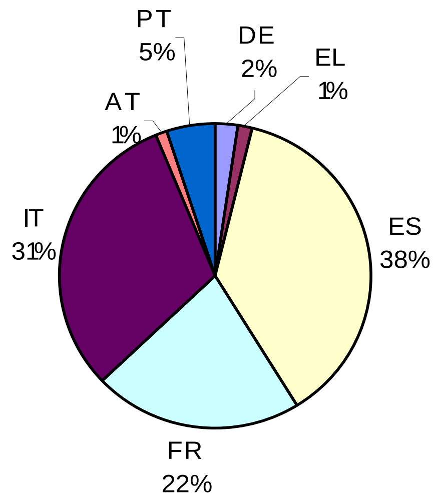
Wine CMO Budget
(Total 1.2 billion €/Y - average 2001-2004)

By measures



By MS



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Thank you

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