

Wine Trade Statistics and SEE Countries Chances on 3rd Markets

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Contents:

✓ I PART:

- ✓ Short view to global key players in grapes, wine, and per capita consumption

✓ II PART:

- ✓ Selected third wine market countries and specifics detailed

(Generally Informative data –to get the picture!)

- ✓ United Arab Emirates (4,9 mil.) 
- ✓ Russian Federation (140 mil.) 
- ✓ China (1,33 bln.) 
- ✓ Hong Kong (7,1 mil.) 
- ✓ South Korea (48,5 mil.) 

✓ III PART

- ✓ SEE Countries potentials

Key Global Vineyard Players 2006-2009 (thousands of Hectares)

Country	2006	2007	2008	2009	% total 2009	% change 2006/2009
WORLD total	7.453	7.451	7.460	7.350	100	-1,4
Spain	1.150	1.173	1.175	1.117	15,2	-2,9
France	847	873	860	806	11	-4,8
Italy	759	726	714	702	9,6	-7,4
China	428	448	460	492	6,7	+15,1
Turkey	520	491	489	492	6,7	-5,5
USA	384	384	384	387	5,3	+0,7

Source: Trade Data and Analysis (TDA)

Key Global Players (wine production, million litres)

Country	2006	2007	2008	2009	% total 2009	% change 2006/2009
WORLD total	28.729	27.129	27.174	26.760	100	-6,85
France	5.303	4.655	4.281	4.700	17,56	-11,36
Italy	5.460	4.918	5.047	4.650	17,38	-14,84
Spain	4.368	4.207	4.191	3.800	14,20	-13,00
USA	2.438	2.511	2.432	2.777	10,38	+13,90
Argentina	1.540	1.505	1.470	1.210	4,52	-21,41
Australia	1.325	955	1.237	1.171	4,38	-11,62

Source: Trade Data and Analysis (TDA)

Consumption per capita 2006-2009 (Litres)

Country (population)	2006	2007	2008	2009	% change 2006/2009
World total	3,53	3,54	3,54	3,47	-1,7
Vatican (932)	59,42	53,93	66,67	70,22	+18,2
Luxembourg (0,5 mil.)	52,26	53,28	56,94	54,29	+3,9
.France (64,5 mil.)	52,70	47,11	46,15	45,23	-14,2
Portugal (10,7 mil.)	43,89	42,25	42,68	42,49	-3,2
Italy (58,1 mil.)	47,02	40,75	45,02	42,15	-10,4
...Russian Federation (140 mil.)	7,57	7,95	8,35	8,18	+8,0
...Hong Kong (7,1 mil.)	2,61	3,32	4,74	6,38	+144,2

Source: Trade Data and Analysis (TDA)

World wine consumption change by countries +/- %

Country	% change 2006/2009	% change 2009/2008	% of World consumption
World consumption	-1,57	-2,07	100
France	-14,2	-2,0	12,40
USA	+4,5	-0,4	11,71
Italy	-10,4	+6,4	10,43
Germany	-0,5	-0,1	8,56
China	+15,8	+5,0	6,54
United Kingdom	+6,1	+1,7	5,39
Russia	+8,0	-2,0	4,87
...Hong Kong	+144,2	+34,6	0,19
...India	+64,7	+13,1	0,05
...Malaysia	+24,7	+15,7	0,03

Source: Trade Data and Analysis (TDA)

Conclusions

I PART



- “Old world” (Spain, France, Italy, Turkey, Portugal, Romania, Moldova, Bulgaria)

lesser surface under vineyards trend 2006/2009



- “New world” **vineyards increase** (China, Australia, Egypt, South Africa, New Zealand...)

- Consumption of wine **has negative trend** in traditional market countries and **extremely rises** at new “non-traditional” markets”



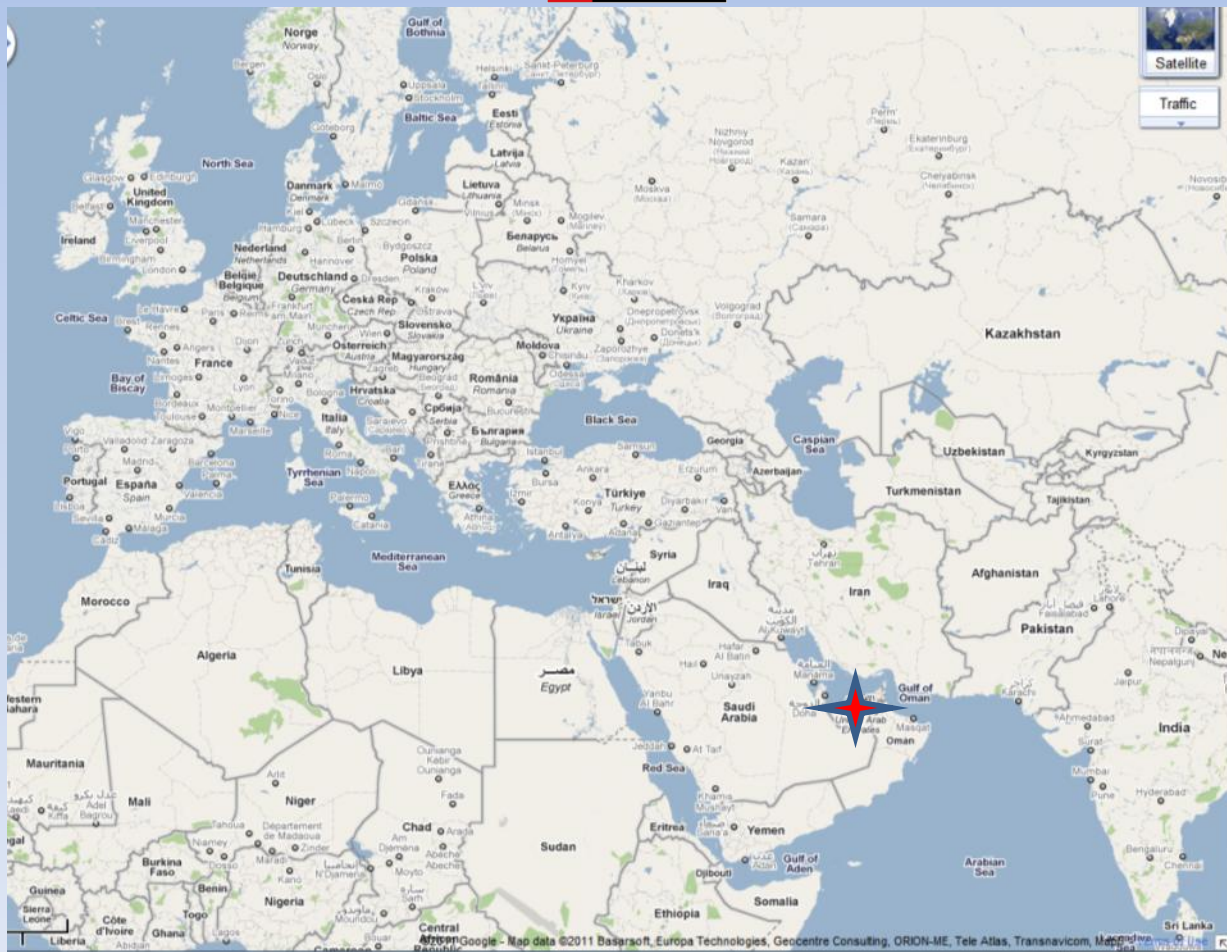
II PART

Third wine market countries



II PART

UAE



United Arab Emirates and Wine

(source: commercial research)

- Population 4,9 mil., Religion: 96% Muslim
- GDP per capita: 40.000 USD
- Up to 80% of the population are non-nationals
- UAE is a member of GCC Customs Union (Gulf Cooperation Council) Bahrain, Kuwait, Oman, Qatar and Saudi Arabia
- Wine advertising only at point of sale, advertising in magazines permitted but in English aimed only at tourists
- Sale and consumption of alcohol strictly controlled, only in licensed hotels, restaurants and bars.
- Liquor license permit (issued from Ministry of Interior) for non-Muslim resident to purchase alcohol for home consumption in UAE
 - Criteria for per month maximum is wage of applicant, valid only for issued emirate (7)
- Tourists annually: 5 milion
- NO promotion  excellent distribution (2 mayor importers/distributors)

UAE and Wine -continued

- Majority of sales: hotels, bars, pubs, nightclubs and restaurants
- Market for high-end wines
- No specific labeling or wine composition in the UAE
- Duties and taxes
 - Import tariff 50% (possible increase to 100%)
 - Sales tax: 30% (except Saharjah) in each Emirate differs
- No domestic production, maximum residues in wine according to Codex Alimentarius
- Imports only through authorised importers with retail shops
- Customs dept. In each Emirate
 - Country of Origine Certificate, Health Certificate

Russian Federation and Wine

(source: commercial research)

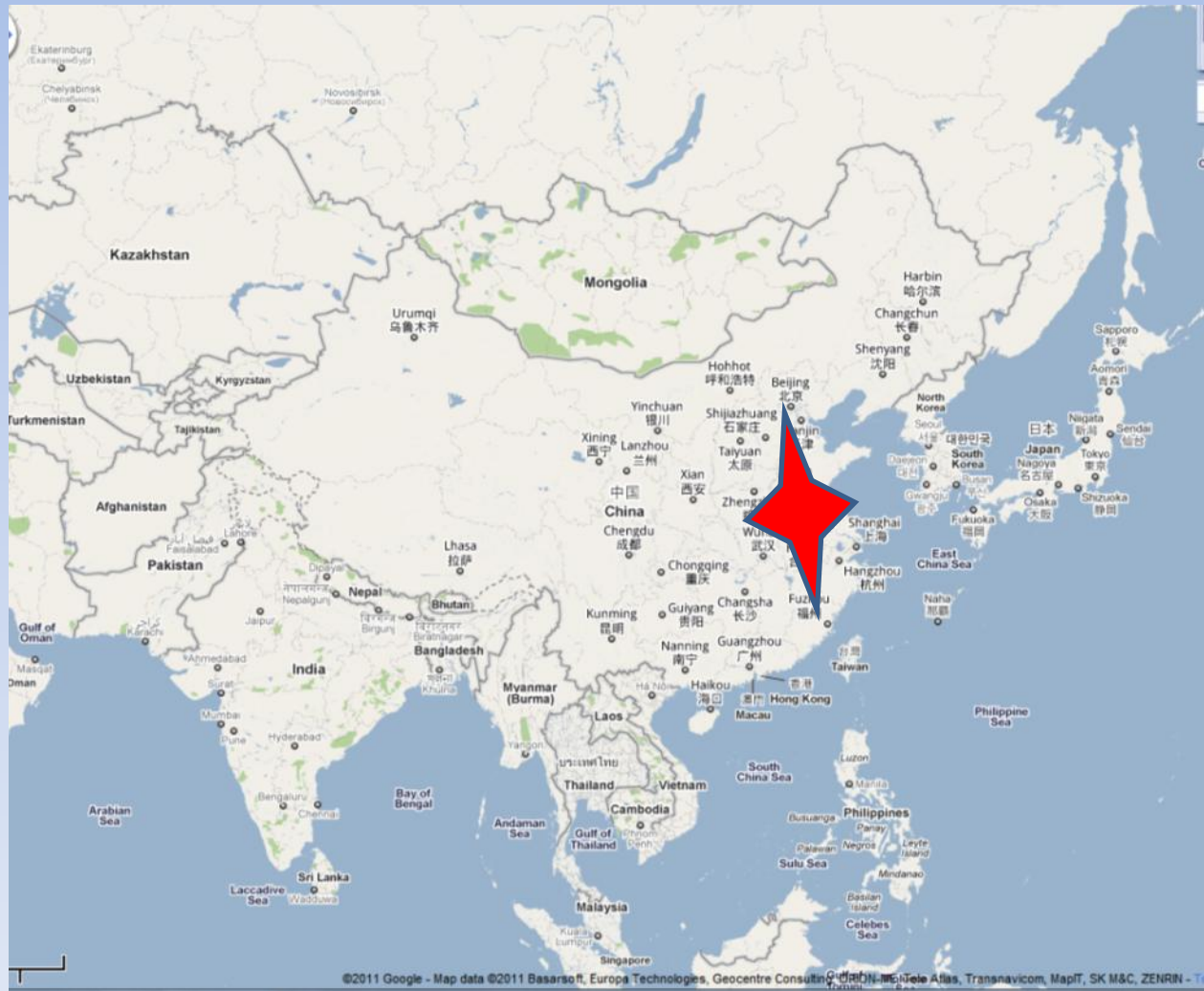
- Population 140 mil., Religion: 72% Russian Orthodox + other Christian,
- GDP per capita: 15.100 USD
- Not member of WTO (expected in January 2012)
- Bulk imported wine bottled locally is considered local product
- Customs Union with Belarus and Kazakhstan (July 2010)
- Opportunities for exporters willing to invest their time and energy into this market
- DUTIES and TAXES:
 - Tariffs are constantly revised and are subject to change without notice
 - Import Duty 20%, Excise Duty 5,8 USD/1L alc., Value Added Tax: 18%
- Complex, time consuming clarification regime for verification of the product quality, safety and conformity to Russian requirements

Russian Federation and Wine -continued

- Ukraine and Spain sharing 30% of the market
- Another 30% of total wine sales is imported bulk wine then bottled
- Estimated market size is 1 billion litres per year (63% imported wine)
- Consumers increasingly interested in quality imported wine
- Bulk exporters to Russia: France, Spain and Argentina
- Existing shortage in “quality imported wines”
- Restricted choice of overpriced brands
- Personal incomes of consumers rised in average over 12% in 5 years
- Majority of market for red semi-dry wines
- Western products are received enthusiastically
- Major distribution chanelns are restaurants and boutique outlets

II PART

Peoples Republic of China



Peoples Republic of China

(source: commercial research)

- Population 1,33 bil., Religion: officially atheist (2002) , other 4-6%
- GDP per capita: 6.600 USD
- Move towards market-based economy since 1978
- 2nd in World in PPP (Purchasing Power Parity) after USA
- Historical evidence, winemaking in China since 212 B.C.
- Tea is the No.1 beverage in China with 50 Bln. Litres consumed each year
- Cooperation and FTA (Free Trade Agreements) as of 2009
 - EEC 2616/85 -1985, EU-China Trade Project (EUCTP) 2004
 - Implemented (ASEAN-Association **of Southeast Asian Nations**, Closer Economic Partnership Arrangement with **Hong Kong and Macao**, Asia-Pacific Trade Agreement, **Chile, Pakistan, Singapore, Peru**)
 - Undergoing (**Australia, Costa Rica, Iceland**, Gulf Cooperation Council, **Norway**, South African Customs Union)
 - Feasibility Study status (**India, South Korea, Switzerland**)
- New Food Safety Law June 2009
- DUTIES and TAXES (since 1/2010):
 - Import Tax General 180%, (MFN 14%), VAT 17%, Consumption Tax: 10% (MFN total: 48,5%)

China and Wine -continued

- Wine market expanding –due to income rise, wine health benefits, Gov. Promotion against grain based alc. Drinks
- Large local wine production (698 mil. Litres) and consumption (in 2009) 1,131 mil. Litres (489 mil. Litres in 2004)
- In 2009 wine imports of 457 mil. USD
- Peak of imported wine in 1996 (50% market share)
- Quotas and high tariffs with reduction in 2004

Type of wine	Price segment	CYN (USD)/bottle
Domestic wine	Low end wine	10-25 (1,5-3,9)
	Medium end wine	30-55 (4,6-8,5)
Imported wine	Low end wine	40-65 (6,2-10,0)
	Medium end wine	70-200 (10,8-30,8)
	High-end wine	500-2000 (77,0-308,0)

China and Wine -continued

- Sales opportunities for high-volume, competitively priced wines
- Beijing, Guangzhou and Shanghai are considered to have greatest potential for wine and generally focus markets for new entrants
- Red wine in some regions is strongly preferred (Symbolism: red - for happiness and celebration, and tannins like in tea), 94% of consumed wine is red!
- Despite price sensitivities, Chinese market is brand-driven market with major segments for those with a stable and strong reputation
- Controversially Chinese like to try new products (only if the price is right or with opportunity to test the product first)
- Move towards “Westernisation” and strong appeal towards foreign products
- There are 450 wineries in China, largest 4 hold 50% market share
- Today wine exporters have the option to engage large wine import companies to assist them in importing and distribution, sales and marketing of the wine

This map displays a significant portion of Asia, focusing on East Asia, Southeast Asia, and Central Asia. Key features include:

- Central Asia:** Kazakhstan, Uzbekistan, Kyrgyzstan, and Tajikistan are shown in the northwest.
- East Asia:** China occupies a large central area, with numerous cities labeled, including Beijing, Shanghai, and Hong Kong (marked with a red star). North Korea and South Korea are visible to the northeast.
- Southeast Asia:** Countries like Vietnam, Laos, Myanmar (Burma), Thailand, Cambodia, and Malaysia are shown in the south and east.
- South Asia:** India, Pakistan, and Sri Lanka are visible in the southwest.
- Japan and Korea:** The Japanese archipelago and the Korean peninsula are shown in the far east.
- Geographical Features:** The map includes labels for major bodies of water such as the Arabian Sea, Bay of Bengal, South China Sea, and East China Sea, as well as various islands and archipelagos like the Philippines and the Indonesian archipelago.
- Other Labels:** Numerous cities and towns are marked with dots and labeled, providing a detailed view of the region's urban landscape.

Hong Kong

–Special Administration Region of China

(source: commercial research)

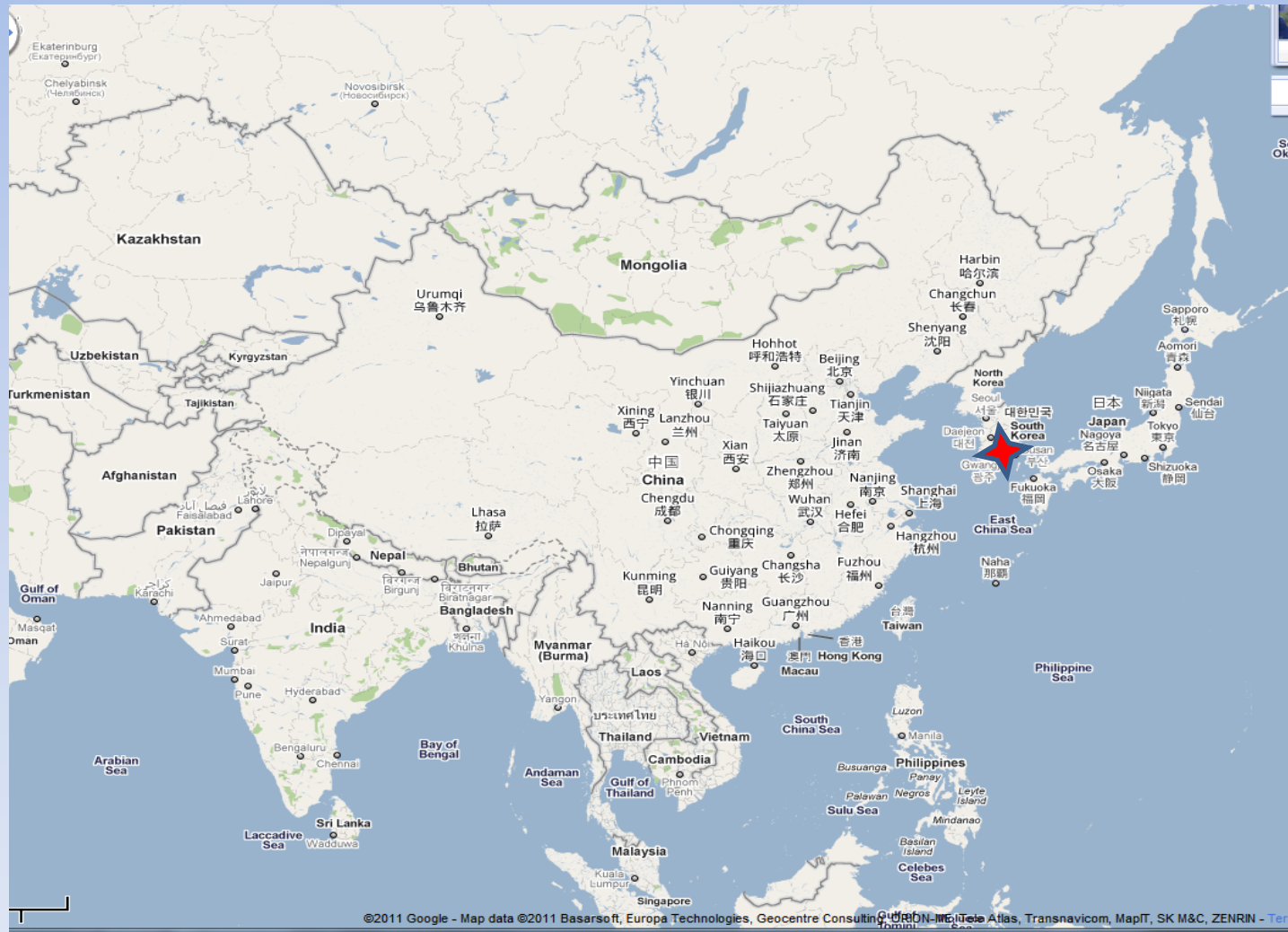
- Population 7,1 mil., Religion: mixture of local religions 90%+ 10% Christian,
- GDP per capita: 42.800 USD
- July 1, 1997 transferred to PRC, after 150 years of British Rule
- Relatively autonomous until 2047 in Free market system
- Purchasing power parity PPP amongst top countries in the world
- Source of income is international trade with one of the least restricted markets in the world
- Wine fairs and premium wine auctions
- Total wine consumption in 2009 was 10 mil. litres (5 mil. In 2004)
- Imports 35,5 mil. Litres in 2009-10 (13,5 mil. In 2004) -transshipping
- DUTIES and TAXES:
 - Abolished tax on wine in 2008 –aim to make HK worldwide wine trading hub
 - Free port with no import tariffs, quotas or surcharges, no VAT or general service taxes
 - Import procedures unrestricted with no real trade barriers

Hong Kong -continued

- Health benefits turn consumers towards wine
- Importers are looking for reliable quality at lower prices
- Distribution is less restricted compared with other Asian markets
- Around 60% of wine sales are through off-trade channels (retail)
- Wine consumers: Expatriates, Returnees, Tourists, “semi-middle class” (annual income of 70.000 USD per capita) and above
- No advertising restrictions on advertising alc. beverages
- Market for 80% red wine (symbolic, health, suitable for all occasions, trendy) white –easier to drink –females +climatic +goes well with chicken and seafood (most popular food)
- Consumers purchase factors: vintage, variety and country, no brand loyalty, trend-influenced
- Most popular: CS (50%), Merlot and Shiraz; Chardonnay (60%) and SB
- Expiration date for wines under 10%alc.

II PART

Republic of Korea



Republic of Korea

(source: commercial research)

- Population 48,5 mil., Religion: No affiliation 46%, Christian 26%, Buddhist 26%
- GDP per capita: 28.100 USD
- Committed to peace and stability
- Moved to high technology, high demand products
- Alcohol consumption exceptionally high 63,1L/per capita (wine 0,5L)
- Complex labeling requirements and tax structures for imports
- Price of wine is high compared to other alc. bev. (duties and taxes)
- Old world wines are popular
- Food Code 2009
- Korean Liquor Act –Liquor Purchase Credit Card program (one way purchase)
- DUTIES and TAXES:
 - Free Trade Agreement with EU (Oct 10, 2010)

Korea -continued

- Consumers interested in western lifestyle and ideals
- Alcohol plays large part in Korean society
- 5-6.000 different international wine brands on market
- Red wine 80% of market, CS holds 55%
- Chardonnay 36% of whites, followed by Sauvignon b. Semillon and R.Riesling

III PART

SEE Countries potentials



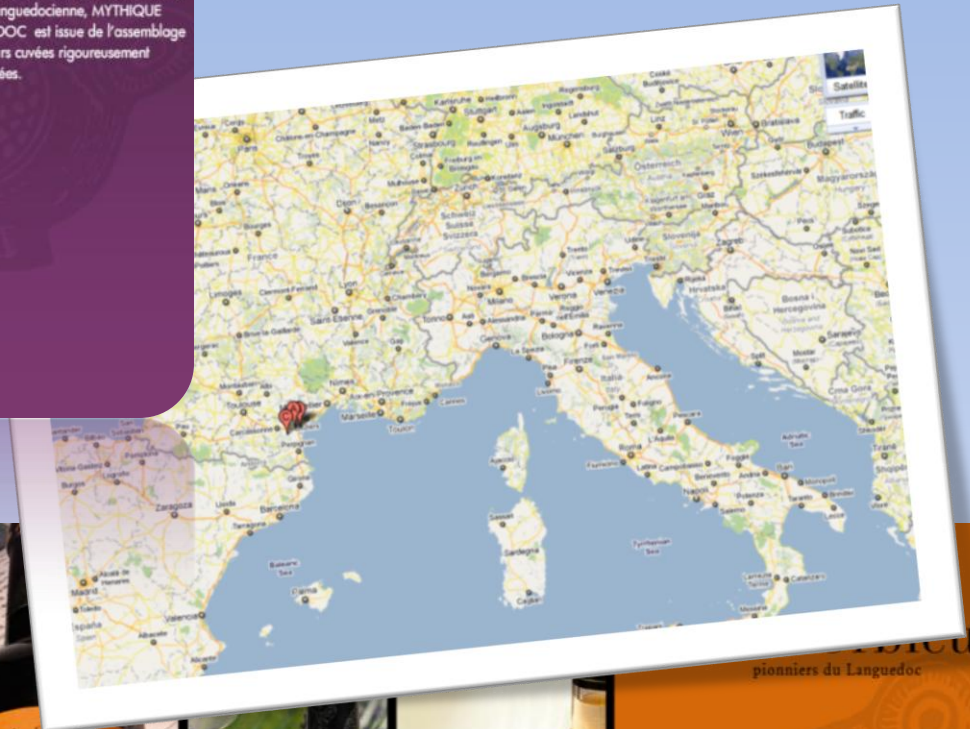
Just shortly - story from our side





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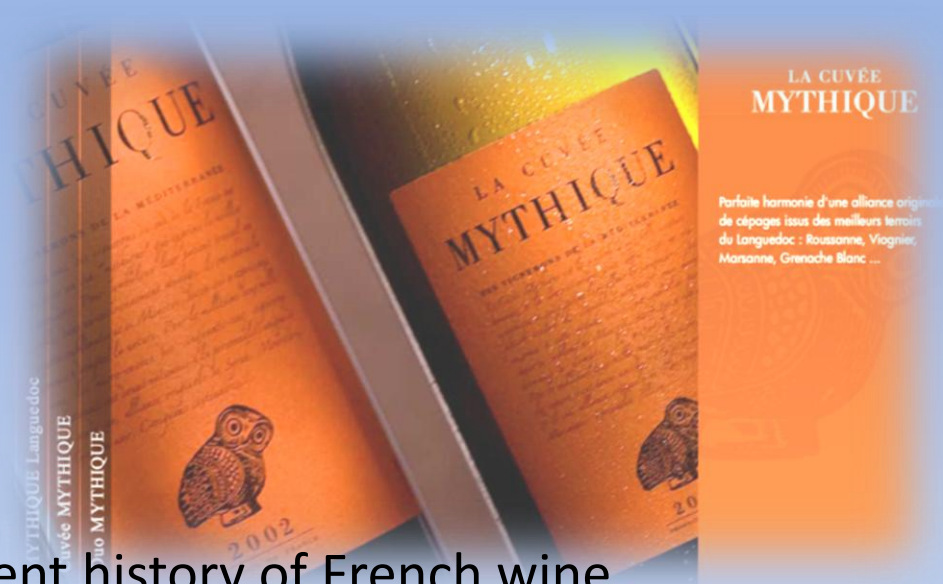


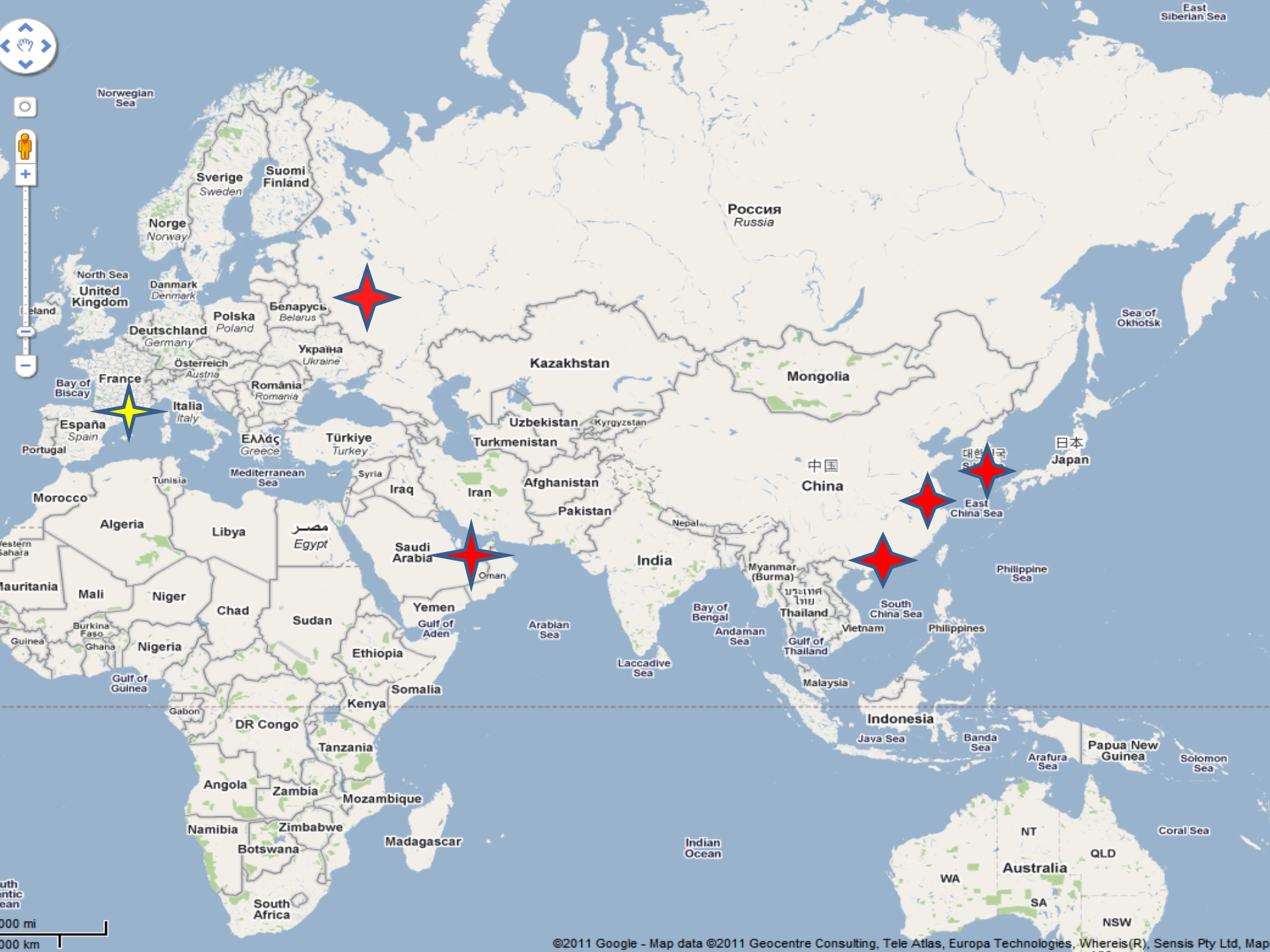
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Languedoc – Roussillon

(Coteaux du Languedoc AC)

- Most dynamic developments in recent history of French wine
- Before “traditional grape basket”
- Val d’Orbieu Cooperatives (180 vinegrowers)
- Cuvee Mythique is flagship product
 - 4 kinds of grapes
 - blind blended,
 - old stocks-creating amazing deepness and the complex aromas
 - **Team “La Cuvee Mythique Club”**
 - 42 qualified members with certificates (best grapes, certain kinds)
 - Allier barrique (1/3 new, 12 months aging +6 months in bottles)
 - Parker 88-93, Decanter World Top 100 wines
 - In over 100 countries , in Germany in top 10 imported





SEE Countries Potentials

- Percepted as authentic Europe (for far East)
- Market for flagship wines, hi-end wines...
What do we have on disposal?
- Does development of Regional dialogue platform makes sense for “minimum input for maximum output” on third markets?
- **CONDITION:** Is export to 3rd markets correct answer to domestic hyperproduction and rising competition pressure?

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