Current trends in the global wine market

Olga Regnerová¹, Aleš Hes²
Czech University of Life Sciences Prague¹,²
FEM, Department of Trade and Finance
Kamýcká 129, 165 21 Prague 6 – Suchdol,
Prague, Czech Republic
e-mail¹,²: oregnerova@pef.czu.cz, hes@pef.czu.cz

Abstract
This paper aims to subsidise to the understanding of the current trends in international wine trade focusing on the period 2000–2014. Further this paper presents the position for wine production, trade and consumption of the European traditional producers and the new world wine producing countries. Since 2000 the wine trade has grown-up significantly. Its structure has experienced key changes. Such are determining the current competitive scenario of the wine market and are the base elements for its future development. The paper analyses the growth of world wine imports, considering all wines together and the single categories recognized by global statistics (bottled, bulk and sparkling wine). It also describes the changes in the geography of importers with the development of new markets and the new world wine producing countries and the competitive performance. The bulk wine trade, trade in bottles and the re-export of wine are also analysed. Finally, on the basis of the significant trend in wine consumption and changes in the supply chain, the critical subjects arising from analysis are observed.

Key words: market, packing, production, trade, trends, wine

JEL classification: M31, Q13, Q17, F6

1. Introduction

Wine growing, wine production, wine trade and wine consumption itself have undergone a long development from the historical point of view. While in the Middle Ages, wine was a privilege of the nobility, over time, it has become affordable for everybody. Currently, wine is an important commodity on the global market.

Production, its trade and consumption are influenced by many a variety determinants. They may result from exogenous and endogenous conditions (ranging from natural to legislative) and cause changes on the global market with wine and other conditions.

The growth of the international wine trade is just one of the aspects of the complex evolution of the world wine sector: there have been profound changes in the geography of production and consumption and in the direction of export flows (Anderson & Nelgen, 2011). Indeed, the growth of the wine trade was caused during the 1990s by the wine consumption increase in Northern Europe and North America, compensating for the decrease in consumption in Mediterranean countries, and by the growth of exports from so-called New World wine producers (Banks & Overton, 2010). Recently, the international trade in wine has been boosted by increasing demand mainly in Asian countries which until recently were only marginally involved in wine imports, and production is increasing in some importing countries (China, India, Brazil) and in those with considerable potential (Ukraine). Undoubtedly, the growth of the international wine trade makes the wine industry “an intriguing case of globalization at work” (Anderson, 2004).

A major consequence of the increasing importance of the international wine trade is the strong export orientation of the world's large producing countries and the dependence of the profitability of the wine industry on expansion of international trade. The study of the international wine trade is therefore a very important issue but also not easy to tackle. As
observed by Hugh Johnson, introducing Pierre Spahni’s book on international wine trade: “Can there be a more complex trade than commerce in wine? What other commodity is offered in such infinite variety, at prices from inconsiderable to fabulous. Its markets are as almost various as itself, ranging from regions where it is as everyday as bread to milieus where it is elevated (if that is the word) to a fashion item. Governments vary so widely in their attitude to it that in one country it is covered in health warnings, in others used as a tax cow, while in another the only official injunction is not to throw the empty bottle into the nearest ditch” (Spahni, 1998).

The Growth of the international wine trade was encouraged by the process of liberalization in the 20th century. This process was caused not only by creating economically integrated areas, where tariff and nontariff barriers had been eliminated, but also by progression of the WTO towards general and gradual decreasing of duty tariffs and more efficient regulation of non tariffs barriers (Anderson, 2010).

2. Data and Methods

This article aims to show what key changes structure of wine trade has undergone since 2000 and how these changes have determined current trends on wine markets.

Foreign and Czech literature, governmental relevant materials and information of institutions and organizations, which are relevant, have been used to achieve the given aim. All used sources are listed in references.

Problematic of scientific knowledge and analysis of the data obtained are linked in the methodological approach. Procedures of scientific knowledge are based on knowledge classified according to paradigmatic given criteria systematically communicated predominantly in written form (Hendl, 2012). The analysis of data obtained is based on the knowledge subjectively organized according to its importance to the examined problem. (determinantes of-key-change in current trends). Its basis is analytical analysis of previously obtained data from internal and external research. Furthermore pair category of general methods: analysis-synthesis, induction and deduction-specific comparative method and modeling categories of general method were used. Pair category of induction and deduction were used to find out if it is possible deduce a generally applicable rule with from irregularity and regularity

In the present article uses the following territorial division:
Old World: the winery is called Old World Europe and adjacent parts of Asia and Africa.
The New World: includes wineries in Australia, South Africa, South (Argentina, Chile) and North (USA) America, New Zealand and some other wine-growing young country.
Asian countries: China, Turkey, Iran

3. Results and Discussion

3.1 Characteristics wineries Old and New World

Old world wine production began thousands of years ago and wineries became part of the culture of European countries. Centuries of experience has allowed to choose the most suitable wine-growing region, varieties and technologies (on the labels is given the variety and the region where the wine comes from). The region is considered unique and decisive for the quality of wine. Quite often they are Cuvee different varieties. The wines of the Old World countries do not have excessively high alcohol content, they have a delicate aroma and flavor. A high proportion of manual work, the existence of trade unions and the relatively short time working day represent the price / quality ratio comes here sometimes worse than the wines from the New
World. Precise definition for some wine regions, such as France does not allow fast response to changing fashions and tastes of customers. This in turn also reduces the competitiveness on the world market.

Old world wine production began thousands of years ago and wineries became part of the culture of European countries (Cesaretti et al., 2006). Centuries of experience has allowed to choose the most suitable wine-growing region, varieties and technologies (on the labels is given the variety and the region where the wine comes from). The region is considered unique and decisive for the quality of wine. Quite often they are Cuvee different varieties. The wines of the Old World countries do not have excessively high alcohol content, they have a delicate aroma and flavor. A high proportion of manual work, the existence of trade unions and the relatively short time working day represent the price / quality ratio comes here sometimes worse than the wines from the New World. Precise definition for some wine regions, such as France does not allow fast response to changing fashions and tastes of customers. This in turn also reduces the competitiveness on the world market.

The new world has not so old tradition of winemaking, wine is not some cultural symbol, it is mainly goods. Terroir (Area) plays a minor role, more important is considered the technology. Various experiments are typical, the search for new opportunities, which is facilitated by smaller amounts restrictive rules. Supplying sugar (cooing) are not a problem, on the other hand, the grapes tend to have normally enough sugar because of the warm climate. The wines are usually made from a single grape variety, is an effort to make the wine was really varietal, customers easily recognizable. The wines tend to have a fruity character, are simple, clear, with a higher alcohol content. Usually they are designed for quick consumption, not for archiving. Etiquette stresses especially the variety and the name of the winery. The labels have huge role marketing, for easy readability brands and they are often used motifs of various animals. Wine company owns extensive vineyards produce great amounts of relatively inexpensive wine and have an agreement with the supermarket chain. Winery react quickly to market demands.

3.2 Current trends and issues

Since 2000, the wine trade has significantly increased and its structure has seen big changes. These changes formed the current competitive scenario in the wine market and are essential elements for its future development.

The article analyzed the growth of imports of wines in the world, with regard to all the wines in total and each category recognized global statistics: bottled, tank and sparkling wine. The following describes the changes in the geography of importers due to the emergence of new markets and the competitive performance of major suppliers.

Chain are examined on the basis of the dominant trend in wine consumption and changes in the supply, critical issues arising from the analysis, highlighting the need for further research.

3.3 International wine trade from 2000

In the period 2000–2011, world wine imports grew significantly from 2004 to 2007, and recovered in 2010 after a decline in 2008–2009 due to the international economic crisis. In 2011 world imports reached a new high: EUR 22.6 billion for 3.4 million hectolitres. While world production decreased, world consumption showed a moderate increase because the rise of international trade is the consequence of a considerable increase in consumption in non-producing countries.
Imports in volume increased by 53% and prices by 58% comparing the average for the period 2000-2001 with the years 2010-2011, world (Table 1). All three judging categories grew, albeit at different rates. Tanker wine has the highest growth, followed by sparkling wine and then bottled wine. Given this trend, the share of tanker wines in world trade increased, reaching almost 11% in price expression and almost 40% in terms of volume. The share of bottled wine recorded a significant decrease. As regards growth over the years, imports of bottled wine and sparkling wine have risen steadily (with the exception of a decline in 2007-2009) can be recorded since 2005, the rapid increase in tanker wines.

Table 1: Imports of wines by category

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Imports</td>
<td>Share</td>
<td>Imports</td>
</tr>
<tr>
<td></td>
<td>Value</td>
<td>Volume</td>
<td>Value</td>
</tr>
<tr>
<td>Bottled</td>
<td>10.7</td>
<td>76</td>
<td>15,741</td>
</tr>
<tr>
<td>Bulk</td>
<td>1,262</td>
<td>9</td>
<td>2,238</td>
</tr>
<tr>
<td>Sparkling</td>
<td>2,124</td>
<td>15</td>
<td>3,503</td>
</tr>
<tr>
<td>All wines</td>
<td>14,086</td>
<td>100</td>
<td>21,481</td>
</tr>
</tbody>
</table>

As a result of the dynamics of values and volumes, the average unit value (a proxy for price) of total wine imports recorded a reduction (−3.3% to € 2.38), with greater differences by category: a slight increase in the unit value of bottled wine (+3%, to € 3.18), a drop for bulk wine (−2.5%, to € 0.63) and a sharp decrease for sparkling (−7.0%, to € 6.65). During the period considered, the composition of flows changed considerably, revealing a shift in demand which merits attention. The increase in the importance of sparkling wine stems from increases in consumption occasions and the success of some affordable products (Prosecco in Italy; Cava in Spain) which are presented with a “cool” image and not as cheap substitutes for Champagne.

Instead, the increasing importance of bulk wine is a more complex phenomenon driven partly by changes in consumer demand and partly by the establishing of new organisation schemes in the wine supply chain, seeking cost reductions and a higher level of environmental sustainability.

3.4 Geography of import markets
The total import flows wines were divided into five groups of countries according to their role on the international market: to explore the changes that have occurred in the geography of international trade (Giuliani & Morrison & Rabellotti, 2011).

- Large importers: three countries which have long been major destinations for wine exports (Germany, UK and United States of America)
- Small traditional importers: 12 countries representing the other consolidated destinations for wine exports;
- Small non-traditional importing countries: 59 countries which have recently expanded their wine imports.
- Mediterranean exporting countries: five wine-producing and exporting countries (France, Greece, Italy, Portugal and Spain)
- Other exporters: five countries with a strong export orientation (Australia, New Zealand, Argentina, Chile and South Africa).

Table 2: Summary of traditional and non-traditional importers of wine

<table>
<thead>
<tr>
<th>Traditional</th>
<th>Non-traditional</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria, Belgium and Luxembourg, Canada, Denmark, Finland, Japan, Ireland, Norway, Netherlands, Sweden, Switzerland</td>
<td></td>
</tr>
<tr>
<td>Algeria, Azerbaijan, Bolivia, Brazil, Bulgaria, China, Colombia, Costa Rica, Côte d'Ivoire, Croatia, Cyprus, Czech Republic, Ecuador, Egypt, El Salvador, Estonia, Georgia, Ghana, Guatemala, Honduras, Hong Kong, Hungary, Iceland, India, Indonesia, Iran, Jordan, Kazakhstan, Kenya, Latvia, Lithuania, Malaysia, Malta, Mauritius, Mexico, Morocco, Nicaragua, Panama, Paraguay, Peru, Philippines, Poland, Romania, Russia, Senegal, Serbia, Singapore, Slovakia, Slovenia, South Korea, Sri Lanka, Taiwan, Thailand, Turkey, Ukraine, United Arab Emirates, Uruguay, Venezuela, Yemen</td>
<td></td>
</tr>
</tbody>
</table>

Source: Global Trade Information Services

The following table compares the changes in import flows in the two-year averages in 2000-01 and 2010-11 for all wine categories. Analysis of the data shows an increase in the share of small innovative countries in the world imports, which accounted for approximately 20% of the value, especially at the expense of large importers, who lost about 11 percentage points. In volume terms, the small traditional importers represent almost 22% of the market and a sharp rise in their share (more than 13 percentage points), contrasts with the fall of the proportion of large and small producers. Wine imports by groups of countries and categories of wine, average 2010-11 compared to the 2000-01 average: absolute (ABS) and relative (%) growth; Import shares in 2010-11 (%) and change (Δ) in the period.

Table 3: Wine import according to countries groups and category

824
Overall, during the years 2000-2011 occurred in international trade in wine, as regards the price to 46% increase and a 42% increase in volume. This increase was generated by small non-traditional importers. The three largest importers contributed 21% to the price increase and 37% in volume and small traditional importers 26% of the price, but only 13% of the volume.

### 3.5 The main changes in the period 2001-2012

The large importers who in 2011 represented more than 40% of the world market in each category, increased their share in terms of price only in global imports of wine tanker and about 10% in volume.

For all categories, however, the increase of imports in terms of price is always lower than the volume, and therefore, the unit price of imported goods declined. Tanker wine could be replaced by bottled wine at a lower price.

Small traditional importing countries have increased their importance in global imports of sparkling wines, although the average unit price fell. Unlike large importers, imports of bottled wines and tank achieved better results in terms of price. So, the average unit price for both categories have increased, in particular as regards tank wines whose price is the highest international level (EUR 1.12). In these countries, the share of imports in the total bottled wine exports dropped in favor of sparkling wines. Small non-traditional importers are the only group that increased its share in all categories, both in price and volume. The increase flows in prices is greater than that the average unit price for all categories of products rose (EUR 2.9 bottles, EUR 0.54 tankers, and EUR 5.44 for sparkling wine). Imports of bottled wine showed the highest growth now stands at about 78% of total imports in the prices of this group (increase of more than 4%).

Mediterranean exporting countries lost shares in all categories, while other exporters increased their holdings slightly. This increase is likely due to increased consumer preference imported wines and the growth of transfers between production units of multinational groups.

The flow of imports largely towards new destinations has two major consequences:

- International distribution network for wine changes to accommodate the new structure of international demand. Mediatory activity is developing in countries other than the countries producers and consumers. Changing the traditional competitive relationships between intermediaries and vertical relationships throughout the supply chain;
- The second important consequence of changes in the geography of importers is that trade barriers are becoming more and more important;
- Trends competitive behavior by large exporters in the 21st century is changing. New World in the 90-ies of the last century, recent years have shown the new complex situation. Manifests
different behavior among exporting countries in respect of: the categories of wine (bottled and tank) and the dynamics of prices, volume and market share of different groups of markets. All reported changes determine (directed) to define the current situation and trends in the global wine market.

### 3.6 The current state of the global wine market

The International Organization of Wine (OIV) states that the biggest drop in wine production in 2014 hit key European producers, where drought against 2013 decreased production by about one sixth. It falls, as shown in the table below corresponds to a decrease of world wine production.

**Table 4: World wine production and consumption 2000-2014 (mil.hl)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>280</td>
<td>266</td>
<td>257</td>
<td>264</td>
<td>296</td>
<td>278</td>
<td>283</td>
<td>268</td>
<td>269</td>
<td>273</td>
<td>265</td>
<td>268</td>
<td>258</td>
<td>291</td>
<td>270</td>
</tr>
<tr>
<td>Consumption</td>
<td>226</td>
<td>228</td>
<td>230</td>
<td>237</td>
<td>237</td>
<td>245</td>
<td>250</td>
<td>250</td>
<td>242</td>
<td>240</td>
<td>243</td>
<td>243</td>
<td>243</td>
<td>243</td>
<td>240</td>
</tr>
<tr>
<td>Variance</td>
<td>54</td>
<td>38</td>
<td>27</td>
<td>27</td>
<td>59</td>
<td>41</td>
<td>38</td>
<td>18</td>
<td>19</td>
<td>31</td>
<td>25</td>
<td>25</td>
<td>15</td>
<td>48</td>
<td>30</td>
</tr>
<tr>
<td>%</td>
<td>81</td>
<td>86</td>
<td>89</td>
<td>90</td>
<td>80</td>
<td>85</td>
<td>87</td>
<td>93</td>
<td>93</td>
<td>87</td>
<td>91</td>
<td>91</td>
<td>94</td>
<td>83</td>
<td>88</td>
</tr>
</tbody>
</table>

Source: The world market for wine-Retail News, OIV Statistical Report on World Vitiviniculture

World wine consumption in relation to production in the period 2000-2014 increased from 80% in 2004 to 94% in 2012. Absolutely lowest world production in the period was in 2002 (257 million hectoliters) and the highest in 2004 (296 million hectoliters). Absolutely lowest world consumption of wine was in 2000 (226 million hectoliters) and the highest in 2007 and 2008 (250 million hectoliters). In the reporting period 200-2014 World wine production oscillates up to 300 million hectoliters and consumption up to 250 million hectoliters. The world's biggest wine producer France remains (in 2014 produced 46.7 million hectoliters). Most wine imports in Germany and Great Britain. The biggest consumer by 2013 the US: in 2014, consumption was almost 31 million hectoliters, followed by France 28 hectoliters Italy 20 hectoliters and the same amount consumed in Germany. (The world market for wine, 2015). Over the period 2010-2014 there has been a marked shift in the structure of consumption by continent, as shown in Table 5:

**Table 5: The shift in consumption patterns (in%)**

<table>
<thead>
<tr>
<th>Y/Continent</th>
<th>Europe</th>
<th>America</th>
<th>Asia</th>
<th>Africa</th>
<th>Pacific</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>69</td>
<td>20</td>
<td>6</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>2014</td>
<td>60</td>
<td>24</td>
<td>10</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Variance</td>
<td>-9</td>
<td>4</td>
<td>4</td>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: The world market for wine-Retail News, OIV Statistical Report on World Vitiviniculture

The value of international trade in wine in the period 2000-2014 almost doubled from 13.7 billion. 25.6 bn. EUR. In 2014, the volume against 2013 increased by 2.5%, but the value remained approximately the same. But changed the type of products (category) in 2014 exports of bottled wine decreased at 54% of trading volume, compared with 65% in 2000. Sparkling wines make up 8% of the volume, the total value of exports accounting for 18%. The most obvious difference between the value and the volume indicator for wine tanker (transported in large containers). In 2014, 38% of the volume (in 2000 it was 30%), but only 11% of global wine exports (World wine market, 2015).
4. Conclusion

According to Agri France, a specialized division of French bank BNP Paris Wealth Management states in the global wine market as a key current trend:

1. Exports for the past 20 years has doubled. Europe retained the leading position in exports of 58% of its production (for first 3 places as Spain, Italy and France).
2. New producers - New Zealand, Chile, Australia, South Africa increased its share of world production of wine.
3. The biggest consumers have become US (nearly 11 liters / person / year), leaving behind France.
4. 84 most famous brands of wine from the hundreds of French.
5. Europe still accounts for about half of global consumption.

One key question is the role of the characteristics of Old World wines and, in particular, whether the heterogeneity of the European wine supply may be considered a source of value for consumers. A second critical issue is the value (or disvalue) of the industry structure in the larger Old World producing countries. Although the wine industry shows a low degree of concentration worldwide, its concentration is even lower among Old World producers. That said, large companies are emerging also in such countries, often through the merging of cooperatives. The difference in the industry structure between Old World and New World is not only in terms of concentration, but also due to the different organisational model of the firms.

References


* Online full-text paper availability: doi:http://dx.doi.org/10.15414/isd2016.s10.07