CHANGES IN THE INTERNATIONAL WINE MARKET

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Abstract: Knowing international market is a basis for segmentation and making right and timely marketing decisions regarding wine export. In this piece, we have analized the international wine market, and determined changes in international turnover, with largest importers and exporters for the period of 2001 - 2011. The average wine export in the world was 8,4 tons, with a growth tendency of 5,0% per year. Converted in money, the average export amounted to 22 billion US Dollars, which makes wine one of the most valuable of all agricultural products. The largest exporter is Italy with 1,8 million tons (21% of the whole world's turnover). Italy's wine export is increasinf at the rate of 4,14% per year. Large exporters are also France, Spain, Australia and Chile, which all amount to two thirds (68%) of the world's wine export. Besides France, whose export is decreasing, all of the abovementioned countries have increased their wine export to the international market. World's import is growing a bit slower than the export. It is a sign of a relative stagnation of demand, on the international market. The largest wine importer in the world is Germany with 1,3 million tons (17% of the world's import). Large importers are also the UK, USA, Russia and France, which take up more than half of the world's wine import (58%). All of the abovemnetioned countries have increased tendency of wine import. Within the next period, we can expect stagnation of international turnover, due to the world's economic crisis. Current world's trend is consummation of light, muscat, aromatic white wines, and when it comes to red wine - customers prefer fresh, aromatic, fruit wine. We are expecting to see the growth of rose and organic wine (made out of organic grape).

Keywords: wine, international turnover, import, export

INTRODUCTION

The main objective of the research is to identify key characteristics of the international wine market, and determine the most important contributing factors in the international trade. The main sources of data have been obtained from the statistical database of the United Nations Food and Agriculture Organization - FAO (Food and Agriculture Organization) and the International Trade Centre (ITC) for the period 2001 - 2011. Standard statistical and mathematical methods have been applied. Intensity of change trend is quantified by calculating the rate of change whilst using the function with the trend lines best suited to original data. Stability of occurrence has been calculated by using the coefficient of variation (CV). The findings of the previous studies of the aforementioned topic have also been used.

1. THE RESEARCH RESULTS

1.1. Exports of wine

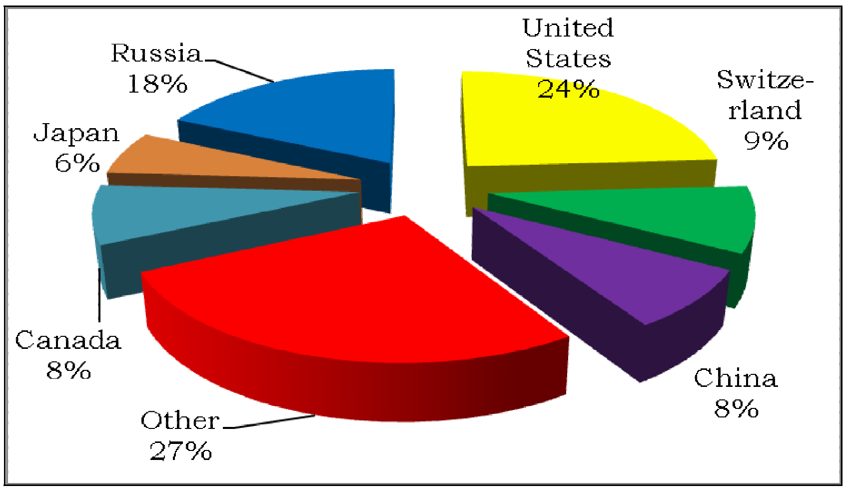
In the studied period (2001-2011) the average wine export in the world was 8.4 million tons. The tendency to increase at an average rate of 5.0% per year has been identified. Compared to the first analysed year, exports in the last analysed year increased by 74% and reached 11.4 million tons. This indicates a dynamic international trade. Only one third (36%) of the produced wine, worldwide, is traded.

In monetary terms, the average exports totalled 22.9 billion U.S. dollars, making wine one of the products with the largest portion in the world agricultural trade. In the last year, compared to the initial, exports increased by $ 17 billion. The average export price is 2.7 U.S. dollars per litter. The same varies significantly depending on the vintage, observed as a category of quality (premium wines, wines with a protected geographical origin, table wines …).

Analysed by the continents, by far the largest exporter is Europe, which provides three-quarters of the world exports and continuously increases the export significantly. Analysed by the regions, the world's largest exporter of wine is the European Union (27) who participated two-thirds in the world exports. The export structure is dominated by the bottled wine (66.7%), followed by the wine in bulk (23.7%) while the sparkling wine takes the lowest share with only 9.6%. The average export price was 4.96 dollars per litter, which is significantly higher than the world average. The largest share of the wine export from the European Union is aimed at the U.S. market (23.8%), followed by Russia (18.1%) and Switzerland (8.5%). These countries contributed the half of the total wine exported from the EU (Figure 1).

Analysed by countries, the most significant wine exporter of the wine, in the world, is Italy, whose average export was 17.9 million hectolitres (1.79 billion litters), which is 21.4% of world export. Italy is also the second largest producer of the wine in the world (FAO, 2011). Export indicates a growth rate of 4.14% per year (Table 1). Almost 40% of the total domestic production of wine is used for export. Export has significant support from the government, and their respective institutions, and thanks to the good quality and appropriate marketing activities, is constantly expanding into the new markets.
(http://www.bizlife.rs/m/vesti/36111-italijanski-izvoz-vina-na-rekordnom-nivou).

Figure 1: European union wine export by trading partner (2009-2011), %



Source: Calculation based on the data of the FAO Statistical Yearbook

In the observed period, Italy had the average earnings from wine export hitting $4.2 billion a year. The average export price was $2.3 per litter. This is a result of the production structure dominated by fine quality wines. There are two dominant categories of table wines, and two categories of fine quality wines. *Indicazione Geografica Tipica* (IGT) are wines that are distinct only by precise mark of the region. This usually refers to the "new" wines that do not follow the strict, traditional wine laws, but do have a high quality. *Denominazione di Origine Controllata* (DOC) and *Denominazione di Origine Controllata e Garantita* (DOCG) refer to areas/regions that are more specifically defined. These wines must undergo rigorous quality testing to meet stringent requirements. The most important export is carried out in Germany (32%), followed by the UK (13.1%) and the USA (12.4%). They absorb more than half of the total wine export from Italy (2009-2011).

Table 1: The biggest exporters of wine in the world (2001-2011), 000 tons

Country	Average amount (000 tons)	Participation in the world (%)	Rate of change (%)	Average value (mil. $)
Italy	1.794	21,4	4,14	4.167
France	1.452	17,3	-2,63	7.627
Spain	1.251	14,9	11,23	2.140
Australia	699	8,3	7,35	1.827
Chile	536	6,4	6,6	1.081

Source: Calculation based on the data of the FAO Statistical Yearbook

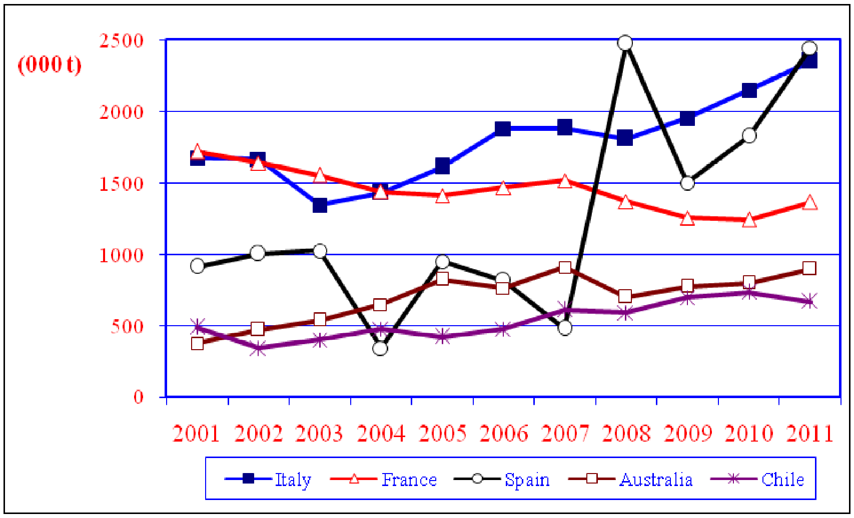
In the second place is France, with average export of 14.5 million hectolitres (1.45 billion litters), representing 17.3% of world wine exports. France is also the world's largest wine producer (FAO, 2011). Export registered a slight decline at the rate of 2.63% per annum. The monetary value of export is $7.6 billion per year due to high export price of $5.2 per litter. This is also the highest export price in comparison with other leading exporting countries. The export structure is dominated by *Appellation d'Origine Controlee* - wines with controlled geographic origin that have the highest degree of quality and *Vin Delimite de Qualite Superieure* - quality wines with geographic origin. The most important export is carried out in Germany (18.9%), the UK (15.9%) and Belgium (12.1%). These countries absorb nearly half of wine export from France (2009-2011).

On the third place is Spain, with average export of 12.5 million hectolitres (1.25 billion litters), representing 14.9% of world wine exports. Export registered a significant growth rate of 11.23% per annum. In the last analysed year, Spain surpassed Italy and therefore reached the leading position of the world's largest exporters of wine (Figure 1). The value of export amounts to $2.1 billion dollars a year. Spain is behind Italy and France when it comes to scale of production. However, increased export is achieved by lower domestic consumption, compared to the one in Italy and France. Wines come from one of three excellence groups: *Crianza* - Red wines that are matured for a minimum of two years, of which six months in oak casks, blue and rose, matured for a minimum of one year, half of which in oak casks. *Reserva* - three years matured in the casks and one year in oak for red, and two years in the casks for white and rose, and six months in oak. *Gran Reserva* - matured for a minimum of five years and 1.5 years of maturing in barrique casks for red, four years in cask and six months in oak cask for white and rose wine (http://www.vino.rs/spanija.html).

The biggest share of export is carried out in France (19.3%), Germany (16.7%), the UK (7.4%) and Russia (6.7%). These countries have absorbed the half of the total wine exports. Due to high unemployment and indebtedness in Spain, households' consumption of good quality wines decreases sharply. This is the reason why winemakers chose to export, mainly to France, and more recently to Germany. (http://trend.seebiz.eu/gastro/njemacka-postaje-najbolje-trziste-za-spanjolsko-vino/ar-53046/).

Countries listed in Table 1, have absolute dominance because they contribute to more than two-thirds (68.3%) of the total world export. They, in effect, dictate the terms on the international market (prices, trading conditions, quality and so on). They have modern production technology, but also tradition, resulting in a high quality wine. Wines produced in these countries have high demand on the world market, hence, in the future, further expansion of export, with moderated values, can be expected. (*Vlahović, Puškarić, Maksimović, Branka, 2009*).

Graph 1: Wine export trend in leading wine exporting countries (2001-2011), 000 tons

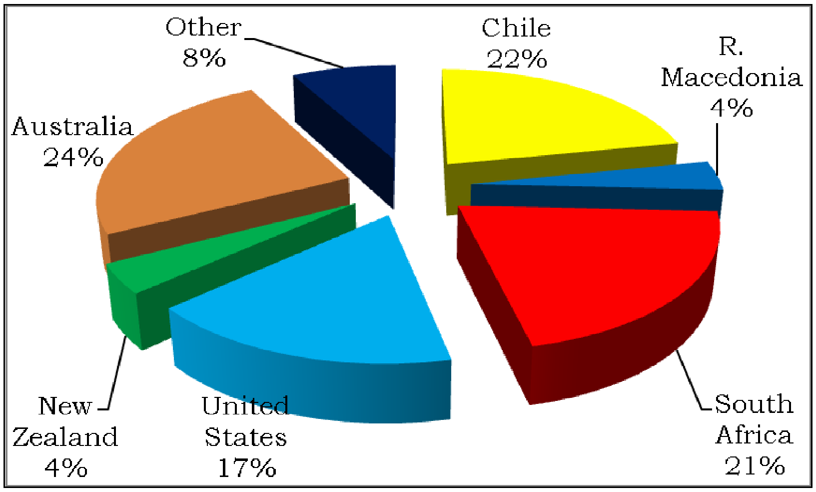


Source: FAO Statistical Yearbook

1.2. Wine Imports

Average wine import in the world was 7.9 million tons, with an increasing trend, at the average rate of 4.80% per annum. Import has more moderate trend comparing to export, which indicates the relative stagnation of demand. By continents, Europe is the largest importer, with over three-quarters of world imports (77%). By region, the most significant importer in the world is the European Union (27), with over 70% of world imports (2009-2011). The import structure is dominated by wine in bulk (52.7%), followed by bottled wine (46.2%), and sparkling wine, with a share of only 1.1%. The average import price was only $0.25 per litter. This also indicates that cheap wine (in bulk) was prevalent. The biggest import is realized from Australia (25%), followed by Chile (21.8%) and South Africa (21.3%). Import from these countries account for more than two-thirds (69%) of total wine import of the European Union (Figure 2).

Figure 2: European Union wine imports by trading partner (2009-2011), %



Source: Calculation based on the data of the FAO Statistical Yearbook

The leading importing country in the world is Germany with average import of 13,5 million hectolitres (1,35 billion litters), what contributes towards 17.2% of the total imports in the world. Germany shows a moderate increasing trend in import at the rate of 2.66% per year (Table 2). The average value of wine imports amounted to $2.5 billion. This scale of import is the result of high demand and consumption of 25 litters per capita (2010), as well as constant increase in the quality wine range, available on the market. Despite the global crisis, consumption is remaining at the stable level.

German consumers prefer red wine. In 2010, the consumption structure was dominated by red wines (63%), followed by white wines (29%) and rose wines (8%) (http://www.wineinstitute.org/resources/statistics). The biggest share of import is achieved by countries of the European Union, Italy accounts for 43%, Spain for 16.4% and France for 16.1%. These countries are the main suppliers of the German market, accounting for three quarters. The import structure is dominated by red wine (60%), much less is the share of white (25%) and the lowest share is reserved for rose wines (7%).

In second place is the UK with a slightly lower import, comparing to Germany, (1.3 billion litters) and 15.9% of total imports in the world. UK is also characterised with a more moderate growth rate (1.06%). Due to climate factors wine production is low, leaving UK in need to import significant quantities of wine. In recent years, UK recorded a slight stagnation of imports and consumption of wine. With average consumption of 22 litters per capita, UK falls behind the European average, for approximately 5 litters (FAO, 2011). In 2010, the consumption structure was dominated with white wines (46%), followed by red (42%) and rosé wines (12%) (ICEX www.oemv.es/esp/el-mercado-delvino-tranquilo-en-reino-unido-2011-359k.php) Majority of imported wines come from Australia (20.2%), Italy (16.3%) and France (15.4%), what accounts for half of the total imports.

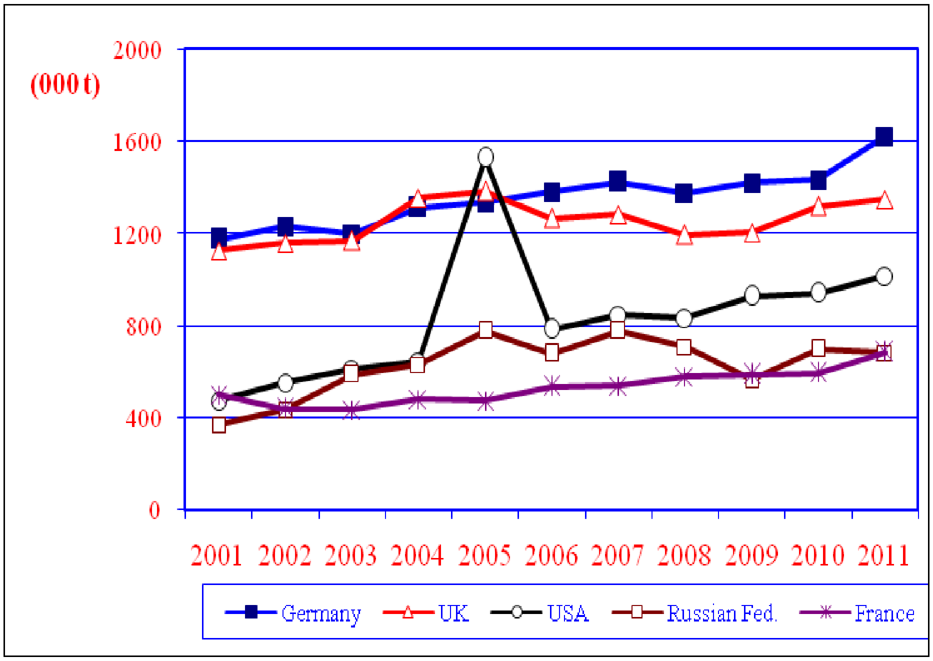
Table 2: The biggest importers of wine in the world (2001-2011), 000 tons

Country	Average amount (000 tons)	Participation in the world (%)	Rate of change (%)	Average value (mil. $)
Germany	1.354	17,2	2,66	2.475
UK	1.255	15,9	1,06	4.177
USA	831	10,5	6,69	3.987
Russia	627	8,0	4,77	605
France	530	6,7	3,93	646

Source: Calculation based on the data of the FAO Statistical Yearbook

Following country is the U.S. with imports of 800 million litters and 10.5% of total imports in the world. U.S. import recorded a trend of significant growth at the rate of 6.69% per annum. In 2011 the U.S. become the largest consumers of the wine in the world. However, consumption per capita of only 10 litters is significantly lower than in European countries (2010). American consumers prefer red wine. In 2010, the consumption structure was dominated by red wine (47%), followed by whites (40%) and rosé wines (13%) (*http://res.franceguide.com/us/press_2012/weblinks/vin_de_provence_fa-cts_figures.pdf*). Comparing to the pattern present fifteen years ago, there have been considerable changes in consumption. The red wines used to participate, in overall consumption, with 25% whites with 41% and rose with 34% (http://ita.doc.gov/td/ocg/wine2011.pdf). Most popular imported wines come from Italy (26.5%), Australia (22.2%), Chile (13.2%) and Argentina (10.3%), accounting for almost three-quarters of total wine imports in the world. The most widespread red wines are: Cabernet Sauvignon, Merlot, Pinot Noir, Syrah / Shiraz and Zinfandel. The most widespread white wines are: Chardonnay, Pinot Grigio / Gris, Sauvignon Blanc, Moscato and Riesling.

Graph 2: Wine import trend in leading wine importing countries (2001-2011), 000 tons



Source: FAO Statistical Yearbook

The world's biggest importing countries, given in Table 2, contribute more than half of the imports in the world (58%). All the biggest importers have a trend to increase imports of wine, especially the United States. On the basis of these trends, in the future, further expansion of international wine trade can be expected. This expansion will primarily depend on consumer's purchasing power and related economic factors. In five years' time, China will be producing two billion bottles of wine, which is over 50% more than what it produced in the past five years. By 2016, Chinese wine consumption will increase by 40%, making China the third wine trading market in the world. Despite the current economic crisis, wine consumption worldwide is on the rise. In the period between 2007 and 2011, wine consumption increased by 2.8% reaching 32 billion bottles. By the year 2016, increase by 5.3% is expected, resulting in 34 billion bottles (*IWSR – International Wine & Spirit Research*). Quality wine does not only come from a good harvest or a long winemaking tradition - cutting-edge technology, rigorous standards, committed staff and complete dedication to making superior wines are also required. Furthermore, it takes a considerable investment in marketing as well to complement the production and trading of a high quality product
(http://www.vreme.com/cms/view.php?id=1029104).

CONCLUSION

The average export of wine in observed period was 8,4 million tons with a significant upward trend at a rate of 5,0% per annum. The biggest exporter, by country, in the world, is Italy, with 1,8 million tons representing 21% share in worldwide wine export. Italy is increasing the export at a rate of 4,14% per annum. The biggest share of wine (50%) is exported to the German, U.K. and U.S. markets. The biggest exporters, on the other side, are France, Spain, Australia and Chile who build up more than two-thirds (68%) of wine export worldwide. Import of wine worldwide has a more paced growth than the export (rate of 4,8% per annum). That indicates the relative stagnation in demand on the international market. The world's biggest importer is Germany with 1.3 million tons, accounting for 17% of wine imports in the world. Germany increases import at a rate of 2.66% per annum. Most wines are imported from Italy, Spain and France. On the other side, biggest importing countries are the UK, U.S., Russia and France, who absorb more than half (58%) of overall wine imports in the world. In the future, a stagnation of international trade can be expected. Enjoying light, Muscat, aromatic white wines and fresh, aromatic, fruity red wines, is the latest trend in the world. The consumption of rose and organic wines is also expected to increase.

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