

CBI MARKET SURVEY**The EU market for wine****Publication date: June 2008****Report summary**

This CBI extended market survey discusses the following highlights for the EU market for wine:

- EU wine consumption covers as much as 70% of global consumption, and at the moment is around 130 million hectolitres per year.
- 65-70% of the world's wine is produced in the EU. Wine production is becoming more stable, after years of strong decline and loss of production share. Annual production is about 170 million hectolitres today.
- The EU is the main import market in the world for the wine sector. In terms of value, the UK is the leading importer (in 2007 worth €2.1 billion with a share of 39% of total EU imports) followed by Germany (worth €1 billion, covering 18% of total imports). Other EU countries come far behind these two leaders. The total EU imports of wines reached a value of €5.4 billion in 2007.
- The role of developing countries is growing in EU wine imports; they exhibited a relative growth of 3% during the period 2003-2007.
- In 2007, EU wine exports were worth €4.6 billion, exhibiting a steady growth in preceding years.
- In general, the most important trade channels for the DC exporter are specialised stores and small and medium-sized importers. A less important channel is retail. However, the significance of trade channels varies in different EU countries.
- There is interest in and chances for wines with "unusual origins" and indigenous varieties. However, it may still take time for traders and buyers on the EU market to realise that good wines can come from DCs.

This survey aims to provide developing-country (DC) exporters of wine with sector-specific market information related to gaining access to EU markets. This survey first describes the EU market in general and then focuses on the British, German, Dutch and Polish wine markets with in-depth country-specific information.

1 EU market**1.1 Market description: consumption and production****Consumption**

Almost 70% of global wine consumption takes place in the EU. The EU demand for wines is divided into two segments of the same size – half of the demand concerns cheap table wines and the other half quality wines. The consumption levels and preferences vary from one country to another, ranging from an annual amount of 20 to 50 litres per capita. There is an annual expected growth of 0.5 to 1% in consumption. Consumers are increasingly buying their wine at supermarkets. As preferences vary a lot between different countries, it is difficult to give a general overview of consumer preferences in the EU as a whole.

Table 1.1 shows the permutations of wine consumption in different EU countries between 2003 and 2007. The variations in annual consumption levels were rather small and no dramatic changes can be seen. The leading consumer in the EU is France, followed by Italy and Germany. The UK has shown the largest growth during the period under review. EU total consumption is expected to reach 140 million hectolitres by 2010.

Table 1.1 EU and world wine consumption, million hl, 2003-2007

	2003	2005	2007*	CAGR**
EU15 total	126.6	126.8	127.4	0.2%
World total	235.2	237.0	241.0	0.6
France	32.9	32.6	32.3	-0.5%
Italy	28.8	27.6	28.0	-0.7%
Germany	20.2	19.6	20.0	-0.2%
Spain	13.5	13.9	13.6	0.2%
UK	10.5	11.9	12.2	3.8%
Benelux	6.4	6.6	6.8	1.5%
Portugal	4.7	4.7	4.6	-0.5%
Nordic countries	3.8	3.7	3.9	0.7%
Other EU	5.8	6.2	6.0	0.9%

Source: Rabobank (2007) and FFF internet research (2008)

* Estimations

** Compound Annual Growth Rate

Market segmentation

With regard to the taste and other characteristics of different wine varieties, there are a few segments to be identified.

Still wine

The most common type of wine is light, still wine, which contains 8-15% alcohol. Sub-segments of this category are red, white and rosé still wines. (However, in statistics red and rosé wines are treated as one group.)

Sparkling wine

Sparkling wine can be white or rosé wine, with an alcoholic content of 8.5% or more. Champagne falls under the sparkling wines, but is very specific. No other country can produce champagne other than France, as the wine must be produced in the Champagne-region to be called champagne. However, the consumer quite often confuses the definition of sparkling wine and champagne.

Fortified wine

Furthermore, there is a segment of fortified wines. These are stronger wines, for example port and sherry. The alcohol percentage ranges from 18 – 20%.

Aromatised wine

A fourth wine group is aromatised wine, flavoured with herbs and spices. Vermouth belongs to this category of wine. Vermouth contains 15-18% alcohol.

Production

As much as 65-70% of the world's wine is produced in the EU. Although EU wine production is fluctuating and there have been years of strong decline and loss of production share, it is becoming more stable. Annual production is – estimated by the Dutch Wine Information Centre - about 170 million hectolitres today, compared to almost 200 million hectolitres in 2004. The leading producers are France, Italy and Spain, all three with an annual production volume of between 40 and 50 million hectolitres in 2007, followed by Germany with 10 million hectolitres in 2007. EU production is traditionally fragmented into small vineyards, which is a serious limitation for the industry. On average, vineyards in the New World (in this context Australia, Argentina, Canada, Chile, New Zealand, South Africa and the USA) are at least 20 times larger compared to the European ones.

As previously stated, wine production in the EU is fluctuating. This is caused, for example, by the unpredictable climate and legal restrictions on production and vineyard management. In the future, the EU is expected to continue losing production share. A new EU wine policy from 2006 is likely to gradually stop the financing of structural oversupply, which has already been

a problem for the wine sector for a long time. Producers do not have a strong position on the market, buyers have the power.

With regard to international competition on the EU market, some EU producers feel that they are not able to compete at the current low prices and, therefore, have to trade up. Because of low prices, a lot of producers on the EU market are willing to trade up and sell more expensive wines. This could be done through offering unique varieties, styles or image.

The EU is losing the middle market, and possibly also the basic (low) market. Basic EU wine is being pushed out of the market, because of the flood of decent New World bulk wine on the market, and the quality/price ratio of this bulk wine is becoming the standard for consumers.

In recent years, there has been an oversupply in the wine sector. However, in one of the most important supplying countries, Australia, severe droughts have reduced Australian wine production as much as by 35% in the last three years. Dry climate conditions have also affected EU production. As a result, wine stocks are now finishing. A new EU wine policy from 2006 will, theoretically, reduce global supply after 2009. However, according to analysts, in practice it seems unlikely that there would be a noteworthy change in global wine supply.

Trends

This chapter will discuss the major trends and characteristics that influence the wine market.

Increasing demand for wine with “unusual origins”

In general, EU wine consumers are showing more interest in wines with “unusual origins”, e.g. wines from new, exotic wine producing countries. For example, Lebanese wine has recently been introduced on the EU market.

Positive health effects related to moderate red wine consumption

Consumers are becoming more aware of the positive impact on health related to the antioxidants in red wine. Therefore, demand from consumers for red wine has risen in recent years.

Fair Trade wine is growing in demand

The interest in Fair Trade labelled wine is remarkably increasing, especially on the British market, but also on other markets such as the Netherlands and Germany. Small volumes of Fair Trade wines are gaining more opportunities on the EU market as well.

Organic and biodynamic wines are capturing market share

Consumers are increasingly interested in organic and biodynamic wines. BioFach (<http://www.biofach.de>), the world's largest trade fair for organic products in Germany, proves this by attracting more and more international visitors each year.

Awareness of potential of DC wines

It will still take a lot of time for traders and buyers on the EU market to realise that good wines can come from DCs. Nevertheless, the general awareness of the potential of DC wines is increasing.

Opportunities and threats

Trends and market developments offer opportunities and threats to exporters. A given trend can be a threat to some and an opportunity to others at the same time. The following trends should, therefore, always be analysed in relation to the specific circumstances of the company. The main opportunities and threats for DC exporters are the following:

- + EU production is expected to continue losing market share, while EU consumption of wine is expected to grow by 0.5 to 1% annually. This offers opportunities for DC wine exporters.
- + The increasing interest in wines with “unusual origins” offers chances for DC exporters with the ability to export wines of indigenous varieties.
- + Positive health effects of red wine have raised the demand for red wine.

- + Due to growing interest in Fair Trade labelled wines, smaller volumes are also being accepted on the EU market. This provides opportunities for smaller DC wine exporters.
- + The increasing interest in organic and biodynamic wines increases the market for DC exporters of organic and biodynamic wines.
- ± Although EU consumer awareness of the potential of DC wines is increasing, EU consumers are still a bit reluctant to buy DC wines.
- The variety of wines offered in Europe is so huge that it will be challenging for DC exporters to find niches in taste, grape, or price or to differentiate themselves on the shelves of supermarkets or retailers.

Useful sources

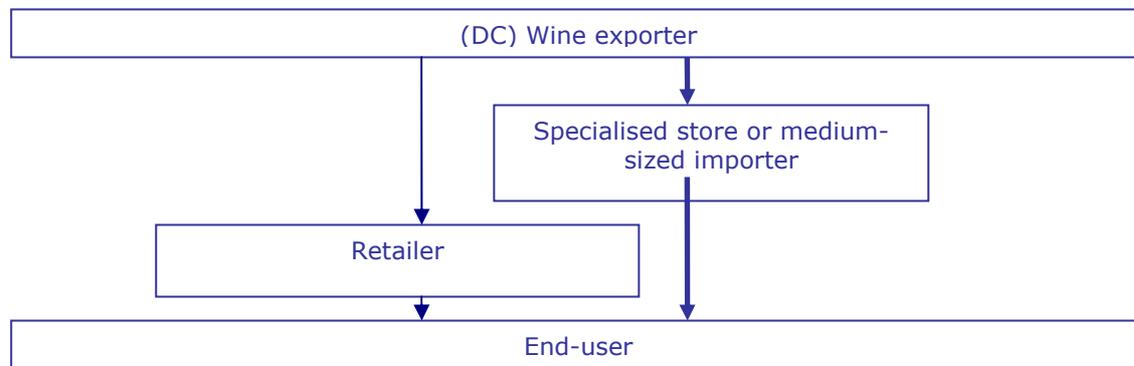
- European Fine Wine Magazine - <http://www.europeanfinewinemagazine.com>
- Meininger's Wine Business International - <http://www.wine-business-international.com> - Magazine for the Global Wine Trade including e.g. market specific news under Market Watch.
- Rabobank report *Changing competitiveness in the wine industry – the rise and fall of wine countries* (requires a fee - <http://www.rabobank.com>)
- Wine Business - <http://winebusiness.com> - homepage for the wine industry.
- Wine Intelligence - <http://www.wineintelligence.com> - strategic advice, branding and research.

1.2 Trade channels for market entry

Trade channels

In general, the most important trade channels for the DC exporter are specialised stores and medium-sized importers. This is shown by the thickness of the arrows in the following figure. The retail channel is a less important channel for the wine sector.

Figure 1.1 Trade channels of wine in the EU



Source: FFF interviews (2007 and 2008)

It is extremely important to choose the right trade channel when targeting the EU market. Specialist stores and medium-sized specialised importers are often the best choice for DC exporters, but significance varies in different EU countries. Please refer to country-specific market descriptions for detailed information on the trade channels used.

Price structure

The EU wine market can be divided into three categories: high, middle and low. High stands for premium segment, expensive high-quality wines, priced above €10/bottle. The middle segment covers popular premium wines that are less expensive, whereas the low segment consists of bulk wines, the cheapest of these categories.

Table 1.2 will give an example of the cost structure in the value chain per bottle for a popular premium wine priced €3.14. The example is taken from the Netherlands from 2006.

Table 1.2 Consumer price breakdown per bottle

Cost structure	€/litre	€/bottle
Juice	0.50	
Wine making	0.06	
Bulk wine	0.56	0.42
Bottling, packaging		0.35
Local taxes		0.08
Logistics, storage		0.10
Margins/overhead		0.10
Wholesale price		1.05
Excise duties		0.45
Retail and wholesale margin		1.14
VAT		0.50
Consumer price in €		3.14

Source: Rabobank (2007)

1.3 Trade: imports and exports

Imports

The EU is the largest wine importing market in the world. Between 2003 and 2007, total EU imports increased in value by 7% per year to €5.4 billion in 2007. In 2007, intra-EU imports accounted for more than half of the wine imports, followed by 27% from extra-EU and 21% from DCs. Between 2003 and 2007, the DCs succeeded in increasing their share in EU imports from 18% to 21%. The total import value from DCs increased 12% annually between 2003 and 2007. The UK is the leading importing country in the EU, accounting for 39% of total EU imports, followed by Germany (18% of total imports). Other EU countries come far behind these two countries.

The leading supplying countries to the EU are Australia (17%), Italy (15%), France (14%), Spain (10%) and Chile (10%). Chile is the most important DC supplier to the EU, followed by South Africa (8%) and Argentina (2%). These three countries together supplied the lion's share (93%) of all DC exports to the EU. Fast growing supplying DC countries between 2003 and 2007 were: Brazil (annual growth of 67%), Georgia (41%), India (20%), Argentina (18%) and Chile, Macedonia and Moldova (all 17%).

In Table 1.3 an overview is given of the EU, the reviewed countries and France (although not discussed in further detail, it is one of the major importing EU countries) and the leading suppliers between 2003 and 2007.

Table 1.3 Imports and leading suppliers of wine 2003-2007, share in % of value

Wine	2003 € mln	2005 € mln	2007 € mln	Leading suppliers in 2007 Share in %	Share (%)
EU27	2,192	2,559	2,808	Intra EU : Italy (15), France (14), Spain (10), Germany (4), UK (2)	52
	1,155	1,377	1,447	Extra EU ex. DC : Australia (17), USA (6), New Zealand (3), Switzerland (<0.5), Israel (<0.5)	27
	742	1,009	1,149	DC : Chile (10), South Africa (8), Argentina (2), Macedonia (1), Moldova (<0.5), Morocco (<0.5), Turkey (<0.5), Lebanon (<0.5), Ukraine (<0.5), Georgia (<0.5)	21
The United Kingdom	459	574	644	Intra EU : France (12), Italy (9), Spain (4), Germany (2), Belgium (2)	31
	780	892	972	Extra EU ex. DC : Australia (32), USA (7), New Zealand (7), Switzerland (<0.5), Israel (<0.5)	47
	313	404	470	DC : Chile (12), South Africa (8), Argentina (2), Lebanon (<0.5), Moldova (<0.5), Turkey (<0.5), Georgia (<0.5), Uruguay (<0.5), Brazil (<0.5), China (<0.5)	23

Wine	2003 € mln	2005 € mln	2007 € mln	Leading suppliers in 2007 Share in %	Share (%)
Germany	672	731	700	Intra EU : Italy (27), France (21), Spain (16), Netherlands (2), Austria (2)	74
	97	87	104	Extra EU ex. DC : USA (5), Australia (5), Switzerland (<0.5), New Zealand (<0.5), Israel (<0.5)	11
	100	130	148	DC : South Africa (7), Chile (5), Macedonia (2), Argentina (1), Ukraine (<0.5), Croatia (<0.5), Turkey (<0.5), Moldova (<0.5), Serbia (<0.5), Tunisia (<0.5)	16
France	193	217	216	Intra EU : Spain (30), Italy (26), UK (8), Portugal (4), Germany (3)	74
	21	30	33	Extra EU ex. DC : USA (6), Australia (4), New Zealand (1), Israel (1), Switzerland (<0.5)	11
	44	44	43	DC : Chile (6), Morocco (3), South Africa (3), Argentina (2), Lebanon (<0.5), Algeria (<0.5), Tunisia (<0.5), Turkey (<0.5), China (<0.5), India (<0.5)	15
The Netherlands	147	149	145	Intra EU : France (17), Germany (10), Italy (8), Spain (4), UK (3)	44
	85	106	71	Extra EU ex. DC : Australia (13), USA (7), New Zealand (1), Israel (<0.5), Canada (<0.5)	21
	88	131	116	DC : Chile (15), South Africa (13), Argentina (6), Brazil (<0.5), Panama (<0.5), China (<0.5), Turkey (<0.5), Macedonia (<0.5), Georgia (<0.5), Moldova (<0.5)	35
Poland	-	41	91	Intra EU : Italy (21), Bulgaria (18), Netherlands (12), Germany (8), France (7)	81
	-	21	4	Extra EU ex. DC : Australia (2), USA (1), Israel (<0.5), New Zealand (<0.5), Switzerland (<0.5)	4
	-	9	17	DC : Chile (7), Moldova (3), Argentina (2), South Africa (2), Georgia (1), Uruguay (<0.5), Macedonia (<0.5), Croatia (<0.5), Mexico (<0.5), Tunisia (<0.5)	15

Source: Eurostat (2008)

In Table 1.4 the EU wine imports by product group (in €1,000) are shown. Red and rosé wine is the largest imported product group and, between 2003 and 2007, it even succeeded in increasing its share at the cost of white wine from 58% to 62%. In 2007, white wine was the second largest imported product group (25% of total), followed by sparkling wine (8%) and vermouth (5%). All product groups increased rapidly between 2003 and 2007, import value increased annually between 4% and 9%. The increase in imports was driven by intra-EU imports to a great extent.

Between 2003 and 2007, the import value from DCs of individual product groups showed varied results. Although total import value from DCs increased annually by 12%, this is mainly due to the growth that was realised in the product group red wine and rosé (14% annually). The import value of white wine from DCs only increased by 3% per year while the import value of sparkling wine remained stable and the import value of vermouth even decreased (7%).

The share of DCs is largest in the product group red and rosé wine (28% in 2007), followed by white wine (14%). The shares of DCs in sparkling wine and vermouth are still very small, representing 2% and 1% respectively in 2007.

Table 1.4 EU wine imports by product group, 2003–2007, value x €1,000, CAGR*

	Suppliers	2003	2005	2007	CAGR
Total wines	Total	4,088,950	4,944,784	5,404,622	7%
	Intra-EU	2,191,965	2,558,772	2,807,943	6%
	Extra-EU excl. DC	1,154,797	1,377,176	1,447,473	6%
	DC	742,188	1,008,836	1,149,206	12%
Red and rosé wine	Total	2,370,987	3,009,676	3,327,690	9%
	Intra-EU	1,060,698	1,216,930	1,292,730	5%
	Extra-EU excl. DC	750,779	994,860	1,088,405	10%
	DC	559,511	797,886	946,554	14%

	Suppliers	2003	2005	2007	CAGR
White wine	Total	1,174,193	1,300,493	1,362,948	4%
	Intra-EU	638,786	762,441	861,858	8%
	Extra-EU excl. DC	363,810	336,782	308,952	-4%
	DC	171,597	201,270	192,138	3%
Sparkling wine	Total	324,871	379,121	438,188	8%
	Intra-EU	282,031	328,381	380,351	8%
	Extra-EU excl. DC	33,918	42,770	48,925	10%
	DC	8,922	7,970	8,912	0%
Vermouth	Total	183,115	232,003	254,539	9%
	Intra-EU	174,735	227,728	251,776	10%
	Extra-EU excl. DC	6,224	2,662	1,180	-34%
	DC	2,156	1,613	1,584	-7%

Source: Eurostat (2008)

* Compound Annual Growth Rate

Exports

In 2007, EU wine exports were worth €4.6 billion, exhibiting a steady growth compared to preceding years (in 2003 the value was €3.7 billion). The vast majority of EU exports are covered by EU15 countries, their share was as much as 96% in 2007. The new member states of the EU accounted for the remaining 4% of the total exports. For information on country-specific export values, please refer to Sections 2, 3, 4 and 5.

Opportunities and threats

Trends and market developments offer opportunities and threats to exporters. A given trend can be a threat to some and an opportunity to others at the same time. The following trends should, therefore, always be analysed in relation to the specific circumstances of the company. The main opportunities and threats for DC exporters are the following:

- + Total import value has increased steadily in recent years (7% per year).
- + Imports from DCs increased faster (12% annually).
- + The share of DCs in total imports increased from 18% in 2003 to 21% in 2007.
- + Red and rosé wines covered nearly all (95%) of the growth of DC imports. It is the largest and fastest growing product group and also the product group with the highest DC share (28%).
- ± Imports from Chile, South Africa and Argentina represented as much as 93% of total DC imports.
- ± Other fast growing supplying DC countries between 2003 and 2007 were: Brazil (annual growth of 67%), Georgia (41%), India (20%), Macedonia and Moldova (both 17%).
- The increase in imports was driven by intra-EU imports to a large extent.

Useful sources

- EU Expanding Exports Helpdesk
<http://exporthelp.europa.eu> → go to: trade statistics
- Eurostat - official statistical office of the EU - <http://epp.eurostat.ec.europa.eu> → go to 'themes' on the left side of the home page → go to 'external trade' → go to 'data - full view' → go to 'external trade - detailed data'.
- Understanding Eurostat: Quick guide to easy comext →
http://epp.eurostat.ec.europa.eu/newxtweb/assets/User_guide_Easy_Comext_20080117.pdf

Selecting a suitable trading partner

There are many ways of finding potential trading partners in Europe. In this section, the focus will be on country specific sources, the Internet and sources in your own country. Please refer to chapter 1.6 for the main sales promotion tools.

Country specific sources

- Agrelma B2B platform - <http://www.agrelma.com> - global food & wine e-marketplace approved by European Commission.
- German Wine Institute - <http://www.germanwines.de>

- Global Wine & Spirits - <http://www.globalwinespirits.com> – possibility to search for wine distributors, importers, producers, agents and wholesalers per country. Click the GWS Trade Directory to browse by category.
- KVNW, the Royal Association of Dutch Wine Merchants - <http://www.kvnw.nl>
- Polish Wine Institute - <http://www.instytutwina.pl>
- The Wine and Spirit Trade Association (WSTA) - <http://www.wsta.co.uk>
- Wine Information Centre (Wijn Informatie Centrum) - <http://www.wijninfo.nl>

Internet

Some examples of available general sources to find clients:

- Europages - <http://www.europages.com> – Click on 'Search by theme' and 'Wines'.
- Kellysearch - <http://www.kellysearch.com> - Type 'Wine' in the Find It box and select Europe.
- Kompass - <http://www.kompass.com> - The free part is useful in finding companies, the company websites are listed.

Your own (DC) country

Some examples of sources which may be available in your own country:

- Diplomatic and consular representatives. These can be found at <http://www.embassyworld.com>.
- The consul of your country in the target country
- Public and private trade promotion bodies

1.4 Price developments

Wine prices have generally been going down in the EU, due to global oversupply of wine. This applies to all wines except for Bordeaux. In the future, prices will likely rise in Eastern European countries. The EU wine market is price sensitive and overproduction periods are characterised by falling prices and margins. Mature markets such as the German and British markets are especially under heavy price pressure. Similar strong pressure on wine prices has hardly occurred since the 1980's. Many companies on the market feel that they are not able to compete at the current low prices and, therefore, want to trade up and start selling more expensive wines.

There has been a rather considerable change in prices since the beginning of 2008, which is contrary to the above-mentioned longer term price developments. The very recent and dramatic increase in glass prices (by 60% or even doubled) and costs related to transporting, as well as the drought of the last three years which has made wine yields smaller by as much as 35%, are all contributing to increasing prices. In the short term, analysts do not expect dramatic changes in prices. It is still unknown how prices will develop in the longer term.

1.5 Market access requirements

As a wine producer in a developing country preparing to access the EU, you should be aware of the market access requirements of your trading partners and the governments. Requirements are demanded through legislation and through labels, codes and management systems. These requirements are based on environmental, consumer health and safety and social concerns. You need to comply with EU legislation and have to be aware of the additional non-legislative requirements that your trading partners in the EU might request.

For information on legislative and non-legislative requirements, go to 'Search CBI database' at <http://www.cbi.eu/marketinfo>, select your market sector and country of interest in the category search, click on the search button and click on market access requirements.

Information on tariffs and quota can be found at <http://exporthelp.europa.eu>

The following table indicates the EU import duties for different wines. For example, the best performing DC wine on the EU market, red wine with an alcoholic content between 13 and 15% in larger than 2-litre batches, has a general tariff of €12.1/hectolitre. Please note that for DCs, a Generalised System of Preferences (GSP) system is applicable, meaning that industrialised countries grant trade preferences to DCs. Following this system, many import tariffs for products originating from DCs are considerably lower than in general. Some individual DCs may benefit from more than one arrangement. In that case, the exporters are allowed to choose which to use. For more information on the GSP system and other arrangements, please refer to the Taxation and Customs Union of the European Commission http://ec.europa.eu/taxation_customs/common/publications/info_docs/customs/index_en.htm.

Table 1.2 EU import duties wine

Product	HS code	General tariff
Wine ≤ 2 l		
White wine ≤ 13%	22042179	€13.1/hl
Red + rosé ≤ 13%	22042180	€13.1/hl
Red wine 13-15%	22042184	€15.4/hl
Sparkling wine		
Sparkling wine ≥8.5%	22041019	€32/hl
Wine > 2 l		
Red wine 13-15%	22042984	€12.1/hl
White wine ≤ 13%	22042965	€9.9/hl
Red + rosé ≤ 13%	22042975	€9.9/hl
White wine 13-15%	22042983	€12.1/hl
Vermouth ≤ 2 l	22051010	€10.9/hl
Vermouth > 2 l	22059010	€9/hl

Source: Export Helpdesk (2008)

Labelling

Labels on wines exported to the EU must include:

- Net contents of the bottle, in millilitres, centilitres or litres;
- Name and address of the importer preferably printed on the main label. Optionally, small stick-on labels can be applied by the importer;
- The wine's alcohol content;
- Indication of manufacturing lot;
- Indication of country of origin.

The label on the wine bottle gives key information. It should be easy to understand and to remember, so that people will be able to buy it again. It is important to place information about the wine on the label – for example, whether it is sweet or dry, fruity etc. The design of a label should be modern and eye-catching. The name of the wine should be easy to read and not contain difficult local letters. The design of the bottle does not have to be special. A description of the variety and how it is made is also very important.

EU taste

To be able to access the EU market, DC wines have to be adapted to the taste of European consumers. EU consumers mainly prefer light, balanced, dry wines, in all types. The quality needs to be good. However, there are variations in preferences between different EU countries. For more information on the most interesting EU countries, please refer to chapters 2, 3, 4 and 5.

1.6 Doing business

General information on doing business, such as approaching potential business partners, building up a relationship, drawing up an offer, handling the contract (methods of payment, and terms of delivery) can be found in CBI's export manuals 'Export Planner' and 'Your image builder'. Furthermore cultural awareness is a critical skill in securing success as an exporter. Information on cultural differences in the EU can be found in chapter 3 of CBI's export manual

'Exporting to the EU'. These manuals can be downloaded from <http://www.cbi.eu/marketinfo> - go to search publications.

Useful practices for sales promotion:

- Trade fair participation: It is advisable to start with a collective stand. Invite the main target groups, e.g. specialised importers. The most important trade fair is ProWein in Germany (<http://www.prowein.de>). London International Wine and Spirits trade fair in the UK (<http://www.londonwinefair.com>) could also be interesting. Vinexpo (<http://www.vinexpo.com>) in France is also well known, but more difficult because it is in France and companies have to face a lot of French competition. Organising a seminar for country promotion at trade fairs is advisable. After the trade fair, marketing campaigns such as special offers or a new tasting event should be done as a follow-up.
- Tasting events: Organise, for example, in a specialist shop or at trade fairs. A lot can be learned about the preferences of consumers through tastings. These events are often sponsored by embassies and countries.
- Advertising in trade press: Place advertisements in trade publications, for example in Meininger's Wine Business International (<http://www.wine-business-international.com>) to reach potential buyers. Subscription for this magazine can be recommended to all wine exporters in order to stay updated regarding developments on the EU market. For country-specific trade magazines, refer to chapters 2, 3, 4 and 5.
- Image building: Pay attention to the presentation style of a bottle and the label. These are features that catch the eye of the consumer. The story behind a wine is becoming more and more important. Being an unknown wine-producing country without an already established image means there are more possibilities to create an attractive image. At the same time, however, it is a huge challenge to succeed in creating image and reputation. On the one hand, it is important that DCs have their own style – and on the other hand, the style has to be adapted to the EU market. In other words, wines from DCs should be subtly different from those already known on the EU market, but still not too dissimilar. Creating a brand is a time-consuming challenge.
- Journalist visits: Raising the interest of a journalist followed by an article in a wine publication can remarkably boost the success of a DC wine. Generally, it is useful to invite journalists to the DC only after the wine has entered the EU market.
- Wine booklets: There are varying expert opinions concerning booklets. Some think that it can be very useful to create wine booklets, while others say that booklets do not reach the target group effectively.
- It is recommended to cooperate with several wine producers in one DC, in order to promote the specific wine country. For DC wines, a start of 5,000 to 10,000 bottles is enough to start with and to make the wine known on the market. In general, it is best to begin with a dry wine on a market. This counts both for red and for white wines. Sweet wines can be brought in later, at a lower price level.

1.7 Country approach

When trying to access the EU wine market, a country approach is of great importance. This refers to both the country image of a DC as well as the individual characteristics of each country-specific target market in the EU. For more information about the essence of creating country image for exporting DCs, have a look at the following textbox.

Creating image

Country image is a very important issue when trying to access the wine market, according to Mr Goodband, a British wine consultant. For example, French wines have an historical image and a reputation for excellent taste, whereas Australian wines are associated with outdoor living, liveliness, sunshine and happiness. Australian wines have only been on the UK market since 1985 and getting there was a struggle. They went to a lot of trouble to ensure the styles and prices were right for the UK market. Australians benchmarked their wines a lot. They did in-depth market research, had a detailed marketing strategy and had cooperation from wine producers in the UK who jointly fought for the presence of Australian wines on the EU market. South Africa is a country that is now going through that struggle. They did not have the proper infrastructure and marketing before, but this is all getting better

now. Cooperation between companies from the same country, can be an effective way in creating an image for the country.
Source: FFF interview (2007)

Furthermore, it is very important to remember that demand for wine and the significance of different market entry strategies vary from one EU country to another. It is essential for the DC exporter to become aware of the possibilities in the chosen target country, for example by means of analysing statistics and interviewing experts from the wine sector. In the following chapters, the country-specific markets of the most interesting EU wine importers are discussed in detail. The British, German and Dutch markets are the largest importers of wine and offer DC exporters the best opportunities. The Polish market is interesting for wine producers in East European countries and, therefore, is also described in detail.

2 THE UNITED KINGDOM

2.1 Market description

The majority of wines on the British market are sold through the retailer sector. It is dominated by four or five major supermarket chains, of which Tesco is the largest. The market is very open, and there is a general interest in wines from DC producers.

In the past decades there has been a continuous growth in the UK wine sector. At the moment the market is almost mature. It is a market for wines from all over the world and also a very competitive market. The quality/price ratio is the most important issue when accessing the British wine market. The retail sales value of the UK wine market is forecasted to be the largest in Europe by 2010. At the moment DC wines on the British market concern small quantities, but with a very high quality and rather high retail price.

Consumption

Annual wine consumption per capita in the UK was at about 27 litres in 2007. Roughly 80% of British households are buying wine. Wine consumption is growing steadily due to an increasing personal disposable income and the influence of a continental European lifestyle. Wealthy people above the age of 35 are the largest consumer group for wine. Almost 70% of British women drink wine, whereas the percentage of the male population consuming wine is 62%.

About ten years ago the British wine market was dominated by white wine and it used to cover two thirds of the market. Today the situation is different, red wine consumption has increased strongly due to its positive effect on health and it now has the largest share, leaving only one third of the market for white wine. The most remarkable increase has been, however, in the consumption of rosé wine. It is very trendy and the sales of rosé wine are flourishing (dry, off-dry and sparkling), even outside the peak season summer. Sparkling wine is also becoming more popular, and the imports of it have grown considerably.

British consumers prefer light, unoaked wines such as Sauvignon Blanc. The popularity of Pinot Grigio/Gris exhibited a huge leap in sales of 74% in 2006. Chardonnay still remains the leading white wine. The most popular red wines are Cabernet Sauvignon, Merlot and Shiraz. Pinot Noir has recently become popular.

The UK is the world's largest consumer of Fair Trade wine, representing a market value of €21 million (£16.4 million) in 2007. This figure was more than double compared to the previous year. Besides Fair Trade wine, British consumers are increasingly interested in organic wines.

2.2 Trade channels for market entry

The majority (roughly 80% of volume and 60% of value) of wines are sold through the retailer sector in the UK. Sales are driven by promotions and discounting. Supermarkets are not concerned about the amount of wine sold with discount, since sales promotions are funded by wine suppliers. Other relevant channels within the retail segment are multiple specialists (11% market share), independent grocers (6%), co-ops (5%) and independent specialists (3%). Specialist wine stores have previously lost some of their market share to supermarkets. However, with growing consumer interest in wine, volume sales are expected to rise, and the sales of premium wines continue to drive value. The grocers' share is increasing all the time.

15% of the volume of wines are sold through the catering sector. However, the percentage is twice as much considering total value sales. Restaurants and hotels have experienced tougher trading conditions than pubs and bars, leading to a situation whereby it is very expensive to buy better wines in hotels and restaurants, while in pubs and bars it is much more affordable. 5% of wine is sold through direct trade (online sales directly to customers).

DC wine exporters should target agents, retailers and importers specialising in distributing smaller brands and quantities. There are different ways to get in contact with them. Trade fairs such as the London International Wine and Spirits (<http://www.londonwinefair.com>) are important, as well as tasting events. Tasting occasions are essential when making wines from a certain country known to importers and retailers.

Examples of wine importers in the UK:

- Alliance Wine - <http://www.alliancewine.co.uk>
- CWF - <http://www.continental-wine.co.uk>

Useful sources for finding importers on the British market:

- The exhibitor list of the London Wine Fair - <http://www.londonwinefair.com>
- The list of members of the Wine and Spirits Trade Association - <http://www.wsta.co.uk>

2.3 Trade: imports and exports

Imports

The UK is the largest wine importing country in the EU, responsible for 39% of total imports in 2007, ahead of Germany and even more ahead of all other EU countries. Between 2003 and 2007, UK imports increased in value by 8% per year to €2.1 billion in 2007. In 2007, the UK imported almost half (47%) of the wine imports from extra-EU countries, followed by 31% from EU member countries and 23% from DCs. Between 2003 and 2007, DCs succeeded in increasing their share in UK imports from 20% to 23%. The total import value from DCs increased 11% annually between 2003 and 2007.

The leading supplying countries to the UK are Australia (32%), France (12%), Chile (12%), Italy (9%) and South Africa (8%). Chile and South Africa are the most important DC suppliers to the UK, followed by Argentina (2%). These three countries together supplied the lion's share (99%) of all DC exports to the UK. Fast growing supplying DC countries between 2003 and 2007 were: Georgia (annual growth of 83%), Moldova (53%), Chile (23%), Ukraine (21%) and China (12%).

In Table 2.1 the UK wine imports by product group (in €1,000) are shown. Red wine and rosé is the largest imported product group and between 2003 and 2007 even succeeded in increasing its share at the cost of white wine from 57% to 66%. In 2007 white wine was the second largest imported product group (27% of total), followed by sparkling (6%) and Vermouth (1%). Imports of red wine and rosé increased annually in value by 12% per year between 2003 and 2007. Sparkling also increased rapidly (10% annually) in the period under review. However, the import value of white wine remained stable while the import value of vermouth even decreased annually by 2%.

The share of DCs is largest in the product group red and rosé wine (27% in 2007), followed by white wine (17%). The share of DCs in sparkling wine and vermouth is still very small (1%).

Table 2.1 UK wine imports by product group, 2003-2007, value x €1,000, CAGR*

	Suppliers	2003	2005	2007	CAGR
Total wines	Total	1,552,544	1,870,162	2,086,563	8%
	Intra-EU	459,187	573,685	644,043	9%
	Extra-EU excl. DC	780,001	892,117	972,376	6%
	DC	313,356	404,360	470,145	11%
Red and rosé wine	Total	879,636	1,168,451	1,378,370	12%
	Intra-EU	180,480	247,404	285,744	12%
	Extra-EU excl. DC	486,426	624,216	718,203	10%
	DC	212,731	296,832	374,423	15%
White wine	Total	563,745	583,749	568,418	0%
	Intra-EU	198,837	247,046	264,209	7%
	Extra-EU excl. DC	266,616	230,372	209,884	-6%
	DC	98,291	106,332	94,325	-1%

	Suppliers	2003	2005	2007	CAGR
Sparkling wine	Total	80,258	95,868	116,156	10%
	Intra-EU	51,050	57,195	71,144	9%
	Extra-EU excl. DC	26,875	37,476	43,760	13%
	DC	2,332	1,196	1,252	-14%
Vermouth	Total	21,549	17,035	20,251	-2%
	Intra-EU	21,469	16,983	19,580	-2%
	Extra-EU excl. DC	80	52	526	60%
	DC	0	0	144	n.a.

Source: Eurostat (2008)

*Compound Annual Growth Rate

Exports

UK wine exports were worth €86 million in 2007, exhibiting a steady growth in the period 2003-2007.

Opportunities and threats

- + On the UK market, it is very important that customers get value for their money. Wines with a good price/quality ratio have the best chances of succeeding.
- + Wines with a DC origin are likely to have the best chances on niche markets. The best chances would seem to be for indigenous varieties from DCs with a unique selling point.
- + Organic and Fair Trade wines are popular on the UK market.
- + Total import value has increased steadily in recent years (8%).
- + Import value from DCs has increased faster (11% annually).
- + The share imports from DCs increased from 20% in 2003 to 23% in 2007.
- + Red and rosé wine is the largest and fastest growing product group. This is also the product group with the highest DC share (27%).
- ± Imports from Chile, South Africa and Argentina represented 99% of total DC imports.
- ± Other fast growing supplying DC countries between 2003 and 2007 were: Georgia (annual growth of 83%), Moldova (53%), Ukraine (21%) and China (12%).
- The UK market is very competitive and it is challenging to enter it and to survive among the huge number of brands present there.

Useful sources

Please refer to useful sources in Section 1 on page 7.

2.4 Price developments

During the past five years, pricing has become very competitive on the British market. The retail price of a wine bottle is in general more expensive in the UK compared to most other EU member countries due to excise duty and taxes. However, competition within the supermarket sector has led to a systematic decrease in the average price of a standard bottle of wine, despite consistent excise tax increases from the UK government. Smaller producers are finding it difficult to compete in this retail environment, which may lead to a decrease in choice of wine in the long term. Currently, wine sold cheaply through supermarkets is often promoted, and this channel will continue to boost both value and volume sales. 20% of British consumers routinely buy special offer wines.

In 2006, 87% of still wine purchased in the UK cost less than €6.70 (£5) in the retail sector. However, €7.60 (£5.99) is an increasingly popular price point. Sales of both very cheap and very expensive wine have declined.

For more information on up-to-date prices, see the following website:

<http://www.winedirect.co.uk>.

2.5 Market access requirements

As a wine producer in a developing country preparing to access the UK, you should be aware of the market access requirements of your trading partners and the British government. For information on legislative and non-legislative requirements, go to 'Search CBI database' at <http://www.cbi.eu/marketinfo>, select your market sector and country in the category search, click on the search button and click on market access requirements.

Information on tariffs and quota can be found at <http://export-help.cec.eu.int>.

Importers require a licence if they import more than 3,000 litres of either red or white wine from outside the EU. These are issued by the Rural Payments Agency, which can be contacted at <http://www.rpa.gov.uk>.

2.6 Doing business

Information on doing business, such as approaching potential business partners, building up a relationship, drawing up an offer, handling the contract (methods of payment, and terms of delivery) and cultural differences can be found in CBI's export manuals 'Export Planner', 'Your image builder' and 'Exporting to the EU'. These can be downloaded from <http://www.cbi.eu/marketinfo> - go to search publications. For more information on doing business in the UK, visit the websites indicated under trade fairs, trade press and associations.

Trade fairs

London International Wine & Spirits Fair - <http://www.londonwinefair.com> - held annually in May.

Trade press

Harpers, the Wine & Spirit Weekly - www.harpers-wine.com - useful for advertising or contacting editorial staff for possibilities on publishing articles.

Wine journalists are very powerful. In the UK, Jancis Robinson (<http://www.jancisrobinson.com>) and Jane McQuitty (The Times wine critic - http://www.timesonline.co.uk/tol/life_and_style/food_and_drink/wine) are famous wine writers. Inviting journalists and potential customers to visit the wine producing DC to see the facilities, the country and of course to taste the wines, might be a great idea. It is also a good idea to send wine samples to journalists with the story about the wine and the business to attract them.
Source: FFF interviews (2007 and 2008)

Associations

The Wine and Spirit Trade Association (WSTA) - <http://www.wsta.co.uk> - International Wine & Spirit Centre, has a monthly leaflet in which advertisements can be placed.

3 GERMANY

3.1 Market description

There is a large variety of different wines present on the German market and it is a competitive market. About 50% of the German market consists of domestic wines. Of all wines on the market, 55% are red, 35% white and 10% rosé. Germany is the largest market in the world for sparkling wine (3 million hectolitres, 15% of the market). Germany is predominantly a white wine producing country, but mainly a red wine consuming country.

Discount supermarkets have played a major role in increasing wine sales through their aggressive price strategies. These discount chains offer rather good quality for a low price. On the other hand, sales in the catering sector have suffered due to economic circumstances, as fewer consumers are choosing to eat and drink outside of the home. This has resulted in a more or less stagnant market in the past years, and it is expected to only grow on a small scale in terms of volume in the coming years.

Consumption

With 20 million hectolitres in 2007, Germany is the fourth largest wine market in the world. This figure covers the whole market of still and sparkling wine, as well as home and out-of-house consumption.

Of all alcoholic beverages, the consumption of wine is the only one which has not decreased in recent years. Good quality, creatively designed bottles and labels have made wine more attractive to all consumers. In 2007, per capita consumption of wine (both still and sparkling) increased by 0.5 litres per person compared to 2006, reaching a volume of 24.3 litres. Although total wine consumption increased, the sales of sparkling wine decreased by 3.2% in 2007 compared to 2006.

German consumers prefer red wine, with a total market share of 59% of the total volume in 2007. Of imported wines, 66% is red, the best selling variety being Pinot Noir. Of all sold red wine, about 75% is imported wine. White wine exhibited a downward trend with a market share of 38% of the total market in 2006. However, since 2006 the demand for Riesling wine has increased and it is now one of the best selling brands. Of imported wines, 27% is white, popular varieties including Sauvignon Blanc, Chardonnay and Pinot Grigio/Gris. The share of German rosé wine has increased slightly to 10%. The share of rosé within imported wine is 7%. Rosé wines are expected to gain more market share in the coming years.

Roughly 80% of wine consumption takes place at home and the remaining 20% in restaurants and other premises. In general, German consumers are often perceived as sweet wine drinkers, but preferences are changing – the popularity of dry and semi-dry wines is steadily increasing. The German Wine Institute reports that 41% of retailed wines are dry, the same share applying to semi-dry wines. Only the remaining 18% of retailed wines are sweet. In recent years, consumers have increasingly been asking for wines with 1.0 to 1.5% lower alcohol content, which is in line with increasing demand for dry, fresh, young and fruity white and rosé wines, with not too much oak.

Consumers in Germany are rather open to wines from outside their own country. They like to try new things and then compare it with their standards. In recent years, a trend in the increasing popularity of organic wines has been clear. In 2007, about 2% of German wine production was organic. This special niche is expected to grow steadily in the near future, and might offer good opportunities for wines with a DC origin. Importers and traders specialised in organic wines are doing very well, and more remarkably, not only are sales figures rising, but in contrast to conventional wines, suppliers' turnover figures are also very positive.

3.2 Trade channels for market entry

Sales in the catering sector had a share of 18% of the total still wine sector in 2006, about three million hectolitres, while the retail sector had a much stronger position with 82% of total

sales, amounting to 13.6 million hectolitres. About 20% of the volume on the retail sector is direct sales from wineries, and 10% passes through specialised retail shops. 70% of the total still wine market is sold in supermarkets and discounters. The food-retailing sector is highly concentrated - in Germany, discount chains hold a stronger position than in almost any other market of the world. The largest are the traditional retailers Edeka (who took over Spar in 2005), Metro Group and Rewe, as well as Lidl (Schwarz Group), Aldi, Norma, Netto, Penny and Plus. Together they account for around 70% of the market. There are some large wine distribution companies such as Pernod Ricard, Racke and Weinwolf, but generally speaking the market is very fragmented with numerous small independent importers.

Price aggressive food discount chains such as Aldi and Lidl are continuing to increase their market share, but traditional supermarkets also have a growing share. Higher priced wine speciality shops appear to be regaining ground. 95% of the wine sold at wineries and co-operatives is, understandably, German wine.

Although quality wines with a low price are sold to consumers through discount supermarkets, this can be problematic: at a discount chain it is easier to set off a large volume, but the wine might soon acquire a low price image. At specialist stores like Jacques' Wein-Depot wines are higher priced. Jaques' Wein-Depot is the largest network of specialist wine shops in Germany, operating under Hawesko. Hawesko, in turn, is the leading German seller of premium wines, also operating in wholesale, mail-order and e-commerce. These companies have a 50-60% margin, but they will also do the complete marketing, which is not done by a supermarket or a discount chain. At specialist stores, exporters will thus receive a somewhat lower price, but it is easy selling as marketing efforts are done by the buyer. Margins on sales prices in supermarkets are around 30%. In a supermarket, DC wines have to compete against all national and regional players.

Examples of wine importers in Germany:

- BioWeinReich – <http://www.bioweinreich.de> – e.g. organic wine
- Mack & Schühle – <http://www.weinwelt.de>
- Tophi WarenhandelsGes – <http://www.infowein.de>

For finding importers on the German market see the exhibitor list of the ProWein trade fair at <http://www.prowein.de>.

Strategies to enter the German market

According to Mr Hoffmann, a German wine expert, there are several ways to succeed on the German market:

1. Companies like Jacques' Wein-Depot and Hawesko do a lot of communication with the market. They are also very willing to try new things, such as exotic wines with various origins. It can be very useful to have "first offers" and test campaigns at these companies.

About 10,000 bottles would be needed for such a test campaign.

2. The specialised wine trade can also be targeted. Consumers buying wine at specialist stores have more knowledge and are generally willing to spend more money on a bottle of wine than the average customer. An increasing number of specialised wine shops sell wine to consumers as well as to restaurants. Wine bars within wine shops are also becoming more popular and are offering consumers the opportunity to try the wines in a casual and relaxed atmosphere.

3. Alternatively, the catering sector could be targeted to gain exposure with affluent customers in addition to offering the opportunity for a sommelier to recommend the wine. A close relationship between the producer, the importer/distributor and the restaurant is needed for this strategy.

4. A joint approach with a retailer (after a relationship with the importer has been formed) may be considered as a promotional and educational tool to develop the market further. It is essential that exporters work closely with importers to ensure that their products are ready for the German market and comply with local regulations as regards particular products, packaging and labelling. As packaging varies greatly with different products, exact specifications need to be obtained from the respective importers.

Source: FFF interviews (2007 and 2008)

3.3 Trade: imports and exports

Imports

Germany is the second largest wine importing country in the EU, behind the UK and far ahead of all other EU countries. In 2007, it was responsible for 18% of total imports in 2007. Between 2003 and 2007, German imports increased in value by 2% per year to €952 million in 2007. In 2007, Germany imported 74% from other EU member countries, followed by 16% from DCs and 11% from other extra-EU countries. Between 2003 and 2007, DCs succeeded in increasing their share in German imports from 12% to 16%. The total value of DC imports increased 10% annually between 2003 and 2007.

The leading supplying countries to Germany are Italy (27%), France (21%), Spain (16%) and South Africa (7%). South Africa is the most important DC supplier to Germany, followed by Chile (5%), Macedonia (2%) and Argentina (1%). These four countries together supplied the largest share (92%) of all DC exports to Germany. Fast growing supplying DC countries between 2003 and 2007 were: Georgia (annual growth of 42%), Uruguay (26%), South Africa (19%), Argentina (18%) and Lebanon (15%).

In Table 3.1 the German wine imports by product group (in €1,000) are shown. Red and rosé wine is the largest imported product group, however, in contrast to the general development in the EU, its share slightly decreased from 55% to 53% between 2003 and 2007. In 2007, white wine was the second largest imported product group (27% of total), followed by sparkling (15%) and vermouth (4%). Compared to the other countries reviewed, the import share of sparkling wine is relatively high. The imports of white wine and vermouth increased rapidly by 6% and 9% respectively per year between 2003 and 2007. Imports of red and rosé wine and sparkling wine remained relatively stable between 2003 and 2007 (+1% and -2% respectively). The share of DCs is largest in the product group red wine and rosé (24% in 2007), followed by white wine (8%). The share of DCs in sparkling wine and vermouth are still very small (2% only).

Table 3.1 German wine imports by product group, 2003-2007, value x €1,000, CAGR*

	Suppliers	2003	2005	2007	CAGR
Total wines	Total	869,014	948,683	951,934	2%
	Intra-EU	672,021	731,019	699,874	1%
	Extra-EU excl. DC	96,967	87,337	104,373	2%
	DC	100,026	130,327	147,687	10%
Red and rosé wine	Total	480,813	521,621	505,768	1%
	Intra-EU	331,817	342,920	298,824	-3%
	Extra-EU excl. DC	66,606	68,879	83,141	6%
	DC	82,390	109,823	123,802	11%
White wine	Total	201,895	233,832	259,055	6%
	Intra-EU	164,292	199,671	218,022	7%
	Extra-EU excl. DC	25,843	18,247	20,989	-5%
	DC	11,760	15,914	20,044	14%
Sparkling wine	Total	152,400	155,858	141,589	-2%
	Intra-EU	147,943	152,283	138,227	-2%
	Extra-EU excl. DC	502	188	201	-20%
	DC	3,955	3,386	3,161	-5%
Vermouth	Total	29,332	34,274	41,333	9%
	Intra-EU	23,395	33,047	40,611	15%
	Extra-EU excl. DC	4,017	22	42	-68%
	DC	1,920	1,204	680	-23%

Source: Eurostat (2008)

*Compound Annual Growth Rate

Exports

Wine exports from Germany were worth €317 million in 2007. The export of wine increased by 14% in the period April 2006 - April 2007. About one quarter of the exported wines goes to the

UK, other important destinations are the Netherlands, Norway, Sweden and the US. The average selling price per litre of the exported wine was €1.96 in 2006. The reason behind this trend is that German wine growers have now repositioned themselves in the segment of mid-range wines. During the period April 2006 - April 2007, 840,000 hectolitres of wine with an average price of €1.63/litre were exported, while the average price was €1.29 in 2003. Increasing domestic demand for German wines poses a limit to quantities available for export markets. Therefore, in the long-term, Germany is not likely to have much increase in export volume, but rather in export value.

Opportunities and threats

- + German consumption of dry and semi-dry wines has been growing the last years while all other alcoholic beverages have been decreasing. German consumers increasingly prefer red wine.
- + Import value from DCs increased fast (10%).
- + The share of DCs in total imports increased from 12% in 2003 to 16% in 2007.
- + Red wine and rosé is the largest product group. This is also the product group with the highest DC share (24%).
- + Consumers in Germany can be described as open-minded. They like to try new things and then compare it with their standards.
- + Organic wines are popular on the German market.
- ± Germany is the world's largest market for sparkling wine. However, it can be assumed that the largest share of the supply is domestic.
- ± Total import value has increased slowly in recent years (2% annually), although much slower than the EU average (7%).
- ± Imports from South Africa, Chile, Macedonia and Argentina represented 92% of total DC imports.
- ± Other fast growing supplying DC countries between 2003 and 2007 were: Georgia (annual growth of 42%), Uruguay (26%), South Africa (19%), Argentina (18%) and Lebanon (15%).
- ± Even though German consumers increasingly prefer red wine, the country has a traditional white wine culture and it imports more white wine than other EU countries. On the one hand, this may offer opportunities to white wine exporters. On the other hand, Germany itself is one of the world's largest producers of white wine, and this in turn might restrict the possibilities of entering the market with white wine.
- The German market is very competitive and it is challenging to enter it and to survive among the huge amount of brands present there.

Useful sources

Please refer to useful sources in Section 1 on page 7.

3.4 Price developments

Despite the increasing sales of premium quality wines, Germany was still a market with a low average consumer price of €1.77 per litre in the retail trade in 2006. Direct sales, which account for 20% of volume and an estimated 27% of value, have a significantly higher average price. This applies to sales in specialised retail outlets, where the average price is estimated at €6.20 per litre.

For more information on up-to-date prices, see the following website:

Germany Wine Prices & Stores -

<http://www.winezap.com/search/browse.cfm/categoryID/7709>.

3.5 Market access requirements

As a wine producer in a developing country preparing to access Germany, you should be aware of the market access requirements of your trading partner and the German government.

For information on legislative and non-legislative requirements, go to 'Search CBI database' at <http://www.cbi.eu/marketinfo>, select your market sector and country in the category search, click on the search button and click on market access requirements.

Information on tariffs and quota can be found at <http://export-help.cec.eu.int>.

3.6 Doing business

Information on doing business, such as approaching potential business partners, building up a relationship, drawing up an offer, handling the contract (methods of payment, and terms of delivery) and cultural differences can be found in CBI's export manuals 'Export Planner', 'Your image builder' and 'Exporting to the EU'. These can be downloaded from <http://www.cbi.eu/marketinfo> - go to search publications. For more information on doing business in Germany, visit the websites indicated under trade fairs, trade press and associations.

Trade fairs

- BioFach – <http://www.biofach.de/en> – the biggest organic wine exhibition in the world, held annually, in February, in Nuremberg.
- ProWein – <http://www.prowein.de> – International Trade Fair Wines and Spirits, held annually, in March, in Düsseldorf.

Trade press

- German Fine Wine Magazine - <http://www.fine-magazines.de>
- Wein + Markt – <http://www.wein-und-markt.de>
- Wein-Plus Magazine - <http://www.wein-plus.com/magazine>
- Weinwirtschaft - <http://www.weinwirtschaft.de>

Associations

- German Wine Institute - <http://www.germanwines.de>

4 THE NETHERLANDS

4.1 Market description

The Dutch wine market is very open and there are possibilities for wines from every country. The two most important decision criteria are quality and price. The wine market is the only beverage market that is growing in the Netherlands. The Dutch wine market is not dominated by brands, as is the case with other beverage sectors in the country. The supermarket segment covers roughly as much as 80% of wine sales in the Netherlands. In total there are more than 30,000 different wines available. The latest trend on the Dutch wine market is the rather dramatic increase in prices. The share of wines with a DC origin of total wine imports on the Dutch market is the largest in the EU.

Consumption

Wine consumption has steadily been growing in the Netherlands. In 2007, the Dutch per capita consumption of wine was 21.6 litres. Red wine is the most popular, although it has lost market share in recent years. It now accounts for about 50% of consumed wine. The share of white wine is 37%. Rosé wine is becoming increasingly popular, now covering 13% of total consumption.

The majority of Dutch consumers, more than 70%, buys their wine at supermarkets, and about 20% at specialist stores. Half of Dutch wine drinkers are older than 50 years of age. They tend to seek higher-priced quality wines, due to their rather high disposable income and interest in wine. In general, an increasingly important factor in choosing the wine is the story behind it – techniques used by the producers, people involved in the wine production process and their personal touch.

Dutch consumers prefer “round” style wines, meaning modern, fruity, dry wines. This applies to white, red and rosé wines. Overall, red wine is the best selling wine. However, from April to October, rosé wine has as much as 25% market share.

4.2 Trade channels for market entry

About 800 professional wine importers can be found in the Netherlands. The majority of the Dutch population, distinctly above 70%, buys their wine at supermarkets, and roughly 20% at specialist stores.

Although most of the wine in the Netherlands is sold in supermarkets, it would be much better for small and medium-sized companies from DCs to target specialist stores. The most important trade channel for DC exporters is specialised importers. The most effective way to get in touch with the right partners is by using a consultant. For more information about hiring a consultant, refer to the textbox on page 24. Retailers have mainly one or two people responsible for wines who are always in contact with agents/importers.

There are no fixed margins on the wine trade. Importers are in control of the margins – they can, for example, sell the wine to wholesalers and consumers with a different margin. In absolute figures, supermarkets are earning the biggest margins (around 35%) because of the huge volume they sell. Specialised importers and distributors, in turn, earn the highest margins (50-60%) in relative terms.

Examples of wine importers in the Netherlands:

- Figeewine Import - <http://www.figeewineimport.nl>
- Natural Vineyards - <http://www.naturalvineyards.nl> – biological and biodynamic wines.

Good sources for finding importers:

- KVNW, the Royal Association of Dutch Wine Merchants - <http://www.kvnw.nl>
- Wine Information Centre (Wijn Informatie Centrum) - <http://www.wijninfo.nl>

4.3 Trade: imports and exports

Imports

The Netherlands is the third largest wine importing country in the EU, far behind the UK and Germany, but slightly ahead of France. In 2007 it was responsible for 6% of total imports in 2007. Between 2003 and 2007, Dutch imports fluctuated a lot, from €321 million in 2003 increasing to €332 million in 2005 and decreasing to €239 million in 2007. In 2007, the Netherlands imported 44% from other EU member countries, followed by 35% from DCs and 21% from other extra-EU countries. Between 2003 and 2007, the DC share in Dutch imports remained relatively stable, increasing only from 34% to 35%. However, in comparison to other countries reviewed, this share is very high. The total value of DC imports increased annually by 7% between 2003 and 2007.

The leading supplying countries to the Netherlands are France (17%), Chile (15%), South Africa and Australia (both 13%) and Germany (10%). Chile and South Africa are the most important DC suppliers to the Netherlands, followed by Argentina (6%). These three countries together supplied almost all (99%) DC exports to the Netherlands. Fast growing supplying DC countries between 2003 and 2007 were: Argentina (annual growth of 38%), Turkey (22%), Chile (21%), Macedonia (12%) and China (11%).

In Table 4.1 Dutch wine imports by product group (in €1,000) are shown. Red and rosé wine is the largest imported product group and, between 2003 and 2007, its share slightly decreased from 69% to 72% at the cost of white wine. In 2007, white wine was the second largest imported product group (19% of total), followed by sparkling and Vermouth (both 4%). The imports of sparkling increased rapidly by 7% between 2003 and 2007, however, all other product groups remained relatively stable or decreased. The share of DCs is largest in the product group red wine and rosé (42% in 2007), followed by white wine (24%). The share of DCs in sparkling (5%) and vermouth are still very small (2%).

Table 4.1 Dutch wine imports by product group, 2003-2007, value x €1,000, CAGR*

	Suppliers	2003	2005	2007	CAGR
Total wines	Total	320,847	386,359	332,139	1%
	Intra-EU	147,368	149,405	145,483	0%
	Extra-EU excl. DC	85,113	105,798	71,091	-4%
	DC	88,366	131,156	115,565	7%
Red wine and rosé	Total	220,762	279,054	238,809	2%
	Intra-EU	81,039	84,371	80,862	0%
	Extra-EU excl. DC	70,379	83,798	58,206	-5%
	DC	69,345	110,885	99,741	10%
White wine	Total	73,387	79,357	62,907	-4%
	Intra-EU	40,848	38,424	36,132	-3%
	Extra-EU excl. DC	14,435	21,299	11,934	-5%
	DC	18,104	19,634	14,841	-5%
Sparkling	Total	10,880	13,521	14,021	7%
	Intra-EU	9,901	12,222	12,388	6%
	Extra-EU excl. DC	168	662	879	51%
	DC	810	637	753	-2%
Vermouth	Total	13,952	12,880	13,632	-1%
	Intra-EU	13,714	12,841	13,331	-1%
	Extra-EU excl. DC	131	38	71	-14%
	DC	107	1	230	21%

Source: Eurostat (2008)

* Compound Annual Growth Rate

Exports

Dutch wine exports were worth €63 million in 2007. The export values have been fluctuating strongly in recent years.

Opportunities and threats

- + The best chances for DC exporters on the Dutch market seem to be for "round" style wines, meaning modern, fruity, dry wines. This applies to white, red and rosé wines.
- + The share of wines with a DC origin of total wine imports on the Dutch market is the largest in the EU.
- + The share of wines with a DC origin in total wine imports on the Dutch market (35%) is the largest in the EU.
- + Import value from DCs increased fast (7%).
- + Red and rosé wine is the largest product group. This is also the product group with the highest DC share (42%). It is probably easier for DC exporters to enter the market with a red or rosé variety.
- ± Imports from Chile, South Africa and Argentina represented 99% of total DC imports.
- ± Other fast growing supplying DC countries between 2003 and 2007 were Turkey (22%), Macedonia (12%) and China (11%).

Useful sources

Please refer to useful sources in Section 1 on page 7.

4.4 Price developments

Wine prices have been increasing on the Dutch market in recent years. Very recently, at the beginning of 2008, prices went up drastically for three reasons – the Dutch government unexpectedly announced a duty increase of 16% (per January 1, 2008), glass prices rose dramatically (by 60% or even doubled) and the last three years' draught has also contributed to the high prices. In the near future, prices are expected to remain stable.

For more information on up-to-date prices, see the following website:

<http://www.freewinerecherche.com>

4.5 Market access requirements

As a wine producer in a developing country preparing to access the Netherlands, you should be aware of the market access requirements of your trading partner and the Dutch government. For information on legislative and non-legislative requirements, go to 'Search CBI database' at <http://www.cbi.eu/marketinfo>, select your market sector and country in the category search, click on the search button and click on market access requirements.

Information on tariffs and quota can be found at <http://export-help.cec.eu.int>.

4.6 Doing business

Information on doing business, such as approaching potential business partners, building up a relationship, drawing up an offer, handling the contract (methods of payment, and terms of delivery) and cultural differences can be found in CBI's export manuals 'Export Planner', 'Your image builder' and 'Exporting to the EU'. These can be downloaded from <http://www.cbi.eu/marketinfo> - go to search publications. For more information on doing business in the Netherlands, visit the websites indicated under trade fairs, trade press and associations.

Trade fairs

- National Wine Week - <http://www.nationalewijnweek.nl> - held annually in September-October overall in the country.
- Wine Professional, held annually (in January) in Amsterdam - <http://www.thewinesite.nl> - click on 'Evenementen' and on 'Wine Professional 2009'.

Trade press

- KVNW magazines - <http://www.kvnw.nl> - possibility to advertise for free.

- Perswijn - <http://www.perswijn.nl>
- Proefschrift Wine & Food Professional - <http://www.thewinesite.nl>

Associations

- KVNW, the Royal Association of Dutch Wine Merchants - <http://www.kvnw.nl>
- Wine Information Centre (Wijn Informatie Centrum) - <http://www.wijninfo.nl>

Practical tip: Consider hiring a consultant

According to Mr van Casteren, a Dutch wine expert, by far the best method to access the Dutch market is to hire a specialised consultant. This is the most effective and also economic way. In most cases, DC exporters are not in possession of large promotion budgets, and choosing a consultant is the most secure way to succeed in gaining market entrance. A consultant knows the right people and how the market works. Thus, instead of, for example, trying to organise tasting events alone, it is much less risky to let an experienced consultant guide the newcomer on the market.

Source: FFF interviews (2007 and 2008)

5 POLAND

5.1 Market description

Compared to the mature markets of Western Europe, the Polish wine market is relatively young. After years under state monopoly, the market is developing modern distribution channels. The popularity of wine is increasing in Poland. Since Poland's membership to the EU, it is easier for exporters to access the Polish market. While the costs of wine imports in Poland are still high, consumption is still rather low.

Characteristic for the Polish wine market is that it has a clear seasonal market – 30% of wines are sold during Christmas and other holiday periods in February and May. The market is becoming increasingly competitive, with about 10,000 brands available at the moment. Wine speciality shops have a larger variety of higher quality wines than supermarkets. Competition in the wine industry is growing with an estimate of more than 14,000 different brands. Every month somewhere in the country a new wine shop is opened.

Consumption

Polish wine consumption is growing, and it is expected that wine will take over more and more market from beer and vodka. It is forecasted that the consumption level per capita will annually increase 5-15% in the coming years. At the moment, the consumption level per capita is around 8 litres. This is still rather low when compared to consumption in other EU countries. However, consumption is increasing fast. Polish consumers prefer seasoned and sweet red and white wines, and according to the newest trends also exotic and ecological wines. Poland is not a producer of high quality wines and, therefore, growing demand means more and more imports. About half of all sold wine is table wine due to the rather low income level.

Preferences of the Polish consumers changing

Mr Blotenkämper, a specialist of the Polish wine market, explains that the long prevailing image of the Polish taste for cheap sweet wines is moving towards the style of other Central European countries with a much longer tradition in wine consumption. Dry wines are becoming more popular as the Poles are influenced by the styles and consumption trends learned, for example, during trips abroad. The market has been dominated by cheaper wines, but higher priced quality wines are, nevertheless, clearly increasing in popularity.

Source: FFF interview (2008)

5.2 Trade channels for market entry

Wine sales in Poland are dominated by the retail sector (77%), with the main distribution channels being hypermarkets (22% market share) and supermarkets (26%), where together nearly half of all imported wine is sold. In total, there are slightly over 200 hypermarkets in Poland. The largest chain in the country is the British Tesco, with more than 50 hypermarkets. The discount market is dominated by the Portuguese group Jeronimo Martins, with its chain Biedronka, followed by the Schwarz Gruppe with Lidl and Tengelmann with Plus.

Smaller grocery stores are still responsible for 47% of the sales of all table wines in Poland. In fact, wine is now available in nearly two thirds of such shops, which means close to 70,000 outlets. However, only the cheapest brands are generally represented in such grocery stores. There are, however, a growing number of specialised wine stores in Poland. Even though only 6% of all wine is sold in such shops today, the value of those bottles is significantly higher. Most of the finest specialised shops belong to wine importers.

16% of all wine in Poland is distributed through hotels, restaurants and catering channels. Although there are no reliable data about online wine sales in Poland, this channel seems to be growing as it is the only way for many consumers to buy premium wines from small, quality-oriented importers. Direct sales, including the sale of wine by importers directly to final

consumers, represent 7% of Polish distribution. Direct sales seem to be decreasing as the number of specialised wine shops grows.

Nowadays, there are about ten large importers of wine on the Polish market and a lot of smaller wine retailers and importers. Most of the larger importers distribute products through their own wholesale operations located throughout Poland. Besides utilising their own distribution channels, importers also sell their products to independent wholesalers, who in turn distribute wine to supermarkets, speciality shops, small retail stores and the catering business. The largest retail stores do not import wines for their own distribution, but buy it from a local importer or wholesaler. Wholesalers work with large importers as well as independently. They have their own distribution channels and marketing contacts.

Examples of wine importers in Poland:

- Sobiesław Zasada Import Win - <http://www.zasadasa.pl/english>
- Bianco e Rosso - <http://www.biancoerosso.pl>

Importers and distributors database - <http://www.wina.net.pl>

For a selected list of the most important wine importers in Poland (fee required), contact Mr Blotenkämper at <http://www.polandconsulting.com> (<mailto:office@polandconsulting.com>).

5.3 Trade: imports and exports

Imports

In 2007, Poland was responsible for 2% of total imports in 2007. Between 2005 and 2007, Polish imports increased annually by 26%. Poland imported 81% from other EU member countries, followed by 15% from DCs and 4% from other extra-EU countries. Between 2005 and 2007, the DC share in Polish imports remained relatively stable, increasing only from 13% to 15%. The total value of DC imports increased 39% per year between 2003 and 2007.

The leading supplying countries to Poland are Italy (21%), Bulgaria (18%) and the Netherlands (12%). Chile was the most important DC supplier to Poland (7% of total exports), followed by Moldova (3%), Argentina (2%), South Africa (2%) and Georgia (1%).

Polish imports from DCs are structured a little differently than in the other countries reviewed. Chile, Argentina and South Africa are together responsible for 71% of all imports from DCs. The remainder is shared between a number of countries, of which Moldova is the largest (22% of total DC imports). The fastest growing supplying DC countries between 2005 and 2007 were: Georgia (98%), Macedonia (75%), Uruguay (62%), Moldova (55%), South Africa (44%), Argentina and Chile (both 33%).

In Table 5.1 the Polish wine imports by product group (in €1,000) are shown. Red and rosé wine is the largest imported product group and its share remained stable at 59% between 2003 and 2007. In 2007, white wine was the second largest imported product group (21% of total), followed by vermouth (15%) and sparkling wine (6%). The imports of all product groups increased rapidly between 2005 and 2007. Sparkling wine was the fastest growing product group, between 2005 and 2007 imports increased by 34% per year. The share of DCs is largest in the product group red wine and rosé (23% in 2007), followed by white wine (9%). The share of DCs in sparkling wine (2%) and vermouth (1%) is still very small.

Table 5.1 Polish wine imports by product group, 2003–2007, value x €1,000, CAGR*

	Suppliers	2003	2005	2007	CAGR
Total wines	Total	-	77,451	111,900	20%
	Intra-EU	-	47,185	90,780	39%
	Extra-EU excl. DC	-	21,354	4,023	-57%
	DC	-	8,912	17,097	39%
Red wine and rosé	Total	-	44,366	64,218	20%

	Suppliers	2003	2005	2007	CAGR
	Intra-EU	-	21,243	46,262	48%
	Extra-EU excl. DC	-	15,539	3,387	-53%
	DC	-	7,584	14,569	39%
White wine	Total	-	17,891	23,972	16%
	Intra-EU	-	12,160	21,247	32%
	Extra-EU excl. DC	-	4,517	552	-65%
	DC	-	1,214	2,173	34%
Sparkling	Total	-	4,013	7,229	34%
	Intra-EU	-	3,460	6,984	42%
	Extra-EU excl. DC	-	514	66	-64%
	DC	-	39	179	114%
Vermouth	Total	-	11,180	16,463	21%
	Intra-EU	-	10,321	16,269	26%
	Extra-EU excl. DC	-	784	18	-85%
	DC	-	75	176	53%

Source: Eurostat (2008)

*Compound Annual Growth Rate

Exports

Polish wine exports were very modest, worth €1 million in 2007.

Opportunities and threats

- + Wine consumption in Poland will increase annually by 5-15% in the coming years.
- + Polish consumers are aware of the origins of wines, and interested in wines from new, unusual origins.
- + Polish consumers have a preference for sweet white, red and sparkling wines. Thus, it is probably easier for DC exporters to enter the market with such wine varieties. However, the increasing demand for dry wines offers DC exporters opportunities as well.
- + Total import value has rapidly increased in recent years (20%).
- + Import value from DCs has increased even faster (39% annually).
- + Imports from Chile, South Africa and Argentina represented 71% of total DC imports. This is much lower than in other European countries, leaving more opportunities for other DCs.
- + Other fast growing supplying DC countries between 2005 and 2007 were Georgia (98%), Macedonia (75%), Uruguay (62%) and Moldova (55%).
- ± Vermouth has a larger import share than in other EU countries. DC exporters producing vermouth may have better chances on the Polish market.

Useful sources

Please refer to useful sources in Section 1 on page 7.

5.4 Price developments

Retail prices for wine vary depending on the type of wine, country of origin and region, as well as quality. The price also depends on fluctuations between supermarkets and wine specialty shops. Wine specialty shops have higher quality wines and a larger selection compared to supermarkets.

However, wine prices are no longer cheap, even in supermarkets. The market has long been dominated by lower-priced wines, but the situation is changing. As the disposable income of Poles rise, the demand for higher-priced quality wines is increasing. In comparison with wine prices in German supermarkets, Poland is more expensive. The average price for a bottle of wine in supermarkets is as much as €5-7, whereas in comparison with mature Western European markets such as Germany, those same wines only cost €2-4.

5.5 Market access requirements

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Trade fairs

Polagra - <http://www.polagra-food.pl> - Trade Fair for Food Products and Catering, including Wine and Spirits Exhibition, held even years in Poznan.

Trade press

- Przemysł Fermentacyjny - <http://www.sigma-not.pl/show.do?en=1&mode=magazine&id=64>
- Rynki Alkoholowe - <http://www.ryнки.pl> - good website in English
- Swiat Win - <http://swiatwin.pl/aktualnosci.htm> - website only in Polish (<mailto:redakcja@swiatwin.pl>)

Associations

- Polish Wine Institute - <http://www.institutwina.pl>

Promotion in Poland

When planning promotional activities in Poland, it should be kept in mind that there are restrictions which have been passed by law. This eliminates wine promotions in supermarkets or speciality shops. Importers and wholesalers promote wines at catering events and special wine tastings. Tasting events are becoming increasingly popular, and are organised either independently by Polish importers, or in conjunction with trade fairs.

Source: Wine Business International (2008)

APPENDIX General product description

HS CODES	PRODCOM	Description
220421		Wine of fresh grapes, incl. Fortified wines, and grape must whose fermentation has been arrested by the addition of alcohol, in containers of <= 2 l (excl. Sparkling wine)
22042185		Wine of fresh grapes, incl. Fortified wine and grape must with fermentation arrested or interrupted by the addition of alcohol, in containers holding <= 2 l and of an actual alcoholic strength of > 13% vol to 15% vol
22042179	15931213	White wine of fresh grapes, in containers holding = < 2 l and of an actual alcoholic strength by volume of = < 13% vol (other than sparkling wine, semi-sparkling wine and quality wines produced in specified regions)
22042184	15931219	Wine of fresh grapes, incl. Fortified wine and grape must with fermentation arrested or interrupted by the addition of alcohol, in containers holding = < 2 l and of an actual alcoholic strength by volume of > 13% vol to 15% vol
22042180	15931219	Wine of fresh grapes, incl. Wine and grape must with fermentation arrested or interrupted by the addition of alcohol, in containers holding = < 2 l and of an actual alcoholic strength by volume of = < 13% vol
220410		Sparkling wine of fresh grapes
22041019	15931193	Sparkling wine of fresh grapes of actual alcoholic strength of >= 8.5 % vol (excl. Champagne)
220429		Wine of fresh grapes, incl. Fortified wines, and grape must whose fermentation has been arrested by the addition of alcohol, in containers of > 2 l (excl. Sparkling wine)
22042984	15931219	Wine of fresh grapes, incl. Fortified wine and grape must with fermentation arrested or interrupted by the addition of alcohol, in containers holding > 2 l and of an actual alcoholic strength by volume of > 13% vol to 15% vol
22042965	15931213	White wine of fresh grapes, in containers holding > 2 l and of an actual alcoholic strength by volume of = < 13% vol
22042975	15931219	Wine of fresh grapes, incl. Fortified wine and grape must, with fermentation arrested or interrupted by the addition of alcohol, in containers holding > 2 l and of an actual alcoholic strength by volume of = < 13% vol
22042983	15931213	White wine of fresh grapes, in containers holding > 2 l and of an actual alcoholic strength by volume of > 13% vol to 15% vol (other than quality wines produced in specified regions)
220510		Vermouth and other wine of fresh grapes, flavoured with plants or aromatic substances, in containers of <= 2 l
22051010	15951000	Vermouth and other wine of fresh grapes, flavoured with plants or aromatic substances, in containers holding = < 2 l, of actual alcoholic strength of = < 18 % vol
220590		Vermouth and other wine of fresh grapes, flavoured with plants or aromatic substances, in containers of > 2 l
22059010	15951000	Vermouth and other wine of fresh grapes, flavoured with plants or aromatic substances, in containers holding > 2 l, of actual alcoholic strength of = < 18 % vol
220430		Grape must, of an actual alcoholic strength of > 0,5% vol (excl. Grape must whose fermentation has been arrested by the addition of alcohol)