

# THE WORLD OF WINE IN FIGURES

(Excerpt from a press release at Vinitaly 2005)

## **Global Market Scenario - The World of Wine in Figures**

World production is enjoying slight but constant growth thanks to investments by new producer countries, although Europe still maintains its leadership. Emerging countries are also coming to the fore in terms of exports and are winning significant market shares. Italy nevertheless is consolidating its positions and is actively seeking new clients

World wine production stands every year at around 270 million hl and is characterised by significant evolution: emerging countries are coming to the fore and gaining increasing quotas on international markets, while traditional producers are attempting to perfect strategies to avoid losing further ground.

The European Union is still the major producer, which in accordance with Assoenologi (the Association of Italian enologists) estimates produced 193 million hl in 2004. France ranks top, with about 57.5 million hl, followed by Italy with 53 millions and Spain with 50.

## **World consumption**

The Europeans themselves are the leading consumers of wine, and alone accounted in 2003 for more than 68% of the 228 million hl of wine consumed every year worldwide. The trend is slightly but constantly growing. America, overall, ranks second in terms of world consumption, with a quota of just over 20%, while Asia ranks a distant third, with 6.6%

Luxembourg, France and Italy rank top for per capita consumption - the French and Italians drink about 50 litres of wine per person/year. These two countries are also the leading world consumption markets, followed by the USA, where per capita consumption, however, is equal to about 7.5 litres.

## **Main exporting countries**

World exports in 2003, in accordance with OIV (the Office International de la Vigne et du Vin), involved 72 million hl of wine. Almost 75% originates from Europe, about 13% from the USA, while less than 8% comes from Australia-New Zealand combined.

In relation to an increase in overall export quantities, recent years have seen a fall back in exports from Europe and progressive growth in exports from other production areas.

France is the leading world exporter with about 15 million hl, Italy ranks second with more than 13, and Spain third with 12. The fourth exporter is Australia, with more than 5 million hl, followed with less than 4 million hl respectively by Chile, USA, Portugal and Germany.

## **Main importing countries**

The leading world wine export market is Russia which, in accordance with OIV, purchased 12 million hl of wine in 2003; Germany is a close second, with 12 million hl, while the third buyer is the USA, but much further back with 6 millions.

France, on its own part, is not only a major exporter but also an important importer, ranking fourth in this list with almost 5 million hl.

### **Total world revenues**

World wine turnover in 2003, assessed in terms of retail sales, came to almost 100 billion dollars. A survey by the International Wine and Spirits Record (IWSR) indicates more rapid growth in value of this indicator compared with consumption, as a result of increased sales of bottles with higher average prices. Inasmuch, while consumption volumes increased by 2.5% between 1999 and 2003, turnover achieved an increase of 7.7%. Further growth of 14.7% is forecast for the period 2003-2008.

Out of almost 30 billion bottles sold in 2003, 17.5% cost between 5-10 dollars and this quota is expected to improve to 18.3% by 2008. Wines costing more than 10 dollars will expand in the same period from 5.2% to 5.7% of the market. Products costing less than 5 dollars are still cover the vast majority of sales but growth in this segment is increasingly slowing down.

Consumers are therefore increasingly oriented towards quality wines, although in recent years there has also been a move towards international wines characterised by an excellent quality/price ratio.

### **Wine in Italy**

With 54 million hl of wines and musts produced in 2004 and on the basis of the average figures over the last three-year period, Italy, in accordance with Assoenologi, produces 18% of world wine and one-third of EU wine.

Vineyard areas total 792,000 hectares, of which 264,000 for the production of quality wines in specific regions (VQPRD).

Turnover in the entire Italian wine sector comes to almost 9 billion euro, of which almost 3 from exports; this figure is joined by two billion euro for cellar technology, the most widespread in the world.

### **Domestic consumption**

The number of habitual wine consumers is progressively falling in Italy, while occasional drinkers are growing in number. In accordance with Eurisko, only 59% of Italians drink a glass of wine with lunch, compared with 69% of French and 60% of British. Moreover, Italians spend half the amount on a bottle than the French and Germans.

This trend emerges more clearly from an analysis of domestic consumption. In accordance with Ismea, the volume of domestic purchases of still and sparkling wine, over the last five years, has dropped at an average annual rate of 2.4%, from 9.65 to 8.57 million hl.

**During 2004**, domestic purchases of still and sparkling wine, on the other hand, held steady at 2003 levels. This is thanks to growth in purchases of still wine (+0.7%), offsetting the drop in sparkling products (-11%). Increases compared with 2003 were achieved by table wine (+1.3%), in particular red table wine (+2.2%), while white wine posted a decrease (-3.5%). There was also a drop in wines with Denomination of Controlled Origin and Denomination of Controlled and Guaranteed Origin (Doc+Docg) (-1.2%), for both white (-0.5%) and red (-0.7%) wines.

Expenditure for still and sparkling wines in 2004 increased in terms of value compared with 2003 to just over 1.710 billion euro, of which more than 634.7 millions for purchases of Doc+Docg wines and 876.8 millions for table wines.

As regards the distribution of expenditure and the volumes purchased in 2004, expenditure for table wine fell to 51% (-3%), while in the decrease in terms of volume was only -1%. Expenditure on sparkling wines also fell back to 12% of total, while volumes remained unchanged; there was an emphasis on denominations of origin which, over the last five years, have cornered 37% of overall expenditure for still and sparkling wines and 22% of volumes.

## **Distribution**

Specialist outlet channels - such as wine stores/shops - but super- and hyper-markets are gaining ground. In short, if in 2000 48% of table wine volumes sold passed through super- and hyper-markets, in 2004 the quota, in accordance with Ismea, grew to 52%, especially to the detriment of traditional food shops and hard discount stores.

From the point of view of value, the coverage of the market by super- and hyper-markets was 55% in 2000 and grew to 60% in 2004. The quota of Doc+Docg wines sold through Large-Scale Distribution is more accentuated, that in 2004 represented two thirds of all products sold - 73% in terms of value. Sales in traditional food shops are down (-5%), as also for service centres and discount stores (-1%); wine stores/shops, on the other hand, are stable.

## **Exports**

As of 2003, wine ranks top in terms of Italian agro-food exports, with a quota of 20%. In practice, out of 100 euro of such exports, 20 are accounted for by vineyard products. In the first 11 months of 2004, Italian wine exports totalled more than 15.32 million hl worth almost 2.6 billion euro. Growth compared with the same period in 2003 was 0.54% in volume and 4.53% in value.

**Germany** and the **United States** are the main outlet markets. Data published by ICE (the Italian Institute for International trade) for January-November 2004 indicate that Italy exported 4.55 million hectolitres of wine to Germany worth 641 million Euro, with an increase of 4.51% compared with the same period in the previous year. The German market therefore re-confirmed its status as the most important buyer of Italian wines in terms of quantity, while in terms of value the United States - with 684.77 million Euro, equal to an increase of 4.37% - ranks top as also in 2003.

The United States are a fundamental outlet for Italian wine that alone represents more than 32% of the American market in terms of quantity and 31.5% in value. There are in any case other possibilities for expansion, since about 240 million American still do not drink wine.

The trend in recent years highlights an increase of Italian exports of Vqprd wines (quality wines produced in specific regions) and of the relative value, albeit down in percentage terms to the benefit of Igt table wines (typical geographical indication). In 2003, ICE indicates that the former achieved an export value equal to 1.144 billion euro, the latter of 883 million Euro.

Other interesting prospects are opening out for Italian exports to some of the main emerging consumers countries, such as Russia, China and India, that with the United States are the main showcases for the promotional activity undertaken by Vinitaly abroad. In accordance with ICE, moreover, it would also be possible to valorise other "under-valued" markets, such as Asian countries, the Baltic countries and some areas of Brazil, as well as resorts traditionally attracting major Italian and European tourist flows in general, such as the Mauritius Islands.

In **Russia**, growth rates for Italian wines oscillate between 20% and 40% / year. Consumer preferences are directed in particular to full-bodied red wines and well-known brands, sparkling wines and meditation wines. It is estimated that Italy has so far only developed 10% of its potential but there is enormous scope for growth, in particular for medium-range wines costing between 10 and 30 euro / bottle.

The main distribution channel for Italian products in Russia is catering, so much so that 30% of wine lists in international restaurants involves Italian wines. With the growth rates envisaged in the near future, in any case, it is estimated that over the next 3-4 years large-scale

distribution will overtake catering - that will nevertheless remain an important promotional channel.

**China** is viewed as one of the most interesting markets for the future. It is estimated that about 10% of consumers already have incomes comparable with Western countries and, among other things, a preference for purchases in average-high price bands.

Imports of Italian wines currently oscillate around 400,000 hl /year but it is calculated that by the end of this decade such sales may improve ten-fold. On average, a bottle of Chinese wine is sold at around €10, while imported wines cost around €25.

**India** is a potential market of 300 million people, of whom about 74 millions are already consumers of alcoholic beverages. Italian Restaurants are increasing and their popularity is second only to Chinese cuisine.

In particular, wine consumption is growing at a rate of 25% / year.

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