



CIATTI

GLOBAL WINE & GRAPE BROKERS

GLOBAL MARKET UPDATE – MARCH 2014 VOLUME 5 ISSUE NO. 3

It was reported in February that producers in both Chile and Argentina were expecting smaller than average harvest results. Updated reports confirm that volumes will be light in both markets. The bulk wine market has already reacted, with prices in both markets ending their recent downward slide, and now have now stabilized or even increased for some varietals. Australia and South Africa are moving through their harvest seasons, and reports are mixed regarding volume results. The intense heat, followed by rain, caused for a pause in the harvest in Australia. South African producers have also had some difficult weather conditions. Predictions in both markets are for crops that will be similar to, or slightly smaller than, last year. Despite the adverse weather conditions, both markets are reporting good quality, regarding the grapes that have come to the crushers.

Spain appears to be the one bulk market that is currently experiencing over supply. Pricing has been soft, and European buyers are finding good deals on many varietals. California finally received much needed rain in February, however, draught conditions remain, and most feel that the crop size will ultimately be determined by the coming frost season.

The bulk market remains active worldwide, and both buyers and sellers are very excited about the upcoming ProWein show in Germany. We look forward to seeing all of you at the show, and please come visit us at the Ciatti Stand. We are located in Hall 2, and will have bulk samples to taste from all regions.



ARGENTINA – MARCH 2014

TIME ON TARGET

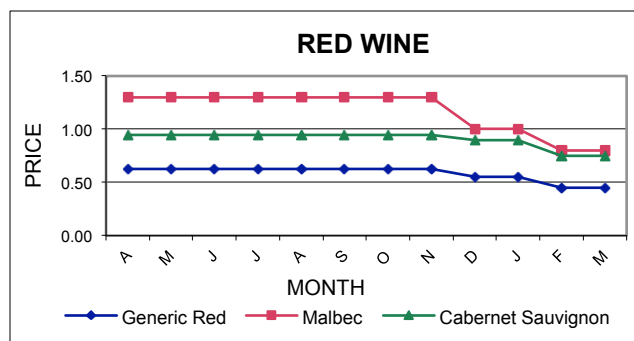
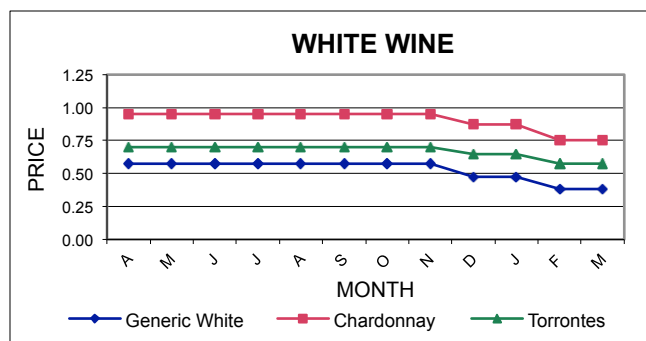
The government has released a revised forecast for the 2014 harvest, announcing a 27% smaller crop compared to last year, or 2.07 million tons. The weather has been unusual for this time of year, with heavy rainfall creating uncertainties about how this will affect the crop. Meanwhile, the local government has offered a price which is more than 40% higher than 2013 for Criolla grapes (AR\$ 2.20 = USD 0.27). Vintage 2013 wines already saw a 20% price increase. There are currently very few offers, due to the fact that bulk wine sellers are holding wines until they know more about where the market is headed.

CURRENT MARKET PRICING

ALL PRICING IN USD PER LITER; FCA WINERY:

Vintage	Variety	Price	Trend	Vintage	Variety	Price	Trend
2013	Generic White	0.37 – 0.39	↔	2013	Generic Red	0.40 – 0.50	↔
2013	Generic White (Criolla)	0.33 – 0.35	↔	2013	Cabernet Sauvignon	0.65 – 0.85	↔
2013	Chardonnay	0.65 – 0.85	↔	2013	Malbec	0.90 – 1.00	↔
2013	Torrontes	0.55 – 0.60	↔	2013	Malbec Reserva	1.00 +	↔
2013	Chenin Blanc	0.45 – 0.50	↔	2013	Syrah / Merlot	0.65 – 0.85	↔
2013	Muscat	0.50 – 0.55	↔	2013	Bonarda / Tempranillo	0.50 – 0.60	↔

BULK PRICING OVER TIME



BITS AND PIECES

In 2013, total wine and grape juice concentrate exports fell 13.7% in volume and 1.8% in value. The most affected were bulk wine exports, down 31.6% (107.5 million liters) and concentrate exports, down 13.4% (94,000 MT). Bottled wines were down 3.7% compared to 2012, totaling 21.6 million cases of 9 liters.

The main export destinations that saw a decrease in bulk wine sales:

- USA: down 45.9% from 109 to 59 million liters
- Russia: down 36.5% from 19 to 12 million liters
- Canada: down 25% from 9 to 6.8 million liters

There were no changes in grape juice concentrate sales to the US between 2012 and 2013 (65,000 MT). Canada, however, saw a drop of 56.5% from 16,600 to 7,200 MT and South Africa saw a 53.5% drop from 15,000 to 7,000 MT.

AUSTRALIA & NEW ZEALAND – MARCH 2014

TIME ON
TARGET

Harvest is now in full swing, as many regions have already finished processing their white wine varieties and now are onto red varieties. Quality is expected to be good across the board, although volume estimates may vary between regions. The weather has been an important factor this year. Frosts, heat waves, windy conditions and heavy downpours have all played their part leading into the 2014 crush. Major grape growing regions of Australia have seen at least one of the above conditions, along with some cooler regions suffering from poor fruit set. Wet conditions have seen up to 100 millimeters of rain fall during a 24-hour period in a number of grape growing regions. This is causing further concern from grape growers over the potential for grape split or mildew.

CURRENT MARKET PRICING

ALL PRICING IN AUD PER LITER:

Vintage	Variety	Price	Trend	Vintage	Variety	Price	Trend
NV	Dry White	0.50 – 0.75	↓	NV	Dry Red	0.70 – 0.80	↔
2013	Chardonnay	0.50 – 0.75	↓	2013	Cabernet Sauvignon	0.85 – 1.15	↓
2013	Sauvignon Blanc	0.75 – 0.90	↓	2013	Merlot	0.75 – 1.00	↓
2013	NZ Marlborough SB	NZ 4.25 – 5.00	↔	2013	Shiraz	0.85 – 1.10	↓
2013	Pinot Gris	0.95 – 1.20	↔	2013	Muscat	0.70 – 0.95	↓

BITS AND PIECES – AUSTRALIA

Treasury Wine Estates has appointed a new CEO. Michael Clarke, who has previously worked for big names such as Coca-Cola, Reebok and Kraft Foods, has been signed on by the corporate player to commence the role in March. Clarke may be better known for his recent role with Premier Foods, in which he maintained a significant turnaround for the company.

BITS AND PIECES – NEW ZEALAND

A recent industry report stated the value of New Zealand's wine exports in the 10 months to October last year were 2.9% ahead of the same period in 2012, with the volume up 10.3%. This gave the impression that New Zealand was exporting more wine, while winemakers were actually getting less per liter for the wine exported on average. The report caused confusion within the industry because trade figures from Statistics New Zealand showed wine export volumes were down in the 10 months to August, suggesting winemakers were actually receiving more per liter of exports, not less as the report had implied. The correct figures show that export volumes for the 10 months to October declined by 1.2%, compared to the corresponding period of 2012.

New Zealand Winegrowers chief executive Philip Gregan believes wine export volumes and values are both now rising, and he expects this trend to continue over the next six months. At this stage, the outlook for the 2014 harvest looks to be promising.

CALIFORNIA – MARCH 2014



With plenty of wine in tanks, activity for California wine and grapes continues to pick up as wineries search for supply for growth brands. Cabernet Sauvignon and other heavy reds from both 2012 and 2013 have been moving. Pinot Grigio is the leading white varietal in demand. Most demand for grapes involves the re-signing of existing relationships, as there remains concern and hesitation about the 2014 harvest. Recent rains have helped, but drought conditions remain and the frost season is yet to come.

CURRENT MARKET PRICING

ALL PRICING IN USD PER LITER:

Vintage	Variety	Price	Trend	Vintage	Variety	Price	Trend
2013	Generic White	0.66 – 0.85	↓	2013	Generic Red	0.92 – 1.19	↓
2013	Chardonnay	1.05 – 1.32	↔	2013	Cabernet Sauvignon	1.45 – 1.98	↑
2013	Pinot Grigio	1.45 – 1.72	↔	2013	Merlot	1.19 – 1.45	↓
2013	Muscat	1.05 – 1.32	↓	2013	Pinot Noir	1.72 – 2.11	↔
2013	White Zinfandel	0.92 – 1.12	↓	2013	Syrah	1.19 – 1.45	↔
2013	Colombard	0.86 – 0.97	↔	2013	Zinfandel	1.32 – 1.85	↓

BITS AND PIECES

The final year-end figures from the *Gomberg-Fredrickson Report* show some interesting trends in 2013:

- California wines sales had modest growth, up 3%.
- A deeper look reveals traditional still wine sales were less than robust. The value segment declined, while the premium category did recover and grow.
- The largest area of growth in the wine segment was in sparkling wines, sangria and ciders. Cider had the largest growth with an increase of over 6 million cases, now totaling 16 million cases. Even though cider is not made using grapes, cider is reported under the wine segment, contributing to the overall growth seen in 2013.

The decline of large format value brands and extreme value brands should prove profitable, as large wineries have eliminated many labels and moved upscale. Many new labels and creative packaging have recently hit the market from both domestic and foreign producers.

Total sales revenue of the US market topped \$10.8 billion, with total case good sales over 375 million cases.

The volume of imported case goods topped 94 million cases of the overall 120 million cases sold in the United States. Almost half of all case good import growth came from products other than still wine.

Bulk imports declined by 25 million gallons, but represent nearly 78 million gallons imported in 2013. This is the equivalent of 458,000 tons of grapes.

CHILE –MARCH 2014

TIME ON
TARGET

Growers are realizing that the forecasted smaller crop is becoming a reality. In the past several days, the domestic demand and smaller crop have rapidly increased all grape and wine prices. Expectations are for a 20% smaller crop overall, and a 25%-30% reduction for Sauvignon Blanc and 50% for Chardonnay. This means that the 2014 harvest could be around 1 billion liters, compared to the 1.3 billion liter crop of last year (some believe it could be as small as 900 million liters. In northern Chile (Pisco regions) where most

Muscat comes from, the crop is expected to be 30% smaller due to the drought. As long as grape prices continue to increase, the wine market will follow the same tendency. The final crush report that will be released in July will give a clearer picture of what to expect this year.

CURRENT MARKET PRICING

ALL PRICING IN USD PER LITER; FOB PORT:

Vintage	Variety	Price	Trend	Vintage	Variety	Price	Trend
2013/2014	Generic White	0.69 – 0.75	↑	2013/2014	Generic Red	0.50 – 0.53	↑
2013/2014	Chardonnay	1.00 – 1.45	↑	2013/2014	Cabernet Sauvignon (Basic)	0.61 – 0.64	↑
2013/2014	Sauvignon Blanc	0.85 – 1.15	↑	2013/2014	Cabernet Sauvignon (Standard)	0.65 – 0.90	↑
2013/2014	Pinot Noir	0.85 – 1.50	↑	2013/2014	Cabernet Sauvignon (High Quality)	1.50 – 4.00	↔
2013/2014	Syrah	0.65 – 0.80	↑	2013/2014	Merlot	0.67 – 0.90	↑
2013/2014	Carmenere	0.65 – 0.75	↑	2013/2014	Malbec	0.75 – 2.00	↑

EXPORT FIGURES

Wine export Figures (Bulk, Bottled & Sparkling)	January 2013			January 2014			Volume
	Million Liters	Million US \$ FOB	Average Price	Million Liters	Million US \$ FOB	Average Price	Variance %
Bottled	34.12	114.19	3.35	31.10	107.83	3.47	- 8.84
Bulk	39.08	38.25	0.98	21.87	18.55	0.85	- 44.03
Sparkling Wines	0.23	0.95	4.15	0.31	1.26	4.05	36.82
Packed Wines	2.77	5.21	1.89	1.68	3.41	2.03	- 39.33
Total	76.19	158.60	2.59	54.97	131.05	2.60	

BITS AND PIECES

Bulk wine exports decreased in January, compared to the same period last year. A total of 21.87 million liters were exported, showing a 44% decrease. Bottled wine exports decreased 8.84% compared to the same period last year, along with packed wines, down 39.33%. Sparkling wine exports increased 36.82%. Please note that since Chile faced a strike on most of its ports in January, there were several January shipments that had to be rolled into February vessels, thereby skewing the export figures for the month of January.

Grape prices have been increasing and are above those launched by Concha y Toro. White grapes were the first grapes to be contracted and saw the highest increase in price. Red wine grape prices were slowly increasing as well, however, last week this all changed due to higher market pressure, and prices have gone up rapidly. Meanwhile, the US Dollar has been continually rising slowly, with an increase of 8% already this year.

FRANCE – MARCH 2014

TIME ON
TARGET

In February, the market for generic and varietal wines sourced from Languedoc remained similar to that of January, with the exception being available inventories. Currently, no rosé wine, generic or varietal, remains available on the first-hand market. Chardonnay and Sauvignon Blanc are seeing a similar situation, with only a few parcels of wine available. For white and rosé wines, market pricing hasn't changed and sales are low. In terms of red wine, inventories of sought-after categories are harder to find. These wines are sold quickly on a first-come first-serve basis.

CURRENT MARKET PRICING

BULK WINE PRICES: ALL PRICES IN € PER LITER; EXW:

Vintage	Variety	Price	Trend	Vintage	Variety	Price	Trend
2013	Generic White (VDF)	0.80 – 0.85	↑	2013	Generic Red (VDF)	0.65 – 0.70	↑
2013	Chardonnay (VDF)	0.90 – 0.95	↑	2013	Cabernet Sauvignon (VDF)	0.75 – 0.77	↑
2013	Chardonnay (IGP OC)	0.95 – 1.05	↑	2013	Cabernet-Sauvignon (IGP OC)	0.75 – 0.80	↑
2013	Sauvignon-Blanc (VDF)	0.82 – 0.90	↑	2013	Merlot (VDF)	0.73 – 0.77	↑
2013	Sauvignon-Blanc (IGP OC)	0.85 – 0.92	↑	2013	Merlot (IGP OC)	0.75 – 0.80	↑
2013	Generic Rosé (VDF)	0.72 – 0.77	↑	2013	Syrah (IGP OC)	0.75 – 0.77	↑
2013	Varietal Rosé (IGP OC)	0.80 – 0.90	↑	2013	Dry Muscat (IGP Oc)	1.00 – 1.10	↔

BITS AND PIECES

Most volumes are in the hands of negociants, who are supplying their long-term/historic market and are hardly able to open prospect markets. Many believe that wine is purposely being held off the market, as sellers want to keep enough stock to cover their needs until the end of the year, especially since the rosé/white wine drinking season has not yet started.

Independent growers are starting the wine fair season with optimism, as demand remains high and they have kept enough stock to cover their needs. After the upcoming fairs, there should be some releases of small/mid-sized bulk rosé and white wine available, which could potentially help soften the market and allow the “re-building” of some bigger blends.

In most regions of France, temperatures are unusually warm for the season, sometimes between 15 and 20°C in Languedoc. This is causing a growing concern amongst the growers, as vines are already blooming in warmer regions of Southern France and the frost season typically lasts until May. A late frost on budding vines could be catastrophic for France.

GERMANY – MARCH 2014

TIME ON
TARGET

There remains just enough white wine supply on the German bulk market to cover short-term needs. Compared to other red wines that are again seeing an oversupply situation, Dornfelder is more balanced. In particular, generic red wines are showing light color and poor quality. This shows that climate conditions, and consequently the maturation in 2013, were far from optimum. The year 2014 started with the absence of a “real” winter, resulting in early bloom. The coming weeks will either show a good start to the 2014 vintage, or frost could potentially cause damage to the vines.

CURRENT MARKET PRICING

BULK WINE PRICES: ALL PRICES IN EURO PER LITER EX WINERY:

Vintage	Variety	Price	Trend
2013	White Wine	1.05 – 1.15	↑
2013	Pinot Grigio	1.40 – 1.50	↔
2013	Riesling	1.20 – 1.50	↑
2013	Red Wine	0.65 – 0.80	↔
2013	Dornfelder	0.85 – 0.95	↔

BITS AND PIECES

In the 12-month period between December 2012 and November 2013, total wine imports were slightly above 15 million hectoliters. This is 2.1% less, compared to the year prior, but an increase in value of 4.2%. During this period, the total value of 1.63 Euro per liter set a record high!

German Wine Imports					
Country	Value in Million EUR	Quantity in Million Liters	Euro/Liter	% Change Value	% Change Quantity
Italy	898	578.9	1.55	5.5	- 4.0
France	655	256.5	2.55	0.7	- 0.4
Spain	381	290.3	1.31	9.2	- 7.6
South Africa	100	97.1	1.03	11.0	22.2
USA	98	53.9	1.81	8.4	- 0.9
Chile	78	63.9	1.22	14.6	44.3
Australia	58	40.4	1.43	- 4.5	- 15.6
Austria	52	23.4	2.2	- 4.7	- 8.7
Portugal	34	14.6	2.32	0.0	- 15.3
Greece	20	12.0	1.68	- 1.5	- 5.5
TOTAL	2,452	1,502.6	1.63	4.2	- 2.1

ITALY – MARCH 2014

TIME ON TARGET

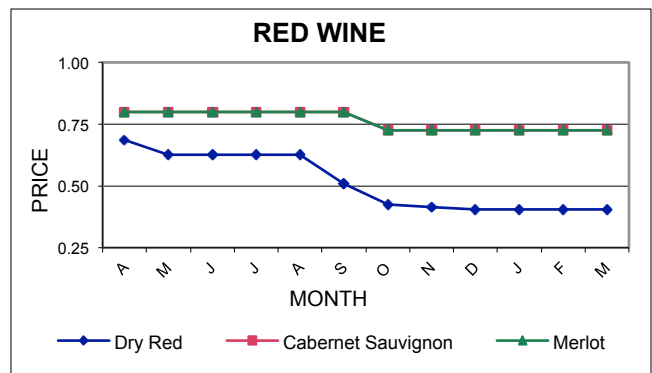
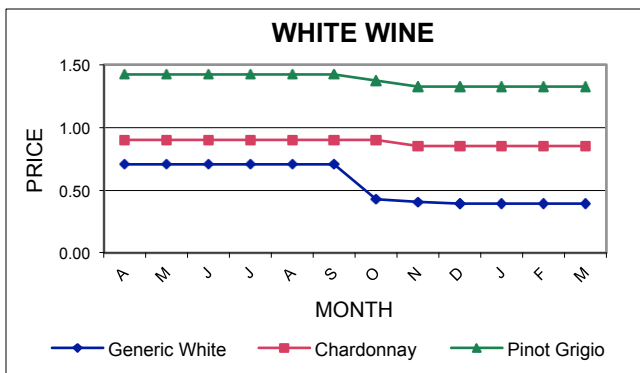
The market in Italy is currently running at two different speeds. The market is declining for entry-level wines, such as generic red and white wines of 10-10.5% alcohol. Red and white wines of higher alcohol, however, are not seeing this decline. Loadings and contracts are moving at an increasing pace. It is now possible that wineries won't be empty as we approach the next crop. On the higher side of the spectrum, pricing continues to increase for Rossissimo, Pinot Grigio and even DOC wines such as Amarone della Valpolicella, Barolo, Brunello di Montalcino and Prosecco.

CURRENT MARKET PRICING

BULK WINE PRICES: ALL PRICES IN € PER LITER; EXW:

Vintage	Variety	Price	Trend	Vintage	Variety	Price	Trend
2013	Generic White	0.35 – 0.43	↔	2013	Generic Red	0.38 – 0.43	↔
2013	Chardonnay	0.80 – 0.90	↔	2013	Cabernet Sauvignon	0.70 – 0.75	↔
2013	Pinot Grigio	1.25 – 1.40	↔	2013	Merlot	0.70 – 0.75	↔

BULK PRICING OVER TIME



BITS AND PIECES

Italy has seen a lot of rain throughout the last month, followed by a big heat wave that is very unusual this time of year. Southern Italy has seen record temperatures as high as 22°C the last week of February. Potential frost is a big risk at the moment, as it could have a major impact on the market.

As ProWein approaches, it also means Vinitaly is getting closer. The 48th annual Vinitaly will take place April 6-9th in Verona. Last year, there were 4,101 exhibitors and 148,038 visitors, of which 52,979 were from international locations. Special emphasis has been placed on incoming businesses from interesting markets with targeted investments and brand promotion around the world.

SOUTH AFRICA – MARCH 2014



Harvest is now in full swing in South Africa. Quality and volume are looking to be good in all areas, with only a few areas expecting a slightly smaller crop than last year. Currently, the crop is estimated to be 1,416,393 tons, or 5% smaller than last year. Both bottled and bulk wine exports have slowed slightly in the last two months. Some 2014 vintage white wines will even be ready to ship in three to four weeks.

CURRENT MARKET PRICING

ALL PRICING IN SA RAND PER LITER; FOB, CAPE TOWN:

Vintage	Variety	Price	Trend	Vintage	Variety	Price	Trend
2014	Generic White	4.65 – 5.00	↑	2013/2014	Generic Red	5.90 – 6.30	↔
2013/2014	Chardonnay	5.95 – 7.25	↑	2013/2014	Cabernet Sauvignon	6.80 – 8.00	↔
2013/2014	Sauvignon Blanc	6.00 – 7.80	↑	2013/2014	Ruby Cabernet	6.00 – 6.30	↔
2014	Generic Rosé	4.85 – 6.00	↑	2013/2014	Merlot	6.80 – 8.00	↔
2014	Cultivar Rosé	5.90 – 6.60	↑	2013/2014	Pinotage	6.80 – 7.50	↔
2014	Chenin Blanc	4.75 – 5.20	↑	2013/2014	Shiraz	6.80 – 8.25	↔
2014	Muscat	5.00 – 5.30	↑	2013/2014	Cinsaut	5.90 – 6.30	↔

BITS AND PIECES

Exports: Differences & Trends in 2013

- Exports to Germany and the UK have shown good growth in the last year.
- France, Spain and Italy have shown large growth, which is made up mostly of the dry white and rosé wine exports to these countries.
- It is doubtful that this trend will remain in 2014, as Spain is expected to supply most of these products in 2014.
- Exports to Russia show large growth during the first part of 2013.
- Canada and the Netherlands are big buyers (buying more than 20 million liters) that show stable export volumes in 2013.

Top 5 Export Countries & Noticeable Others			
Country	Jan 2012 to Dec 2012	Jan 2013 to Dec 2013	% Change
1. UK	91,729,503	111,158,221	+ 21%
2. Germany	77,642,034	96,523,350	+ 24%
3. Russia	31,648,881	37,282,018	+ 18%
4. France	12,348,048	34,695,207	+ 181%
5. Sweden	33,268,852	33,225,059	0
The US	23,394,750	31,942,245	+ 37%
Italy	6,154,419	15,182,221	+ 147%
Spain	4,696,491	12,458,315	+ 165%
Switzerland	5,246,929	10,150,372	+ 93%

Export Market 2012 vs. 2013:

- Total wine exports growth in 2013 (table below) was aided by the weak South African Rand against all other major currencies and the smaller 2012 crops seen in the Northern Hemisphere. This also helped open doors to new buyers of South African wine.

Exports	Jan 2012 to Dec 2012	Jan 2013 to Dec 2013	% change
Packaged	169,145,597	185,412,633	+ 10%
Bulk	248,939,121	342,888,725	+ 38%
Total	418,084,718	528,301,358	+ 26%

Export statistics from Sawis.co.za

SPAIN – MARCH 2014

TIME ON TARGET

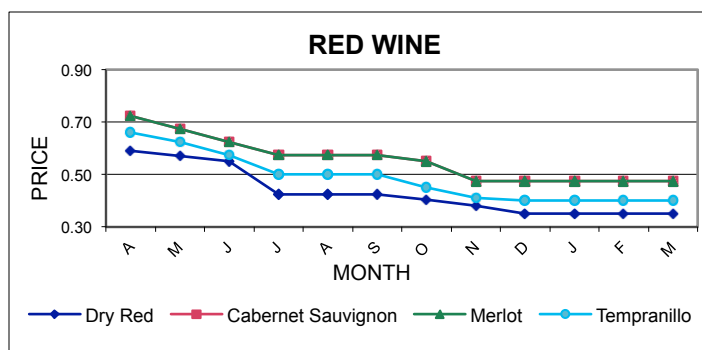
The market has not changed much since last month, except for the fact that the new 2013 crop size estimates have been released. It is now believed that the total Spanish crop could reach as high as 52 million hectoliters. Of this, 15 million hectoliters could potentially be without any buyers, due to the quality being so poor that even brandy distilleries would not be interested. Consequently, the market is still running at two speeds: ever-decreasing pricing for very basic wines and market stabilization for good wines of value.

CURRENT MARKET PRICING

BULK WINE PRICES: ALL PRICES IN € PER LITER; EXW:

Vintage	Variety	Price	Trend	Vintage	Variety	Price	Trend
2013	Generic White	0.30 – 0.40	↓	2013	Generic Red	0.30 – 0.40	↓
2013	Generic Rosé	0.34 – 0.38	↓	2013	Cabernet Sauvignon	0.45 – 0.50	↔
2013	Moscatel	0.60 – 0.70	↔	2013	Merlot	0.45 – 0.50	↔
2013	Syrah	0.43 – 0.58	↓	2013	Tempranillo	0.38 – 0.42	↓

BULK PRICING OVER TIME



BITS AND PIECES

Although serious efforts have been made in Spain over the last decade to enhance quality, the ultra basic wines produced are expected only to be used for industrial use. These wines mainly come from the La Mancha region and are made from late ripening grapes, including Airen and Tempranillo (harvested after the heavy rains the first week of October). These wines are very acidic, lack color, have under-ripe tannins and defective tastes. Merlot and Syrah are less affected, due to their early ripening characteristics.

Sales are stable and attractive prices haven't yet encouraged European and international buyers to commit on more volumes than usual. French buyers are back on the Spanish market, especially for rosé and white wines (later sold as European blend wines) that they are unable to find in France. French buyers are less cautious about dry red wines, due to concerns for quality and for market price decreases in the coming months. International buyers are following in the footsteps of the French buyers at the moment.

It is now believed that there will be large amounts of unsold wine remaining before the next harvest. This will help to re-construct a normal carry over stock for Spain on one side, while also causing concern for future wine storage if the next crop is above average in size.

BUYER'S CORNER: SCANDINAVIA

MARCH 2014

Sweden, Norway and Finland have state-owned retail monopolies on the sale of alcoholic beverages. These Scandinavian countries, along with Denmark, have very intriguing markets that must not go unnoticed, as they present unique opportunities for international wines!

SWEDEN

In the year 2013:

- Wine sales increased by 1.7%, while spirits decreased by 2.1%.
- The total market for red wine decreased, but not for all segments. Wines from Portugal, France and the US are all experiencing good sales.
- White wine experienced higher growth in more expensive price segments for bottled and Bag-In-Box wines.
- Rosé wine sales increased 20% in 2013.
- To a large extent, the demand in Sweden is linked to the weather and the warm summer in many parts of the country, therefore positively affecting sales.
- Bag-In-Box is still the best-selling packaging in Sweden, with slightly less than 60% of the sales in volume and slightly less than 50% in value. Out of the 50 best-selling wines, 43 are BIBs.
- Bag-In-Box wines over 200 SEK performed okay, with only Argentina and the US seeing a negative trend.
- Italy is still the best-selling origin of wine in Sweden, followed by South Africa, France, Spain, Australia, Chile and the US.
- Meanwhile, the spirit segment decreased 2.3%.

DENMARK

- Wine consumption in Denmark decreased 12% from 2011 to 2012:
 - 2011: 1,837,000 hectoliters
 - 2012: 1,825,000 hectoliters
- Denmark experienced economic growth in 2010 and 2011, following an economic downturn in 2008 and 2009, as a result of the global financial and economic crisis. In 2011, Danish exports and imports accounted for 53% and 48% of GDP respectively. The EU remains the most important trading zone at nearly 65% of trade in Denmark. Trade with other countries has increased in recent years, with China becoming a more important source of imports. The surplus was US\$6.5 billion in 2012, which was about 5.3% of GDP.
- There are over 1,000 wine importers in Denmark, unlike the state monopolies elsewhere in Scandinavia.
- Overall sales volumes have declined by nearly 1% per year over the past five years.
- In 2013, still wines dominated the market with 94% of the volume. Red wine accounted for 77% of this volume, followed by white wine 19% and rose wine 4%. Off-trade volumes remained stable at 89% of sales.
- France is the largest exporter to Denmark with a 20% market share, followed by Chile (17%), Spain (15%) and Italy (15%).
- The EU remains Denmark's most important trading zone, accounting for two-thirds of trade. Trade with other countries has increased in recent years, with China becoming a more important source of imports.

(Source: OIV, European Union and Statistics from Denmark)

BUYER'S CORNER: SCANDINAVIA

MARCH 2014

FINLAND

Wine sales for the month of January 2014 increased by 5.9% for red wine, 9.8% for sparkling wines and white wines and 2.5% for rosé wines. Chile is still the number one selling country of wine origin, followed by Spain, South Africa, Italy, France, Australia, Argentina and Germany. Meanwhile, spirits sales continue to decline by about 1%.

In Finland, brands are very important, especially for white wines. Sparkling wines also see strong brand attraction. This is also reflected in the average price per bottle. Consumers are willing to pay less for a bottle of white wine at an average price of €7.30 (\$9.35) per bottle, than a bottle of red wine (€8.00). Sparkling wine, meanwhile, sells at an average price of €11.20 per bottle.

Many of the best-selling brands market their brand through events, advertisements, activities in restaurants, and TV commercials.

NORWAY

Founded in 1922, Vinmonopolet is owned by the Norwegian state and is the only public retail outlet in Norway for products over 4.5% alcohol. Vinmonopolet exists to limit alcoholic beverage consumption for public health and is one of the most appreciated service providers in Norway, beating companies including Apple and IKEA. Vinmonopolet argues that it guarantees higher-quality wines than a free market would provide. In reality, however, Norwegians mainly consume low-quality wines, as 58% of the consumption is cheap Bag-In-Box wine that is fairly sweet.

Norway comes from a strong culture of spirits consumption, and wine consumption is only slowly increasing. From 2011 to 2012, table wine sales increased 2.2% to 65.7 million liters. In Norway, the ratio for red wine over white wine is 3:1. This is higher than nearby Sweden 3:2 and the UK 1:1. The cool climate is the culprit for this, as the further north the stores are located, the greater the red wine dominance is. Seasonally, December is the peak sales month for red wine, while July is the peak sales month for white wine.

Compared to Sweden that is New World-friendly, Norway consumers continue to gravitate towards the Old World wines. Italian wines surpassed Spanish and French wine sales in volume a few years ago, and have had a firm grip on this position since. Bag-In-Box sales represent 55% of sales by volume! Italy contributes to the larger volume of sweeter profile red wine sales. Ripasso-style wines have taken Scandinavian countries by storm. The best-selling wine is Doppio Passo Salento Primitivo, with sales exceeding 1 million liters annually.

In September 2013, Vinmonopolet saw its first sales drop in 17 years. Tax-free and border sales are increasing due to high taxes. Norway has one of the highest alcohol taxes in the world. At \$7.01 per percent of alcohol per liter, a normal bottle of wine is taxed at about \$7 per bottle, plus 25% VAT. Therefore, the average price paid in Norway is between \$18.00 to \$20.00 per bottle. Fine wines, however, tend to be more attractively priced, due to margins caps per bottle.

Wines submitted to Vinmonopolet are tasted blind by a panel of five professional tasters that look for the best wine that meets the criteria and price point. This provides a neutral purchasing process where brand, producer size and the importer do not influence the decision whatsoever. The winner of the blind tasting is offered to make this sale with guaranteed distribution.



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