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EU wine industry : radical reform proposals presented

The European Commission has called for a root-and-branch reform of the Common Market Organisation for wine. The plan aims to increase the competitiveness of EU wine producers, strengthen the reputation of EU wines, win back market share, balance supply and demand and simplify the rules, while preserving the best traditions of EU wine production and reinforcing the social and environmental fabric of rural areas. The Commission considers four options for reform, and comes out clearly in favour of a radical reform model specific to the wine sector. This would involve either a one-step or a two-step approach. The two-step approach would begin with measures to bring supply and demand back into balance before focusing on improving competitiveness, including the abolition of the system of planting rights. Producers would be offered generous incentives to grub up uneconomic vineyards, outdated market support measures such as distillation would be abolished and the systems of labelling and wine-making practices would be updated and simplified. Money would be redirected towards Rural Development measures tailor-made for the wine sector and Member States would receive a national financial envelope to pay for measures decided at national level. Under the "one-step" variant, the system of planting rights restrictions would be either allowed to expire on 1 August 2010, or be abolished immediately, and the current grubbing-up scheme would also be abolished at the same time. After an in-depth debate on its ideas, the Commission plans to table legislative proposals in December 2006 or January 2007.

European wine growers infuriated by the proposals

Even before the proposals were officially presented on June 22nd, producer organisations across Europe began to express discontent and indeed alarm over prospects of such a massive overhaul of the European wine industry. The Commissionner has made no bones about her intention of uprooting large swathes of vineyard area, up to 400,000 hectares according to this first Communication. That is roughly equivalent to half the current area under vine in France and the announcement coincides with plantation policies that remain active in New World wine countries. Germany has strongly criticised the Commission's intention of placing a ban on use of sugar for enrichment purposes, whilst the more southerly States are angered over a possible end to subsidies for use of concentrated grape must for the same purposes. Other EU producer states, including France, are infuriated by the Commission's proposal regarding vinification of imported musts and blending of Community wines with non-EU wines, as they are by a proposed end to all distillation measures. Both wine growers and shippers have condemned the overall lack of "ambition" in the Commission's raft of proposals, claiming that spending 2.4 billion euros on uprooting vines equates to downsizing on a massive scale and not implementing a proactive policy aimed at regaining lost market shares. In a press statement, the French Agriculture Minister also claimed that the Commission's proposals were based on a "*partially erroneous market analysis*" and stated that European wine growing could not become the global marketplace's "*balancing variable*".

Anti-alcohol lobby continues to track down producers

The Paris High Court has banned Brasseries Kronenbourg, which belongs to British brewer Scottish & Newcastle, from using its 1664 adverts featuring a red saloon bar, a purple restaurant table and a blue bedroom. The ban is the result of a case brought to court by national anti-alcohol association ANPAA. The Association claimed that the adverts were a poorly-disguised attempt to encourage people to drink beer when national law – i.e the Loi Evin – restricts advertising to the portrayal of accurate, objective information. Failure to comply with the ban will result in a 5,000 euro fine for each illegal ad. ANPAA, which has filed complaints in the past for adverts featuring Burgundy and Bordeaux wines, is considered to be France's most prominent anti-alcohol lobby. In a press statement following the court decision, it condemned a partnership agreement recently struck between Brasseries Kronenbourg and the national driving school centre CER, claiming that the agreement was no more than a publicity stunt.

Pernod Ricard issues Sustainable Development Charter

The Pernod Ricard Group has published its Sustainable Development Charter, aiming to raise awareness of the Group's commitments in this area worldwide. The Charter sets out Pernod Ricard's six commitments on product quality, responsible drinking, respecting the environment and its dealings with its own people, its shareholders, suppliers and customers : to offer products of the highest quality to consumers; to encourage ethical marketing and responsible drinking; to conserve natural resources and respect the environment; to build a relationship with its people based on loyalty and respect; to offer shareholders an attractive investment; and to share with others its code of ethics and sustainable development values. Over time, these commitments have been turned into several practical steps. These seek, in a process of continuous improvement, to reconcile economic efficiency with social fairness and the protection of the environment. The Charter demonstrates Pernod Ricard's resolve to operate in a manner consistent with its own values, as well as with a strict observance of the laws and regulations of the countries where it does business.

Toneleria Nacional joins forces with APS Diffusion

Chilean cooperage firm Toneleria Nacional has joined forces with APS Diffusion in France to distribute its premium products in the French wine market. APS specialises in wine making equipment and will now take on distribution of Odysé – the only convection toasted barrel in the world – as well as a range of oak-based products. Toneleria Nacional aims to take advantage of forthcoming changes to EU legislation regarding use of oak chips.

Southern Hemisphere continues to produce more wine

The fears voiced by European producer countries over the ECs plans for downsizing cannot be described as totally unfounded, as data published by the International Organisation of Vine & Wine last week on wine production in the Southern Hemisphere confirmed. OIV figures showed that the area under vine in the Southern Hemisphere has expanded continually since 1995, particularly in Australia and Chile, reaching roughly 10.5% of world vineyard area in 2005. As a result of this, the Southern Hemisphere's share of world wine production (excluding juice and must) has increased from 14.8% in 1996 to 18.2% in 2005. Similarly, the region's share of world wine exports which in the 1980s was virtually non existent, has since then risen to an astounding 21.4% with countries such as the UK, the USA and Germany heading up the list of destinations. Preliminary figures for the 2006 wine harvest (excluding juice and must) reveal that most of the Southern Hemisphere produced more wine this year than in the previous year, with the notable exception of Australia (-5%). Some countries posted figures on a par with 2005, but are either small volume producers on a global scale or produce large quantities of grape must and juice in addition to wine. Regarding the threat posed by the Southern Hemisphere to EU wine growers, the figures speak for themselves : wine production throughout virtually of the region experienced double-digit growth between 2000 and 2006, ranging from +22% for Argentina or +28% for South Africa to an astounding +65% for Australia or +109% for New Zealand. These increases translate to an overall gain of 11.5 million hectolitres over the same period, based on preliminary OIV figures for 2006.

Australia : government refuses to bail out wine industry

In his opening address at the Australian wine industry summit in Melbourne earlier this month, designed to discuss the current over-supply of wine grapes and the industry's future, the Minister for Agriculture, Fisheries and Forestry, Peter McGauran, encouraged the industry to "*use its record of success as a starting point as it grapples with the over-supply problem*". Despite continuing strong export growth, "*the supply of wine grapes has increased substantially,*" he said, attributing the increase both to an expansion of the area under vines and a series of good seasonal conditions. "*The industry as a whole - grape growers and winemakers - has enjoyed the successes of the past decade or so; now it must work together to turn things around*" stated the Minister, euphemistically informing the industry that the government would not be bailing it out financially. A diminutive $50,000 grant will be awarded to the Winemakers' Federation of Australia and Wine Grape Growers Australia for the Wine and Wine Grape Market Intelligence Project. "*We will also be consulting on improving the accuracy of information on planting rates and the area under vines*", said Peter McGauran. "*It's important that market information of this nature is provided to growers in a timely manner so they can make fully informed planting decisions.*" Mr McGauran pointed out that this latest grant was in addition to targeted Government assistance that includes $8 million for industry R&D during the 2004-05 financial year, $130,000 to help wine grape growers develop a truly national representative body - Wine Grape Growers Australia - and $200,000 for a Taking Stock and Setting Directions project for wine grape growers.

Tailoring drinks to suit specific needs

Despite being one of France's most prestigious spirits, Armagnac has suffered over the past few years from what is perceived as a male orientation. As part of a general move in France to rejuvenate its wine and wine-based spirit proposition, Bas-Armagnac firm Compagnie des Produits de Gascogne has released a Floc de Montal, tailored to the needs of the female drinking population. The livery is unashamedly flowery and the shape of the bottle has been adapted to provide for a better grasp by female hands and to appeal to women's sense of elegance. But the transformation goes beyond a superficial change to the drink's appearance : the style runs the gamut of flavours associated with Gascony with the aim of appealing to catholic tastes within the target audience. Hauts de Montrouge, the co-operative which produces Floc de Montal is the primary producer of Floc de Gascogne, one of France's leading liqueur wines.

Pre-filled wine glasses enter French multiple grocers

Another Gascon company, Gernerys, has launched a novel idea to help people drink sensibly: a single serve pre-filled wine glass. The 'ready-to-drink' glass is the brainchild of a wine grower in the Gers region of south-western France whose aim was to diversify amidst the worsening industry crisis. Developed by Gernerys, it is consumer-friendly and can be used again. It now retails in multiple grocery stores in France, a country where the government has tightened up on drink-driving over the past few years and where consumers are becoming increasingly health-conscious. As in other international wine markets, consumers are also looking for practical solutions for wine and this latest 'ready-to-drink' option is perfectly spill-proof when sealed.

Majestic Wine performs well

Majestic Wine PLC, the UK's largest wine warehouse chain, posted profit before exceptional gain, tax and amortisation up by 9.8% to £14.5m (2005: £13.2m) for the year ended 27 March 2006. Total sales were up 6.0% to £172.2m (2005: £162.5m) and according to the company, sales for the first eleven weeks of the financial year to 12 June have also been encouraging, with like-for-like UK sales up 8.6%. The average price per bottle of wine purchased at Majestic is now £5.59 (2005: £5.51) and average spend per transaction has risen to £118 (2005: £113). Majestic also noted a substantial increase in internet sales, with orders over the web up 38% on last year. Six new stores opened during the financial year and one re-site, and the firm expects to increase its store openings during the coming year. Good sales growth was posted for wines from Burgundy, Spain, South Africa, New Zealand, Chile and Argentina and sales of Champagne, sparkling wine and rosé wine also performed well. Sales of fine wine continue to grow strongly with an increase of 30% in sales, and still wine priced at £20 and above, now represents just over 3.1% of UK retail sales. The firm thus currently sees the potential for around 25 of its stores to house small areas dedicated to the sale of fine wine.

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