

WINE GLOBAL TRENDS

Traditional Leaders and New Markets

Azzurra Rinaldi

azzurrarinaldi@unitelma.it

Università degli Studi di Roma Unitelma Sapienza

doi: <https://doi.org/107358/rst-2015-01-rina>

ABSTRACT – The world wine market is constantly evolving, although there are some countries that have been claiming leadership for years. The objective of this paper is to analyze data on the wine market and in particular on three variables: production, exports and consumption. For each of these aspects, alongside the international overview, we have focused our attention on the Italian case, to which we have dedicated a small particular focus. The data confirm the persistence of some traditional positions of leadership both in countries and in geographical macro-areas, but also highlight the progress and dynamism of new countries that face international markets both as producers and as consumers.

KEYWORDS – Wine economics, Production, Consumption, Exports, Growth, Economia del vino, Produzione, Consumi, Esportazioni, Crescita.

1. GLOBAL PRODUCTION OF WINE

Over the last 8 years, world wine production has shown a rather stable trend, oscillating around 260 million hectoliters. In 2017, it decreased by 9% compared to the previous year, with a variation in absolute values of approximately 24 million hectoliters. Analyzing European data, compared to those of the rest of the world, the central role of European producers is confirmed. Indeed, they maintain a dominant position in the whole historical data series. Between the European countries, from 2000 to 2017, France and Italy are competing for leadership, with the gap widening in favor of Italy over the last two years (45.6 million hectoliters produced in Italy versus 35.7 produced in France). Spain, which is close to Italian volumes in 2013, is confirmed in the following years in third place (with 38.8 million hectoliters). Worldwide, the US retains a considerable share (with an average annual value of about 21.7

million hectoliters), followed by China, which shows an average value in the period considered much lower and equal to 12.1 million hectoliters. Measuring the average production values in the period between 2010 and 2017, the other important international competitors are Australia, Argentina, Chile and South Africa.

In 2017, as we anticipated, we observed a reduction in the European production, due to exceptional weather events, such as drought and heavy snowfalls. In particular, French production was affected (under 37 million hectoliters, the worst ever, probably), as well as Spain (32 million hectoliters less, only in 2012). Italy maintains a leadership of volumes, which we know how to fail when using the price as a unit of measure, instead of liters of wine.

In the last year, world production therefore sees 4 countries whose combined production exceeds 50% of the world total: Italy with 18%, France with 14%, Spain (13%) and the USA (9%).

2. ITALIAN PRODUCTION OF WINE

In the period between 2010 and 2017, Italian wine production is rather fluctuating, with a positive peak in 2015 (almost 49 million hectoliters) and a negative peak in 2012 (just over 38 million hectoliters). It is known that wine production is a leading sector of the Italian agricultural economy. However, in 2017, domestic production fell by 15% compared to 2016. The white wine sector, in 2017, showed a 12% reduction, while the production of red wines decreased by 18%. From a geographical point of view, the decline in production has mainly affected the North and the Center. Very bad performances have been recorded in Piedmont, Tuscany, Lazio and Trentino Alto Adige, while data from Puglia are very good, in a context of very strong production volatility in 2017 compared to historical averages.

3. INTERNATIONAL EXPORTS OF WINE

The analysis of international wine exports must be made using two different variables: value and volume. In the period between 2010 and 2017, the volume of world exports shows a growth trend, with the exception of the decline in 2016 which then seems to be resolved in 2017. Respectively to the value of exports, worldwide there is a constant growth trend, from € 21 billion in 2010

to 29 in 2016.

In the same period, the leading country in the value of world wine exports was France. Italy and Spain follow, but with much lower value. However, France showed a more modest growth rate compared to countries like New Zealand or Chile, which grew much faster. In 2017, despite (as we have noted) the world wine production fell by 9%, the world wine trade experienced an excellent year.

As for the volume, the leadership, which was Italian in 2010, in 2017 passed to Spain. Italy is in second place, while France is in third. The other international players, like Chile or Australia, are very detached. 2017 was an excellent year for France. Thanks to the recovery in volumes, which rose from 14.1 to 14.8 million hectoliters (+ 5.5%), the value of exports grew by 9%. Italy's export volumes have grown less than expected (3.9%), but the value has increased by 6.5% compared to 2016. Spain exceeds 3% of volume growth and nearly 8% of the growth of value of exports. The most dynamic performance is that of Australia, whose exports grow by 12.6% in value and 6.2% in volume. US exports, on the other hand, are down (-8.8% in volume and -7.4% in value).

4. ITALIAN EXPORTS OF WINE

The value of Italian wine exports in 2017 is close to 6 billion euros, with an increase of 6.5% compared to 2016, while the volume is equal to 21.6 million hectoliters, up 4%. Italy, unlike France and Spain, has grown over the last 5-6 years without stopping. Furthermore, Italian exports are more tied to the Anglo-Saxon world than the French and Spanish ones and the devaluation of the dollar and the pound sterling have had a more significant impact. If we analyze the exports by market, we see a growth of 4% in the US for a value of 1.4 billion euros in the year and a visible slowdown in recent months (December - 2%). The same is true for Germany, which closes at + 1% for 985 million euros but has suffered a sharp decline at the end of the year. On the other hand, data from the United Kingdom are very positive, + 6% and a value of 811 million (and + 9% in December), despite the slowdown in the local economy and the change is unfavorable for Italy. China is the fastest growing market, with an increase of 29%.

5. WORLD CONSUMPTION

Between 2010 and 2017, world wine consumption has shrunk from 250 to 243 million hectoliters. The main international consumers of wine are the USA: in 2017, 32.6 million hectoliters were consumed, + 2.8% on 2016 (and in line with the 2-3% recorded in the country in recent years).

France remains the second largest market, even if it is also in very slight decline (-0.4%). Italy follows, even there is a further progress in consumption that brings the country to 22.6 million hectoliters (reaching back the value of 2012). Looking at the new markets, the data for China show a consumption value just under 18 million hectoliters, with a growth of 3.5% in 2017. Moreover, the 2017 growth is greater than that observed in the last 5 years, in the which has recorded an average growth of only 1%.

The markets in which consumer values are positive again are Spain, Australia and Romania.

Negative data come instead from Russia and Argentina, which fall below 9 million hectoliters, with a reduction of - 5% and - 3% respectively compared to 2016, in line with the negative trend already observed in the previous years.

6. ITALIAN CONSUMPTION

In the years between 2010 and 2017, wine consumption in Italy has shown a rather stable trend. In fact, while in 2010 it was 53.3% of the population to consume wine, in 2017 this percentage was equal to 52.6%. In the meantime, there were no positive peaks, but a slight decline in 2014, when the share of wine consumption on the total population fell to 50.5%. The age group in which the highest concentration of Italian wine consumers is observed has gone from that 55-59 in 2010 (when 64.8% of the population belonging to the age group declared to consume wine) to that 60 - 64 in 2017 (with 60.1% of the population of the band). Even in the subdivision by age there are no obvious fluctuations, with the exception of two categories. In fact, compared to 2010, wine consumers grow in the age groups 20-24 and 75 and above (in both cases, by about 3%), while it decreases significantly in the class of years between 55 and 59 (over the reference period, over 6 percentage points). The penetration of wine consumption drops only slightly to 51.7% of the population, but it does so in a context of increasing the penetration of alcohol con-

sumption (64.7%) where beer benefits (47.8%) and other alcoholic beverages (43.2%). And this is in turn the result of an increasing tendency to consume alcohol sporadically and above all during meals. Not only. The data compared to the past show that for the first time in years does not even grow the percentage of the population that consumes wine from time to time, until last year in constant growth, while the structural decline of the “glass of wine with meal” continues.

7. CONCLUSIONS

The data confirm some trends that we have observed in the past years: Italy and France are the main world wine producers and France is confirmed as the main exporter as well. The biggest consumers are the USA, followed by France. Among the new trends, we find China, which is progressing progressively as a consumer country, while in terms of production the role of very dynamic countries such as Chile and New Zealand is further strengthened.

REFERENCES

- Aizenman, J., and E. L. Brooks. 2008. “Globalization, and taste convergence: The cases of wine, and beer”. *Review of International Economics* 16 (2): 217-233.
- Anderson, K., and G. Wittwer. 2017. “U. K., and Global Wine Markets by 2025., and Implications of Brexit”. *Journal of Wine Economics* 12 (3): 221-251.
- Anderson, K., and G. Wittwer. 2015. “Asia’s evolving role in global wine markets”. *China Economic Review* 35: 1-14.
- Bitter, C. 2017. “Wine Competitions: Reevaluating the Gold Standard”. *Journal of Wine Economics* 12 (4): 395-404.
- Federico, G., and A. Tena. 1999. “Did trade policy foster Italian industrialization? Evidences from the effective protection rates, 1870-1930”. *Research in Economic History* 19: 111 – 138.
- Friberg, R., R. W. Paterson, and A. D. Richardson. 2011. “Why is there a Home Bias? A Case Study of Wine”. *Journal of Wine Economic* 6 (1): 37-66.
- Getz, D., and G. Brown. 2006. “Critical success factors for wine tourism regions: a dem, and analysis”. *Tourism Management* 27 (1): 146-158.
- Hisano, A. 2017. “Reinventing the American Wine Industry: Marketing Strategies, and

- the Construction of Wine Culture”. *Harvard Business School Working Paper* 17-099.
- Holmes, A. J., and K. Anderson. 2017. “Convergence in National Alcohol Consumption Patterns: New Global Indicators”. *Journal of Wine Economics* 12 (2): 117-148.
- Meloni, G., and J. Swinnen. 2014. “The Rise, and Fall of the World’s Largest Wine Exporter – , and Its Institutional Legacy”. *Journal of Wine Economics* 9 (1): 3-33.
- Mills, T. C. 2018. “Is There Convergence in National Alcohol Consumption Patterns? Evidence from a Compositional Time Series Approach. *Journal of Wine Economics* 13 (1), 92-98.
- Mitchell, V. W., and M. Greatorex. 1989. “Risk Reducing Strategies Used in the Purchase of Wine in the UK”. *European Journal of Marketing* 23 (9): 31-46.
- Nelson, J. P. 1990. “State monopolies, and alcoholic beverage consumption”. *Journal of Regulatory Economics* 2 (1), 83-98.
- Oczkowski, E. 2016. “The Effect of Weather on Wine Quality, and Prices: An Australian Spatial Analysis”. *Journal of Wine Economics* 11 (1): 5-47.
- Pokharel, S. B. 2018. “Wine Industry Campaign Contributions, and Wine Excise Taxes: Evidence from U. S. States”. *Journal of Wine Economics* 13 (1): 3-19.
- Smith, D. E., and H. S. Solgaard. 2000. “The dynamics of shifts in European alcoholic drinks consumption”. *Journal of International Consumer Marketing* 12 (3): 85-109.
- Thornton, J. 2013. *American Wine Economics: An Exploration of the US Wine Industry*. Berkeley: University of California Press.