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Global Agricultural Information Network

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Wine Market Update

Report Categories:

Wine

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Report Highlights:

The 2012 grape production is estimated lower due to harsh winter and related losses; however, quality is reported as very good. Wine production is estimated down modestly but still exceeding 2011 output. Exports are expected to be stable at 54 million liters, roughly 40 percent of total production, with one third destined for the Russian market. Although domestic consumption appears to have stagnated due in part to economic challenges, markets report steady growth in wine sales, both in volume and in value. The 2012 wine imports continued to expand with 21 percent growth in volume, to 6.04 million liters, and 14 percent growth in value, to 12.7 million USD (January-October). Market leaders remain Italian, French and Spanish wines. For the full year, 2012 wine imports are expected to exceed 2011 levels.

General Information:

PRODUCTION

In 2012 farmers and authorities estimate grapes production much lower (10-30 percent) than in the previous year, with good to very good quality. This is due to the harsh winter (heavy snow and record low temperatures) in 2011/2012 which led to significant losses. Heavy winter was followed by a record summer drought and heat which was not favorable for yields but led to better quality of grapes in some regions. In general, 2012 crop in South Bulgaria was reported as better in terms of quality. The sugar content has been sampled at 26 percent in Northern Bulgaria to 28 percent in Southern Bulgaria.

Vineyards area continued to shrink in 2012, although moderately, despite new investments. Due to smaller crop, and stock shortage, on-farm price increased to 0.40-0.50 Euro/kg, and in some exceptional cases to 0.60 Euro/kg. Demand for white grape varieties has been extremely strong.

The Executive Vine and Wine Agency estimated that around 150,000 MT of grapes are purchased by commercial wineries and processed into wine in 2012, compared to 158,000 MT in 2011 due to shortage in stocks. Despite this reduction, the general trend has been for growth at commercial wine manufacturing vs. home wine making. In 2012 Italian, Czech and Slovak companies were interested to purchase white grapes and export to those countries for wine making purposes.

Bulgaria Wine Production, Supply, and Distribution (1,000 liters)

	2008	**2009**	**2010**	**2011**	**2012***	**2013***
Production (Eurostat)	**179,600**	**161,700**	**142,600**	**122,400**	**125,000**	**120,000**
Imports Intra EU	4,911	4,324	6,949	6,163	6,280	6,400
Imports non-EU	2,028	1,049	1,315	817	820	900
Total imports	6,939	5,373	8,264	6,980	7,100	7,300
Total Supply	**186,539**	**167,073**	**150,864**	**131,400**	**132,100**	**127,300**
Exports Intra EU	30,507	25,596	25,096	33,551	34,000	30,000
Exports non-EU	57,499	27,874	25,152	20,514	20,000	20,000
Total Exports	88,006	53,470	50,248	54,065	54,000	50,000
Total consumption	98,533	113,603	100,616	78,400	78,100	77,300
Total Distribution	**186,539**	**167,073**	**150,864**	**131,400**	**132,100**	**122,200**
Note: 2012 annual trade data is estimated based on WTA January-October data; Wine production are based on Eurostat; 2013 data is FAS Sofia estimates						

Source: EUROSTAT, FAS Sofia Office

Grapes production

Since year 2000 the trend of reduction in total viniculture area has continued in 2011/2012. The same trend was observed for the cultivated vineyards while those that are abandoned have grown. The trend has not bottomed yet.

In 2011, vineyard area, including uncultivated land, totaled 78,468 HA or 5 percent lower than in 2010. The area under wine grapes was 43,772 HA. This was lower than in the previous year by 7 percent.

See Table 1.

The share of cultivated/maintained vineyards to total has continued to decline in absolute and relative terms, from 79 percent in 2008 to 66 percent in 2011. In 2011, cultivated vineyard areas were 52,567 HA or 8 percent less than in 2010. Out of it, 46,145 HA (88 percent) were harvested, representing a reduction of 8 percent in harvested areas vs. 2010. See Table 2.

Out of total area under wine grapes, the highest share belongs to "other" wines (47 percent) compared to area under grapes for wine with protected designation of origin (23 percent) and for wines of geographic identification (30 percent). (Classification is made based on EU Regulation 543/2009). See Table below.

2011	**Area (Hectares)**	**Production of Grapes (Metric Tons)**	**Wines (Hectoliters)**
Wines with protected designation of origin (PDO)	10,247	53,388	23,911
Wines with protected geographic indication (GI)	12,993	67,693	422,655
Other	20,532	107,370	603,231
Total	**43,772**	**228,451**	**1,049,797**

Source: FAS Sofia Office

In 2011, concentration of vineyards continued to be highest in South East region, 35 percent, and South Central, 33 percent. About 95 percent of vineyards are under wine grapes and 5 percent under tables grapes. Red varieties dominate with 62 percent of all harvested area (28,641 HA) vs. 33 percent (15,131 HA) of white varieties. Red varieties dominate in all regions with the exception of Northeast and Southeast. See Table 3.

Grapes production in 2011 was 6 percent more than in 2010 of which 95 percent wine grapes and 5 percent table grapes. Yields grew substantially by 16 percent for wine grapes, by 67 percent for table grapes. See Table 4.

The fragmentation in production and the high number of small vineyards and farms leads to problems with investment and marketing. Despite appeals for establishing producer organizations or marketing coops in order to have a more efficient contractual system with wineries, this does not occur and often leads to losses, non-harvested vineyards, lower grapes' utilization, and fully abandoned vineyards. The EU system for "transfer of rights" among regions and producers is underutilized.

Wine production

The 2011 total wine production was reported at 119 million liters including commercial wine output of

105 million liters, compared to the same total wine production in 2010 (119 mln l) including 99 million liters commercial wine in 2010 (source: MinAg statistical bulletins). Eurostat data differs showing wine production at 122 million liters in 2011 and 143 million liters in 2010. In 2011, grapes processed into wine at commercial wineries was 6 percent more while grapes used for homemade wine declined by 35 percent compared to 2010. See Table 5.

There is still no official data about 2012 wine production. In early February senior officials made statements that 2012 commercial wine output was 130.6 million liters or 25 million liters more than in 2011, as per the MinAg data.

CONSUMPTION

Wine consumption estimates vary widely from 46 million liters to 50-60 million liters, and some estimates go as high as 100+ million liters. The official statistics report wine per capita consumption at 5.2 -7.0 liters over the last ten years, or total about 45-54 million liters (population of 7.5 million). This data usually causes strong skepticism among wine experts.

The differences come from home-made production, officially about 15 percent but often estimated up to 25 percent of total wine production, and not accurately counted by the official data. This is followed by underreported commercial production and sales. In addition, official data has difficulties counting the food service sector actual sales and consumption.

The official data for per capita consumption for 2009-2011, shows a decline in wine consumption from 6.7 liters/ capita in 2009 to 5.5 liters/capita in 2010 and 5.2 liters/capita in 2011. At the same time, local production and commercial sales increase both in volume and in value.

Trade data about commercial wine sales in 2011 was for 48.9 million liters compared to 48.3 million liters in 2010; in value the sales were reported at 382.3 million Bleva (196 million Euro) in 2011 compared to 361.1 million Bleva (185 million Euro) in 2010 (source: Euromonitor). The annual growth was 1.2 percent in volume but 5.8 percent in value. Higher annual growth rates in value have been typical since 2005.

In early February senior government officials reported 10 percent growth in 2012 wine sales on the domestic market and total wine consumption at 102.6 million liters or 10 percent more than in 2011. The officials announced the opening of 11 new wineries with vineyards which will start operations in 2013.

The trade forecast for 2012 and 2013 is for wine sales of 50.6 million liters and 51.5 million liters, restively. The difference between these sales and the consumption in the PSD estimates comes from the home made wines as well as from underreported sales.

Over the last 2 years, trade sources indicate that the shares of underreported output and sales as well as home- made wine have been shrinking. On one hand, this is due to attractive grapes prices which stimulate sales rather than keeping the grapes to produce wine at home and sell it afterwards; on the other hand, home-made production is usually practiced by older generation in rural areas and this tradition is slowly but steadily fading away.

Another trend is increasing demand for bulk wine sold by smaller wineries. These wineries make efforts to save on cost of aging wine in barrels, and on distribution, so they make bulk sales by costumer orders or sell directly in bulk from the winery. This allows them to keep prices competitive at 1.50-2.50 Euro/liter for low-medium quality wines.

Accurate and reliable official or industry information about wine stocks is not publicly available. Industry estimates that wine stocks throughout the years 2006-2011 could have reached up to 25 million liters at certain years.

Imported wines enjoy growing popularity on the market. They usually are targeted at the medium-high-end market segment. The competition between local wines and imports is especially tough at the medium market (price) segment where imported wines often are preferred due to consistency in quality, price-to-quality ratio, diversity, and better marketing.

Trade reports that while imported red wines still account for less than half of consumption in this category, imported white wines account for 65 percent of sales. Traditionally local red wine is better in quality and this corresponds to consumer preferences. In general, white wine share to total wine has been steadily growing from 15 percent years ago to estimated 35 percent now and promising prospects for further growth. Since local production of white wine is limited, demand has been quickly met by imports.

MARKETING

Currently, there are several promotional programs with EU funds as follows:

The promotional program targeting the U.S. market for Bulgarian and Greek wines (GI wine and PDO wine) which are also being promoted in China and Switzerland. The program was approved on June 28, 2012 by the EC, and is still at a very early stage. This project is managed by the Bulgarian Vine and Wine Chamber in cooperation with the Greek organization ENQABE SA (Wine roads of Northern Greece). The total budget is 4.633 million Euros including the Bulgarian part of 2.043 million Euros, and will last 3 years from September 2012 to September 2015.

Wine (GI wine and PDO wine) to Russia and China (March 2012- March 2015), Regional Vine and Wine Chamber Trakia in partnership with Romanian Dobrudga Wine Makers Union, budget 1.6 million Euros. No absorption of funds yet.

Wine GI origin of PDO wine from Southern Europe/Mediterranean region (Bulgarian, Romanian and Greek) to UK, Germany and Italy (2013-2016, approved in 2012); managed by Regional Vine and Wine Chamber Trakia in partnership with Greek Wine Makers Consortium and Italian Regional Enoteca Emilya Romania; budget 5.2 million Euro for 3 years.

In February 2013, the Ministry of Agriculture approved a total 2.5 million Euro (30 percent from the state budget, 20 percent from the beneficiary, and 50 percent from EU) funding of 2 years promotional program for Regional Vine and Wine Chamber Trakia to promote wine in Singapore, Thailand, and Vietnam.

The Ministry of Agriculture and the National Vine and Wine Chamber make efforts to promote also wine tourism among foreign guests, relying on stable annual growth in tourists.

Promotional funds are targeted in this direction as well as through encouraging of regular tourist businesses to expand adding wine tasting tours.

TRADE

Exports

Bulgaria is a net wine exporter but exports have been declining in absolute terms due to plummeting local supply.

In 2011 exports totaled 54 million liters (67 million USD), or 8 percent higher in volume and 6 percent higher in value than in 2010. Russia has been the main market for the Bulgarian wines, typically bottom-end wines, which usually earn low margins. In 2011, it accounted for 30 percent of total value exports and 35 percent of volume exports, followed by Poland with 25 percent and 26 percent shares, respectively. Exports to Russia in 2011 declined by 17-18 percent both in terms of volume and value compared to the previous year.

Trade data shows that 2012 exports (January-October) totaled 46 million liters (51.4 million USD) or 6 percent more than in 2011 but 6 percent less in value. Exports to Russia were at 15 million liters (30-31 percent of total in value and in volume), followed by Poland (21 percent) and Czech Republic (9 percent).

In 2012, select wine makers had good first/second shipments to Asian markets (China, Japan, Hong Kong, Korea). Thus, exports to China grew by 25 percent/volume (Jan-Oct 2012).
In early 2013, government official reported growth in 2012 annual exports of 2 percent, with 45 percent delivered to the Russian market. China, Vietnam, and other Asian markets are increasingly in the focus of the local wine exporters and government officials.

Imports

Imports have seen a decline due to the economic slowdown in 2009 and 2010 but rebounded in late 2011 and 2012.

WTA data shows that in 2011 imports dropped by 15 percent in volume to 6.98 million liters but grew 23 percent in value to 15.1 million USD. Italy traditionally was a supply leader with 57 percent market share in volume and 35 percent of value imports. France followed with 21 percent share in value imports but only 7 percent in volume due to high average price. Spain, in opposite, had 12 percent in volume imports but 5 percent in value imports.

In 2012 (January-October), wine imports growth continued with positive 21 percent in volume to 6.04 million liters and 14 percent in value to 12.7 million USD. French and Italian wines were leaders. Most likely 2012 wine imports will exceed 2011 levels.

Table #1. Area under grape cultivation in Bulgaria, 2000-2011, HA

Areas under grapes in Bulgaria, 2000-2011, HA			
Year	**Cultivated area at farms**	**Not cultivated area**	**Total area under grapes**
2000	153,200	7,271	160,471
2001	146, 995	4,190	151,185
2002	129,998	15,200	145,198
2003	103,019	28,050	131,069
2004	95,551	34,029	129,580
2005	94,724	32,118	126,842
2006	85,320	43,537	128,857
2007	97,387	22,954	120,341 (including 113,700 HA wine grapes, Eurostat)
2008	88,570	22,246	110,816 (incl. 107,400 HA wine grapes, Eurostat)
2009	74,018	27,416	101,434 (incl. 97,900 HA wine grapes, Eurostat)
2010	56,968	25,707	82,675 (incl. 46,800 HA wine grapes area, Eurostat)
2011	52,567	25,901	78,468 (incl. 43,772 HA wine grapes area, Eurostat)
Source: MinAg Bulletins			

Table #2. Vineyards distribution in the country, 2011

Vineyards locations in the country, 2011			
Regions	**Total area, HA**	**Harvested area, HA**	**Harvested area, percent**
North West	4,950	4,150	84.0
North Central	3,302	2,243	68.0
North East	4,949	4,211	85.0
South East	18,249	15,687	86.0
South Central	17,442	16,511	95.0
South West	3,675	3,343	91.0
Total	52,567	46,145	88.0
Source: MinAg Bulletin, #185, March 2012			

Table #3. Variety structure of vineyards in 2011 (based on harvested area)

Variety structure of vineyards in 2011 (based on harvested area)		
	Area, HA	Share, percent
Red vine varieties	28,641	62.0
White vine varieties	15,131	33.0
Table grapes	2,373	5.0
Total	46,145	100
Source: MinAg Bulletin, #185, March 2012		

Table #4. Grapes production and average yields in Bulgaria, 2006-2011, HA

Grapes production and average yields in Bulgaria, 2006-2011, HA and MT					
Year	**Grape production total, MT**	**Wine grapes (MT)**	**Table grapes (MT)**	**Average yields for vine grapes (Kg/Ha)**	**Average yields for table grapes (Kg/Ha)**
2006	336,128	293,610	13,563	4,494	4,383
2007	376,663	341,818 (324,100 Eurostat)	13,641	4,855	5,460
2008	369,430	345,650 (307,600 Eurostat)	17,889	4,390	7,305
2009	281,302	255,257 (245,400 Eurostat)	17,344	4,944	5,315
2010	230,198	210,398 (210,400 Eurostat)	7,989	4,495	3,039
2011	243,839	228,451 (228,500 Eurostat)	12,080	5,219	5,091
Source: MinAg Bulletins Note: Total grapes production includes grapes for self-standing vines (in 2011 this class totaled 3,308 MT)					

Table #5. Wine production, 2007-2011, liters

Wine production, 2007-2011, liters						
	2007 (,000)	**2008 (,000)**	**2009 (,000)**	**2010 (,000)**	**2011 (,000)**	**Change 2011/ 2010**
Wines with protected designation of origin	**7,212**	**6,559**	**4,225**	**3,048**	**2,391**	-22 percent
- Red and rose	5,700	5,075	3,857	2,709	1,995	
- White	1,512	1,483	669	340	396	
Wines with protected geographic indication	**125,302**	**130,124**	**42,472**	**38,396**	**42,266**	+10 percent
- Red and rose	64,542	67,573	28,541	21,589	26,683	
- White	60,759	62,551	13,932	16,807	15,582	
Other	**1,440**	**1,211**	**74,583**	**57,838**	**60,323**	+4 percent
- Red and rose	1,041	839	37,816	29,923	32,570	
- White	399	373	36,767	27,915	27,753	
Total commercial wine	**133,954**	**137,894**	**121,580**	**99,282**	**104,980**	**+0.3 percent**
- Red and rose	71,284	73,487	70,214	54,221	61,248	
- White	62,670	64,407	51,367	45,061	43,732	
- Grapes must	4,138	1,086	2,981	3,691	4,844	
Homemade wine	**41,541**	**22,744**	**18,159**	**19,447**	**13,867**	
Total wine	**179,633**	**160,624**	**139,740**	**118,729**	**118,847**	**+0.09 percent**
Total wine Eurostat	175,700	179,600	161,700	142,600	122,400	

Source: Ag Statistics Bulletins
Note: In 2009, the MinAg changed its methodology and began to report wine production in different categories, therefore data after and before 2009 about regional and table wines, and sparkling and specialty wines is not comparable.

Table #6. 2012 Wine Exports (January - October) Trade Data

Bulgaria Export Statistics Commodity: 2204, Wine Of Fresh Grapes, Including Fortified Wines; Grape Must (Having An Alcoholic Strength By Volume Exceeding 0.5% Vol.) Nesoi							
Year To Date: January – October							
Partner Country	Unit	2010		2011		2012	
		USD	Quantity	USD	Quantity	USD	Quantity
World	**L**	**51378991**	**41441077**	**54914786**	**43851016**	**51400926**	**46419465**
Russia	L	21067081	20467415	17240462	16008796	15818851	14654199
Poland	L	13081712	10335796	13910338	10714636	10929847	10297203
Czech Republic	L	2627027	2030345	3894201	3100644	4758418	4452884
Romania	L	448565	651613	2988525	5306335	3705247	6541062
Sweden	L	2623039	1430834	2752693	1389512	2278382	1326953
Italy	L	32643	8530	297825	411007	2013330	2425034
Germany	L	1450616	780462	2025344	814042	1904207	867562
United Kingdom	L	3542156	2175972	3170194	1778941	1586306	958963
Belgium	L	1261997	755308	1561510	769925	1397776	711957
China	L	370584	117096	878657	303895	1237766	378386
Lithuania	L	874431	663195	601310	410684	723368	489964
Japan	L	253819	138740	652547	282582	687478	230307
Greece	L	46768	35748	308445	243755	486701	939561
Iraq	L	49285	26294	295931	150830	343466	158420
Mongolia	L	317668	195960	489891	321988	328549	226277
Netherlands	L	158335	72832	290609	116293	308083	126287
United States	L	334830	163526	306617	96391	289275	122799

Source: World Trade Atlas

Table #7. 2012 Wine Imports (January-October) Trade Data

Bulgaria Import Statistics Commodity: 2204, Wine Of Fresh Grapes, Including Fortified Wines; Grape Must (Having An Alcoholic Strength By Volume Exceeding 0.5% Vol.) Nesoi							
Year To Date: January – October							
Partner Country	Unit	2010		2011		2012	
		USD	Quantity	USD	Quantity	USD	Quantity
World	**L**	**7771238**	**4450816**	**11153543**	**5003529**	**12695849**	**6045777**
Italy	L	2431298	1831129	3790910	2720208	4810896	3292423
France	L	1495980	183895	2284783	364271	2707370	445624
Germany	L	489503	207589	940063	256549	1102695	431449
Chile	L	644718	179251	903562	231812	902617	221182
New Zealand	L	12863	2484	332327	78177	467904	96567
United Kingdom	L	139817	18470	267471	33038	437059	75329
Netherlands	L	432765	44268	603939	65235	433859	50373
Spain	L	382432	287320	652095	719942	432276	197919
Macedonia	L	302864	846302	83513	131186	222890	419156
South Africa	L	206771	54649	194549	93250	201572	50976
Argentina	L	158859	45000	205105	51325	163348	40322
Moldova	L	25238	46235	24362	25125	161779	362433
Czech Republic	L	304637	297862	106452	35549	134797	82957

Source: World Trade Atlas

Table #8. 2011 Wine Imports (Annual) Trade Data

Bulgaria Import Statistics Commodity: 2204, Wine Of Fresh Grapes, Including Fortified Wines; Grape Must (Having An Alcoholic Strength By Volume Exceeding 0.5% Vol.) Nesoi Calendar Year: 2009 – 2011							
Partner Country	**Unit**	**2009**		**2010**		**2011**	
		USD	**Quantity**	**USD**	**Quantity**	**USD**	**Quantity**
World	**L**	**11563697**	**5372899**	**12237514**	**8264886**	**15118310**	**6980515**
Italy	L	3890263	2261973	4608601	4789170	5335156	4015979
France	L	2018268	450879	2520708	354112	3278565	538583
Germany	L	498955	159531	570092	238193	1330319	417861
Chile	L	1120341	715810	783932	215595	1209455	311446
Spain	L	804928	604878	560113	539577	861950	841156
Netherlands	L	522571	69886	517213	53158	719171	76989
New Zealand	L	222928	28417	12863	2484	332327	78177
United Kingdom	L	59588	7354	184751	23841	323924	45631
Argentina	L	446811	126198	216016	62188	252233	63476
Greece	L	84683	18206	74743	18484	203204	66608
South Africa	L	289598	73906	301098	77302	199634	94605
Slovakia	L	28288	12600	0	0	183367	45068
Czech Republic	L	152350	65330	417564	332680	123590	44157
Austria	L	400635	159130	155688	114899	122434	30375
Macedonia	L	80212	13629	348463	870131	116826	148844
United States	L	0	0	71640	6311	102627	10342

Source: World Trade Atlas

Table #9. 2011 Wine Exports (Annual) Trade Data

Bulgaria Export Statistics Commodity: 2204, Wine Of Fresh Grapes, Including Fortified Wines; Grape Must (Having An Alcoholic Strength By Volume Exceeding 0.5% Vol.) Nesoi							
Calendar Year: 2009 – 2011							
Partner Country	Unit	2009		2010		2011	
		USD	**Quantity**	**USD**	**Quantity**	**USD**	**Quantity**
World	**L**	**69586766**	**53470747**	**63122677**	**50248688**	**66709173**	**54065199**
Russia	L	26711419	25678046	24307828	23397673	20366299	18763243
Poland	L	18781616	13874079	16698394	13065663	17148938	13896864
Czech Republic	L	2726159	2054287	3582262	2882939	5130736	4173807
United Kingdom	L	2854489	1991544	4185017	2562439	4288352	2377112
Romania	L	2426028	1096372	756455	946271	3584551	6445164
Sweden	L	3983773	2008716	3115874	1693709	3190153	1633543
Germany	L	2186834	1460431	1834247	1077088	2392100	1061256
Belgium	L	1623343	914293	1731736	963579	1796435	903341
China	L	43215	13411	560349	151379	984078	334480

		8	0				
Lithuania	L	1118904	796099	1151970	863565	897377	573029
Japan	L	324381	208230	330044	154347	751006	300241

Source: World Trade Atlas