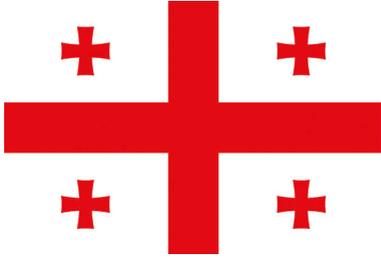
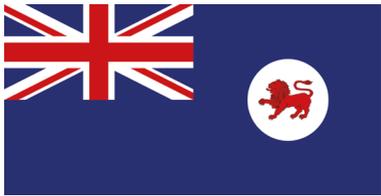


VININTELL

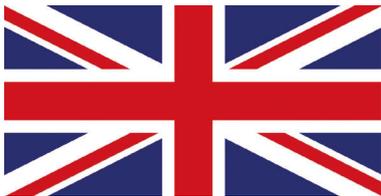
NOVEMBER 2016, ISSUE 30



GEORGIA



TASMANIA



UNITED
KINGDOM

SURPRISING ENCOUNTERS

The Emergence of Old-New Traditional Wine Producing Regions





CONTENTS

INTRODUCTION	3	TASMANIA	18	Brief Background	27
GEORGIA	3	Brief background.....	18	Area under vines.....	29
Brief background.....	3	Area under vines.....	20	Cultivars	31
Area under vines.....	4	Cultivars	21	Certification systems	32
Cultivars	5	Certification systems	22	Production.....	33
Certification systems	8	Production.....	23	Stock status.....	34
Production.....	9	Stock status.....	24	Domestic Consumption....	34
Stock status	13	Domestic Consumption....	24	Exports.....	37
Domestic Consumption....	13	Exports.....	25	Imports.....	39
Exports.....	13	Imports.....	25	International position	41
Imports.....	15	International position	25	Genetic Manipulation and Biotechnology	41
International position	17	Genetic Manipulation and Biotechnology	26	Taxes and Prices (Grapes, Packaged Wine, Bulk Wine, Spirits)	41
Genetic Manipulation and Biotechnology	17	Prices (Grapes, Packaged Wine, Bulk Wine, Spirits)	26	Producer income and state revenue.....	44
Prices (Grapes, Packaged Wine, Bulk Wine, Spirits)	17	Taxes, producer income and state revenue.....	27	Forecasts	44
Taxes, producer income and state revenue.....	17	Forecasts	27	UNITED KINGDOM	27
Forecasts	18	UNITED KINGDOM	27	Forecasts	44





country's national identity. Most wine consumed is produced by families for their own use. Among the best-known regions of Georgia where wine is produced are Kakheti (further divided onto micro-regions of Telavi and Kvareli), Kartli, Imereti, Racha-Lechkhumi and Kvemo Svaneti, and Abkhazia.

During Soviet times wines produced in Georgia were very popular and preferred over wines from Moldova and Crimea. In 1950, Georgia had 57,870 ha under vines increasing to 127,880 in 1985 due to increasing demand with wine production of 881,000 tons. Mikhail Gorbachev's anti-alcohol campaign put a halt to the boom and many old Georgian vineyards were demolished and later, political tensions with Russia have contributed to the 2006 Russian embargo of Georgian wine. This led to Georgia turning to new export markets and cordiality within the European Union (EU). Georgia is optimistic its recent Association Agreement with the EU will expand its export markets and reduce the risk presented by any future unilateral embargoes by Russia.

As sign of maturing, the first online Catalogue of Georgian Wine with an independent rating system was launched in 2014 allowing users in mostly export markets to enter names of specific wines and get ratings and information about the producer. In terms of industry bodies, Georgia has the National Wine Agency (NWA) that is a legal entity of public law under the Ministry of Agriculture of Georgia founded in 2014 in accordance with

the law on "Vine and Wine". The Agency operates in cooperation with the Ministry of Agriculture and relevant state and private companies. Not much imported wine enters Georgia and the large part of commercially produced wine is exported.¹

1.2 AREA UNDER VINES

Georgia's wine industry has undergone significant change since independence from Russia and post Glasnost that saw a mass campaign of uprooting vineyards throughout the Soviet Union. Georgia's total vineyard area of 160,000 ha was reduced to almost a quarter. In 2015, 170 million litres of commercial wine is produced from over 45 000 ha of area under vines; an area that is growing.ⁱⁱ

According to the NWA, a total of 5,000 ha of vineyards were planted in Georgia in 2013 and 2014. Of this, about 4,700 ha were planted in Kakheti, 50 ha in Racha and 250 ha in Shida Kartli, Imereti, Guria and Samegrelo combined. According to NWA statistics, a total of 217,678 tonnes of grapes were processed in 2013 and 2014 (93,072 tonnes in 2013 and 124,606 tonnes in 2014) and the revenues from the sales amounted to about GEL 289million (US\$ 119 million): 2013: US\$72million (GEL 175,341,271) and 2014: US\$47million (GEL 113,750,322).¹

Special attention is paid to the quality and the place of origin (appellations) as well as the correct development of the industry and exporting more branded wines.

1 1 US\$=2.43 Georgian Lari-GEL



Table 1: Area of vines by regions in 2014 (ha)

Area	Ha
Georgia, Overall	37 419
Including:	
Ajara	42
Guria	268
Imereti	8 584
Kakheti	22 227
Mtskheta-Mtianeti	792
Racha-Lechkhumi and Lower Svaneti	1 348
Samegrelo-Upper Svaneti	775
Samtskhe-Javakheti	6
Kvemo Kartli	1 757
Shida Kartli	1 622

Source: Ministry of Agriculture of Georgia

Table 2: Georgia Wine production (excluding juice and must): mhl

2011	2012	2013	2014	2015 & 2016 forecast	2015/2014 Variation in volume	2015/2014 Variation in %	Ranking
1.1	0.8	1.0	1.1	1,7	0.6	0	19

Source: OIV, 2016^a

The growth of Georgia's commercial vineyards is also being spurred by the rising middle class in Asia and its increasing demand for wine. In 2014 China consumed 144 million cases of wine, a 69% rise since 2009. As part of its programme to boost the wine industry, the Georgian government plans to offer low-interest loans to farmers and reform the current vineyard certification system and quality controls on wine. Furthermore new foreign direct investment in the industry will bring in much needed investment and technical knowledge. The government will also fund a new winery that is set to be one of the country's largest, with processing capacity for 12,000 tonnes of grapes per year.

1.3 CULTIVARS

Georgia has traditional and well as more main stream varieties. Traditional Georgian grape varieties are little known in the world. Although there are nearly 550 to choose from, only 38 varieties are officially grown for commercial viticulture in Georgia: Georgia has a greater diversity than any other country. As the industry emerges so these varieties are becoming less obscure. Traditionally, Georgian wines carry the name of the source region, district, or village, much like French regional wines such as Bordeaux. Georgian wines are usually a blend of two or more grapes and are classified as sweet, semi-sweet, semi-dry, dry, fortified and sparkling. The semi-sweet varie-



ties are the most popular. Georgia's moderate climate and moist air, influenced by the Black Sea, provide the best conditions for viticulture. Extremes of weather are unusual: summers tend to be warm, and winters mild and frost-free. Natural springs abound, and the Caucasian Mountain streams drain mineral-rich

water into the valleys. The soil in vineyards is so intensively cultivated that the grape vines grow up the trunks of fruit trees eventually hanging down along the fruit when they ripen. This method of cultivation is called *maglari*.^{iv} Table 3 contains the list of grape varieties in Georgia.

Table 3: Grape Varieties

Red grapes	White grapes
<ul style="list-style-type: none"> • Aladasturi • Alexandreuli (Alexandreuli, Alexsandrouli) • Arabeuli Shavi • Arabeuli Tseteli • Asuretuli Shavi (Shaltrauben, Shala) • Berbesho • Cabernet Sauvignon • Chkhaveri • Chumuta • Gianni • Danakharuli • Dzvelshava • Gabekhuri Shavi • Izabella • Kapistoni Shavi • Katchitchi • Meskhuri Shavi • Mtevandidi • Mujuretuli • Otskhanuri Sapere • Ojaleshi • Paneshi • Saperavi, most important grape variety used to make Georgian red wines. • Skhilatubani • Shavkapito • Tamaris Vazi • Tavkveri • Usakhelauri 	<ul style="list-style-type: none"> • Arabeuli Tetri • Brola • Budeshuri Tetri • Buera • Chinuri (Chinebuli) • Chvitoluri • Dondghlabi Tetri • Kapistoni Tetri • Khikhvi is grown in Kardanakhi. • Krakhuna • Kundza Tetri • Melikuda • Mtsvani (or Mtsvane) • Mtsvivani kakhuri • Mtsvivani Rachuli • Qisi • Rkatsiteli, most important grape variety used to make Georgian white wines. • Sakmiela • Tsitska • Tsolikauri • Tsulukidzis Tetra

Table 4 contains a list of wine types made in Georgia.



Table 4: Wine types

Red Wine	White wine
<ul style="list-style-type: none"> • Akhasheni: Naturally semi-sweet red wine made from the Saperavi grape variety, Kakheti. • Khvanchkara: High-end, naturally semi-sweet red wine made from the Alexandria & Mudzhuretuli grape varieties; Racha. • Kindzmarauli: Naturally semi-sweet wine of dark-red colour; made from the Saperavi grape variety; Kvareli district of Kakheti. • Mukuzani: Dry red wine made from 100% Saperavi in Mukuzani, Kakheti. • Napareuli • Ojaleshi: Red semi-sweet wines made from the grape variety of the same name cultivated on the mountain slopes overhanging the banks of the Tskhenis-Tskali River, Orbeli village and Samegrelo district. • Pirosmani: Naturally semi-sweet red wine; made from the Saperavi grape variety cultivated in the Akhoebi vineyards in the Alazani Valley. • Saperavi: Red wine made from the Saperavi grape variety grown in some areas of Kakheti. • Usakhelauri: Naturally semi-sweet wine. • Apsny: Naturally semi-sweet red wine made of red grape varieties from Abkhazia. • Lykhny: Naturally semi-sweet pink wine made of the Izebela grape variety from Abkhazia. • Mtatsminda: Pink table semi-dry wine produced. • Aguna: Pink semi-dry wine made from the Saperavi, Cabernet and Rkatsiteli, East Georgia. • Sachino: Pink semi-dry wine made from the Aleksandreuli, Aladasturi, Odzhaleshi, Tsitska, Tsolikauri, and West Georgia. • Barakoni: Naturally semi-dry red wine made from the Alexandreuli and Mudzhuretuli grape varieties, Western Georgia. • Salkhino: Liqueur-type of dessert wine made from the Izebella grape variety with an addition of the Dzvelshava, Tsolikauri and other grape varieties, Western Georgia. • Alaverdi (White and Red) • Alazani: Light red, semi-sweet wine made from a 60% Saperavi, 40% Rkatsiteli blend. Rkatsiteli Mtsvani • Saperavi Dzelshavi 	<ul style="list-style-type: none"> • Pirosmani: Semi-sweet white wine made from a 40% Tsolikauri, 60% Tsitska blend. • Tsinandali: Blend of Rkatsiteli and Mtsvane grapes from the micro regions in Kakheti. • Tvishi: Natural semi-sweet white wine made from Tsolikauri in the Lechkhumi region. • Mtsvani: Dry white wine made from Mtsvani. • Alaznis Veli: Semi-sweet wine made from the Rkatsiteli, Tetra, Tsolikauri and other industrial grape varieties, Western and Eastern Georgia. • Anakopia: Semi-dry table wine made from the Tsolikauri grape variety grown in the Sukhumi and Gudauta districts in Abkhazia. • Tbilisuri: Pink semi-dry wine made from the Saperavi, Cabernet and Rkatsiteli grape varieties, East Georgia. • Khikhvi is a vintage white dessert wine made from the Khikhvi grape variety grown in Kardanakhi. • Saamo: Vintage dessert white sweet wine made from the Rkatsiteli grape variety, Gurjaani district in Kakheti. • Gelati: Dry white wine made of the Tsolikauri, Tsitska and Krakhuna grape varieties, Western Georgia. • Kakheti is a white table wine made of the Rkatsiteli and Mtsvane grape varieties cultivated in Kakheti. • Bodbe: Wine from Rkatsiteli grape variety in the village of Bodbe in the Magaro micro-district. • Dimi: Imeretian-type white ordinary wine made from Tsolikauri and Krakhuna grape varieties grown on small areas in Imereti (Western Georgia). • Gareji: Dry wine made of the Rkatsiteli and Mtsvane grape varieties cultivated in Kakheti. • Ereti: Dry white wine made from the Rkatsiteli and Mtsvane grape varieties. • Shuamta: Dry wine produced made from the Rkatsiteli and Mtsvane grape varieties. • Alazani: Semi-sweet wine made from 100% Rkatsiteli.



There are also a number of fortified wines:

- Kardanakhi, a fortified vintage white wine of the types made from the Rkatsiteli grape variety cultivated in the Kardanakhi vineyards of the Gurdzhaani district.
- Anaga, a madeira-type top-quality strong wine made from the Rkatsiteli, Khikhvi and Mtsvane grape varieties cultivated in the Gurjaani, Signaghi and Dedoplistskaro districts.
- Signaghi, an ordinary strong wine of the port type made from the Rkatsiteli grape variety grown in the Signaghi district in Kakheti.
- Veria, a fortified vintage white port made from the Rkatsiteli, Mtsvane, Chinuri and other commercial grape varieties grown in Eastern Georgia.
- Lelo, a port-type wine made from the Tsitska and Tsolikauri grape varieties grown in Zestaphoni, Terjola, Baghdati and Vani districts.
- Marabda, a port-type wine made from the Rkatsiteli grape variety grown in Marneuli and Bolnisi districts.
- Kolkheti, a fortified vintage white port is made from Tsolikauri, Tsitska and other

commercial white grape varieties grown in Western Georgia.

- Taribana, a port-type wine made from the Rkatsiteli grape variety cultivated in Kakheti.

1.4 CERTIFICATION SYSTEMS

There are five main regions of viticulture, the principal region being Kakheti, which produces 70% of Georgia's grapes. Traditionally, Georgian wines carry the name of the source region, district, or village.^v Eighteen appellations (wine regions) have been registered with Sakpatenti, Georgia's national intellectual property center (see table 5). In Georgia, the EU is helping improve agricultural productivity, expand information about geographic origins, and set up suitable food-safety standards. Further boosting the industry, the Georgian government plans to offer low-interest loans to farmers and reform the current vineyard certification system and quality controls on wine.^{vi vii} Ultimately, niche-markets such as organic wine and ultra-premium segments are seen as the best opportunity for Georgian wines^{viii}. The Vine and Wine Department Samtresti is the body defined by law for safeguarding the system but with the exception of the certification process, it has little influence on the overall sector.





Table 5: List of Georgian wine appellations

Appellation	Region	Municipality	Grape varieties	Colour	Type
Akhasheni	Kakheti	Gurjaani	Saperavi	Red	Semi-sweet
Ateni, Atenuri	Shida Kartli	Gori	Chinuri, Goruli Mtsvane, Aligoté	White	Sparkling
Gurjaani	Kakheti	Gurjaani	Rkatsiteli, Kakhuri Mtsvane	White	Dry
Kakheti	Kakheti	–	Rkatsiteli, Kakhuri Mtsvane	White	Dry
Kardenakhi	Kakheti	Gurjaani	Rkatsiteli, Khikhvi, Mtsvane	White	Fortified
Khvanchkara	Racha-Lechkhumi and Kvemo Svaneti	Ambrolauri	Aleksandrouli, Mujuretuli	Red	Semi-sweet
Kindzmarauli	Kakheti	Kvareli	Saperavi	Red	Semi-sweet
Kotekhi	Kakheti	Gurjaani	Rkatsiteli, Saperavi	Red, White	Dry
Kvareli	Kakheti	Kvareli	Saperavi	Red	Dry
Manavi	Kakheti	Sagarejo	Kakhuri Mtsvane, Rkatsiteli	White	Dry
Mukuzani	Kakheti	Gurjaani	Saperavi	Red	Dry
Napareuli	Kakheti	Telavi	Rkatsiteli, Saperavi	Red	Dry
Sviri	Imereti	Zestafoni	Tsolikouri, Tsitska, Krakhuna	White	Dry
Teliani	Kakheti	Telavi	Cabernet Sauvignon	Red	Dry
Tibaani	Kakheti	Sighnaghi	Rkatsiteli	White	Dry
Tsinandali	Kakheti	Telavi	Rkatsiteli, Kakhuri Mtsvane	White	Dry
Tvishi	Racha-Lechkhumi and Kvemo Svaneti	Tsageri	Tsolikouri	White	Semi-sweet
Vazisubani	Kakheti	Gurjaani	Rkatsiteli, Kakhuri Mtsvane	White	Dry

Source: Appellations of Origin of Georgian Wine*

1.5 PRODUCTION

The commercial wine business is still highly fragmented but is undergoing significant change.

The dominance of domestic manufacturers still leaves little room for importers to expand. However, a number of local manufacturers are subsidiaries of international companies; for example, Chateau Mukhrani is a subsidiary of Marussia Beverages.*^{xi} Approximately 65-70% of all Georgian vineyards are still cultivated in the ancient and unique viticulture-winemaking region of Kakheti. Presently, the wine is pro-

duced by thousands of small farmers (using primarily traditional techniques of wine-making), as well as certain monasteries. Every village and nearly every family presses its own grapes and fills its own symbolic qevri pots to create wine or to make the local grappa-like spirit Chacha and they have been doing so for generations.^{xii} In total in both regions over 19,000 farmers sold their harvest to wine companies in 2016.^{xiii} While the majority of Georgia's estimated 118 wine-producers are exporters, higher prices for relatively unknown wines do not encourage EU importers and distributors to try Georgian wine. New export



markets have prompted wine makers in finding alternative and more profitable export markets leading to producers modernising their wine-making techniques using improved strains of their distinctive local varieties. Recent years also saw the launch of a number of ventures with foreign investors.^{xiv} Table 6 contains a list of Georgian wine and spirits producers.

- German investor Burkhard Schuchmann and former Teliani Valley winemaker Giorgi Dakishvili established Schuchmann Wines under which name they produce European-style wines and their Vinoterra label for sustainable wine-growing methods and traditional winemaking.
- Telavi Wine Cellar, founded in 1915 set up the Satrapezo line in collaboration with winemaker Davit Maisuradze. Their Saperavi, limited to only 6,000 bottles, is fermented in qvevri with long, one-month maceration and matured in oak barrels for 24 months, followed by a six-month unfiltered bottle aging. They have also introduced the first ever Georgian ice-wine from Rkatsiteli vineyards in the Alazani Valley in Kakheti.
- American artist John Wurdeman and local winemaker Gela Patailashvili started a venture called Pheasant's Tears, in 2007 named after an old Georgian saying that very fine wines make pheasants shed tears of joy when they sip it. All Pheasant's Tears wines are made in qvevri lined with organic beeswax and their Saperavi vineyards and is organic.
- Badagoni, founded in 2002 is a collaboration between Donato Lanati and Enosis and produces the finest wine in the region in their modern and technologically advanced factory near Telavi, administrative center of Kakheti.
- In Kartli, newcomers Chateau Mukhrani have restored the late 19th century winery established by Prince Ivane Mukhranbatoni and aims to replicate the success of their predecessors through wines made with modern techniques. They also wish to develop wine tourism in the region.
- The Silk Road Group, a multinational logistics and trading company and investors in Tbilisi's five-star hotel leased the famous Tsinandali Palace, a historic architectural complex located in the heart of Kakheti, for 49 years. The palace is in the nice, quiet village of Tsinandali, home of one of country's finest white wine appellations, a blend of Rkatsiteli and Mtsvane grapes.
- Teliani Valley, Georgia's number one exporter is sold in 23 countries. As it has upgraded winemaking equipment and techniques, the company has seen its revenue from exports grow just three years after the ban.
- Telavi Wine Cellar, Tbilvino, Wine Company Shumi and Georgian Wines and Spirits, owners of veteran brands such as Tamada and Old Tbilisi, a joint venture with the Pernod-Ricard Group since 1993, are other key players among a total of next to 200 registered wine producers.



Table 6: Georgian wine and spirit producers

Company Name	Company Name
Adjarian Wine House	Eniseli Wines
Akhali Marani	Georgian Cellar (Saqartvelos Marani)
Alapiani's Marani	Georgian Legend Ltd
Alaverdi Ltd	Georgian Royal Wine (GRW)
Alaverdi Monastery Wine Cellar (Ozhios Marani)	Georgian Traditional Wine Federation (Association)
Aleksandreuli	Georgian Wine House
Amiran Vepkhvadze Wine Cellar	Geowine (Gruzvino)
Antadze Winery	Gevelli
Armazi Wines	Giorgi Barisashvili
Archil Guniava's Wine Cellar	Giorgi Merebashvili
Artanuli Gvino	Giuaani
Askaneli Brothers	Glavspirtprom
Avtandil Bedenashvili Wine Manufacture	Gogi Dvalishvili
Babaneuris Marani	Gold Group Ltd
Badagoni	Gorelli Ltd
Bagrationi 1882	Gotsa Wines
Bakhva Abuladze Wine Cellar (Baia's Wine)	Graneli Wine Company / Kindzmarauli Zone (Mamuli)
Batono	GWS
Besini	Iago's
Bolero & Company	Iberieli
Chailuri	Ikano
Chandari	Imeretian Wine Company
Chateau Mukhrani	Jakeli
Chateau Nekresi	Kakha Berishvili Bio Marani (Artanuli)
Chateau Telavi	Kakhelebi (Goletiani)
Chateau Zegaani	Kakhuri Gvinis Marani (Kakhetian Wine Cellar)
Chelti	Kakhetian Traditional Winemaking
Chveni Ghvino (Our Wine)	Kakhuri
Corporation Georgian Wine	Kera Wine
Dadianis' Wine Cellar	Kerovani
Danieli Winery	Kindzmarauli Corporation
Darchiashvili's Organic (Bio) Wine Cellar	Khomli's Marani
Dasabami (Darsavelidze's Wine Cellar)	Khvanchkara Ltd
Dugladze Wines Company	Kindzmarauli Marani
Dergi	Kote Makhatelashvili
Didgori Winemaking	Kvareli Cellar
Elizbar Talakvadze (Georgian Traditions Company)	Kvevri Wine Association
Eniseli-Bagrationi	Lagvinari



Company Name	Company Name
Lexo's Ghvino (Cradle of Wine, Alex Wine)	Savino (Goodwine LLC)
Lionidzis Zvari	Schuchmann Wines
Lukasi Winery	Shalauri Wine Cellars
Madavino	Shaloshvili's Wine Cellar
Maisuradze Wines	Shalvino
Manavi Royal Vineyards	Shavnabada Monastery
Manavi Wine Cellar	Shumi
ManDili Wine	Stori Marani
Marani Khetsuriani Ltd	Tbilvino
Maranuli	Telavi Wine Cellar (Marani)
Marniskari	Teliani Valley: A large diversified producer. Production is about 3 million bottles divided 30% domestic, 70% exports, 30% semi-sweet wines for the traditional markets, 70% dry wines, and 90% conventional wines with 10% made in <i>qvevri</i> .
Mildiani	Temur Sharashenidze's Wine Cellar
Monastris Nobati	Tibaneli
Mtevani	Tiflisi Marani
Mukado Wines	Tigishvili Wine Company
Nagdi Marani	Tsereteli Wine & Spirits
Naotari Wines	Tsikhelashvili Wine Cellar
Natenadze's Wine Cellar	Twins Wine House
Nika	Usakhelouri of Khomli
Nikoladzeebis Marani	Usakhelauri Vineyards
Nikolashvili Bioproduct	V&D Usakhelouri Cellar
Okami	Vaja Getiashvili
Orgo / Teleda	Vaziani
Orovela (Chandrebi Ltd)	Vazi+ Binekhi
Palavani	Vino Martville
Petriaant Marani Wine Cellar	Vita Vinea
Pheasant's Tears	West Wines Ltd (Tamakoni)
Qimerioni LLC	Wine House Gurjaani
Rachuli Wine (Chrebalo)	Wine Man
Rostomaant Marani	Winery Khareba
Rioni Valley Vineyards	Winiveria
Royal Khvanchkara / Vazisubani Estate (GWH)	Zearis
Saqartvelos Marani	
Sagvareulo Marani	
Sarajishvili	
Savane Winery N1	



1.6 STOCK STATUS

Accurate and reliable official or industry information about wine stocks is not publicly available. The research did however pick up on a fact that many Georgian farmers are struggling to sell their surplus grapes to wineries and yet new wineries are planting their own vineyards, an indication that the current grape output of smallholders is not meeting the needs and standards of export focused wineries. More investment is needed if Georgia's exportable surplus of wine is to expand substantially is similar to the situation faced by all the New World countries that chose to rapidly expand their wine exports over the past 20 years. Government still requires commercial wineries to pay growers a high minimum wine grape price, and competing with them by also buying grapes (often early in the season) and processing them in a purpose-built state-owned winery (Gruzvinprom) for eventually exporting low-priced wine in bulk or bottles, or converting the surplus to industrial alcohol, thereby undermining the private sector's efforts to develop premium markets abroad. Such a program provides a disincentive for inferior growers to raise the quality of their product to a level acceptable to commercial wineries. If the resulting accumulation of low-quality wine is then exported in bulk, there is the risk that it will be bottled and sold as Wine of Georgia, and thus diminish the reputation of bottled wine exported directly by Georgia's commercial wineries (Anderson, 2013).^{xv}

1.7 DOMESTIC CONSUMPTION

According to the National Statistics Office of

Georgia, GeoState, household bodies consumed 80,000 tons of wine in 2013, down 6.8% year on year. In 2013 annual wine consumption per household unit marked 78.1 liters and 21.7 liters/capita (17 liters/capita in 2009). The figures are down compared to the 2012 indicators. Wine is thus a substantial item of domestic household spending on food, beverages and tobacco, which in 2010 accounted for 46% and 39% of Georgian rural and urban household expenditure, respectively.^{xvi}

Currency fluctuations have made consumers more cautious about spending and reduced the demand for less traditional wines. Many consumers refused to pay for types of wine which are not considered essential for traditional parties.^{xvii} Georgia has (with Moldova) the lowest national income per capita of the countries in the region bordering the Black and Caspian seas, and has one of the region's most skewed distributions of income and the largest proportion of households in poverty.

1.8 EXPORTS

At present, Georgia's five largest export markets are Russia, Ukraine, China, Kazakhstan and Poland (1.3 million bottles in 2015) although there have been substantial sales increases (albeit from a low base) to Germany, the UK, and Canada earning foreign currency from wine and brandy sales. So far in 2016 Georgia earned about US\$78.8 million from exporting alcoholic beverages, while in the same period of 2015 Georgia generated only US\$58.3 million. Table 8 indicates Georgia's wine exports in 2015.



Table 7: Georgia's wine exports ranked per importing country: 2015

Exporters	Imported value 2015 (US\$ thousand)	Trade balance 2015 (US\$ thousand)	Share in Georgia's Imports (%)	Imported quantity 2015	Quantity unit	Unit value (US\$/unit)	Ranking of partner countries in world exports	Tariff (estimated) applied by Georgia (%)
World	95,796	93,859	100	27,160	Tons	3,527	0	
Russian Federation	43,348	43,169	45.3	13,471	Tons	3,218	-6	0
Kazakhstan	14,442	14,442	15.1	3,622	Tons	3,987	2	0
China	8,652	8,647	9	2,000	Tons	4,326	7	14.7
Ukraine	7,876	7,848	8.2	2,696	Tons	2,921	-13	0
Poland	3,827	3,820	4	1,222	Tons	3,132	2	2.3
Belarus	3,185	3,185	3.3	1,000	Tons	3,185	-2	0
Latvia	2,773	2,765	2.9	850	Tons	3,262	16	2.3
Lithuania	1,409	1,365	1.5	454	Tons	3,104	4	2.3
Netherlands	1,221	1,142	1.3	60	Tons	20,350	1	2.3
Estonia	1,187	1,187	1.2	379	Tons	3,132	0	2.3
US	1,041	1,041	1.1	198	Tons	5,258	3	1.4
Germany	857	853	0.9	224	Tons	3,826	-3	2.3
Kyrgyzstan	823	823	0.9	177	Tons	4,650	2	0
Azerbaijan	748	748	0.8	127	Tons	5,890	-9	0
Canada	719	703	0.8	119	Tons	6,042	-1	0
UK	656	623	0.7	62	Tons	10,581	-4	2.3
Japan	618	618	0.6	104	Tons	5,942	3	14.5
Australia	333	333	0.3	24	Tons	13,875	1	5

ITC calculations based on UN COMTRADE statistics

In the first half of 2016, exports of Georgian wine to the following countries increased markedly:

Table 8: Exports of Georgian wine to select markets

Country	% increase	Volume (bottles)
China	148	1,884,665
Belarus	96	462,547
Kirgistan	89	149,666
Ukraine	82	2,286,977
Estonia	64	331,884
Russia	56	10,198,085
Germany	55	166,636
UK	43	58,366
Poland	34	1,070,454
Lithuania	31	260,064
Canada	16	96,300



In the same period Georgia saw a 47% increase in brandy exports worth \$8.5 million.^{xxviii} Russia still accounted for 64% of total exports. The trade embargo imposed in 2006 by Russia, which was by far its largest export market led to an urgent realisation that Georgian wine should be exported to traditional as well as new markets.^{xx} The Russian ban was lifted in 2013, helping Georgia's wine exports.

Among the new markets is the US (210,000 bottles in 2015) and China.^{xx} Georgian wine is also increasingly finding a following in Europe. Indeed, Europe took 15% of Georgia's total wine exports in 2015. An increase in European sales is aided by the DCFTA that removes tariffs on a wide range of goods and services, including wine. Under the association agreement the EU will also support the modernization of Georgia's agricultural sector, which should in turn lead to modernization and further commercialization of its wine industry. The EU Association Agreement aims to deepen political and economic relations between the EU and Georgia, also through the creation of a Deep and Comprehensive Free Trade Area (DCFTA). By removing customs tariffs and quotas and by comprehensively approximating trade-related laws and regulations to the standards of the EU, the

Agreement offers Georgia a framework for boosting trade and economic growth. This will enhance Georgia's integration with the EU single market.^{xxi}

The rising middle class in Asia is a significant market especially China. Georgia's wine producers such as Tbilvino, Teliani Valley and Schumann Wines will continue to push for bigger sales also in other new markets including India and South Korea. In 2014 China consumed 144 million cases of wine, a 69% rise since 2009. Georgia exported nearly 1.2 million bottles of wine to the Chinese market in 2014, which was 34% more than the previous year. A day after China and Georgia announced they will sign a free trade agreement later in 2016, Georgia's agriculture minister said the two countries' wine industries will quickly be big beneficiaries. The tariff on wine imports in China is 48.5%, but after the FTA goes into effect, it will be zero. Georgia's target is to sell 20 million bottles annually over the next five years into China.^{xxii}

^{xxiii} Georgia's geographical position is an enhancing factor.

1.9 IMPORTS

Most of the wine imported by Georgia is produced in France, Italy and the Czech Republic (see table 9).



Table 9: Georgia's wine imports ranked per exporting country: 2015

Exporters	Imported value 2015 (US\$ thousand)	Trade balance 2015 (US\$ thousand)	Share in Georgia's Imports (%)	Imported quantity 2015	Quantity unit	Unit value (US\$/unit)	Ranking of partner countries in world exports	Tariff (estimated) applied by Georgia (%)
World	1,937	93,859	100	175	Tons	11,069		
France	1,095	-937	56.5	40	Tons	27,375	1	0
Italy	212	-161	10.9	26	Tons	8,154	2	0
Czech Republic	179	-109	9.2	5	Tons	35,800	34	0
Russian Federation	179	43,169	9.2	64	Tons	2,797	52	0
Netherlands	79	1,142	4.1	2	Tons	39,500	16	0
Lithuania	44	1,365	2.3	1	Tons	44,000	20	0
UK	33	623	1.7	1	Tons	33,000	11	0
Ukraine	28	7,848	1.4	8	Tons	3,500	31	0
Armenia	26	116	1.3	19	Tons	1,368	63	0
Canada	16	703	0.8	3	Tons	5,333	26	12.3
Switzerland	14	-7	0.7	1	Tons	14,000	21	12.3
Latvia	8	2,765	0.4	0	Tons		27	0
Poland	7	3,820	0.4	1	Tons	7,000	54	0
Spain	6	1	0.3	1	Tons	6,000	3	0
China	5	8,647	0.3	0	Tons		15	12.3
Germany	4	853	0.2	1	Tons	4,000	8	0
Israel	1	218	0.1	0	Tons		32	12.3
Argentina							10	12.3
Chile							4	12.3
New Zealand							7	12.3
Portugal							9	0
South Africa							12	12.3

ITC calculations based on UN COMTRADE statistics

All products are required to have labeling and relevant information in the Georgian language. Georgian law requires that the following information be placed on the label of all alcoholic beverages:

- Product name;
- Product class/type;
- Product volume;
- Product alcohol content;
- Manufacturer's Name;
- Lot Number.



1.10 INTERNATIONAL POSITION

In a 2015 ranking Georgia occupied 22nd place in terms of global wine production with 98,800 metric tons. Global production is around 260 million hl. The ranking improved to 19th in 2016 (OIV, 2016). In comparison, table 10 depicts the leading producing countries:^{xxiv}

Table 10: Leading wine producing countries (volume in thousands of hectolitres)

Country	2012	2013	2014	2015 Prov.	2016 Est.
Italy	45,616	54,029	44,229	50,000	48,800
France	41,548	42,134	46,804	47,373	41,900
Spain	31,123	45,308	39,500	36,600	37,800
US	21,650	23,590	23,700	22,140	22,500
Australia	12,259	12,310	11,900	11,900	12,500
China	13,800	11,100	11,100	11,500	11,500
Chile	12,554	12,820	10,500	12,870	10,100
South Africa	10,569	10,982	11,500	11,200	9,100
Georgia	1,100	0,800	1,100	1,700	1,700

Source: OIV, October 2016

1.11 GENETIC MANIPULATION AND BIOTECHNOLOGY

The Republic of Georgia is a young country building up its institutions. The Law of Georgia on Vine and Wine was adopted in 1998 followed one year later by the Law on Appellations of Origin and Geographic Indications. The legislation was based on the Soviet system initially and moved towards the EU laws in time, with similar regulations on viticulture and wine making as well as food standards and labelling.

1.12 PRICES (GRAPES, PACKAGED WINE, BULK WINE, SPIRITS)

The most expensive Georgian wine is “Usakhelauri,” a bottle of which costs from 150 to 170 GEL (about US\$65-75) in 2016. The high price is owed to unique properties and

rarity of the grapevine this ruby-coloured drink is made of. The Usakhelauri species are found in only two or three villages in the Lechkhumi region and industrial production of the semi-sweet wine made from its fruit has resumed only five years ago, after a very long hiatus. A search of the Waitrose website reveals that the Saperavi is a “buyer’s choice” selling for £16.79. The wine is available in selected East Coast markets in the US and sells for \$30-\$35 in shops and perhaps \$100 in restaurants. Georgia’s Chateau Mukhrani and Telavi Wine Cellar are seeing significant investment and obvious commitment to quality.

1.13 TAXES, PRODUCER INCOME AND STATE REVENUE

Excise Tax Rates

- Beer: 0.40 GEL/liter
- Wine: Exempt



- Whisky/Rum/Gin: 5 GEL/liter
- Vodka: 3 GEL/liter
- Liqueurs/Cordials/Brandy: 4.6 GEL/liter

VAT rate

18%, based on customs value + import duties + excise duties. Georgian law requires that tax excise stamps be placed on all alcoholic drinks in the Georgian market.

1.14 FORECASTS

With the expansion of modern grocery retailers and the development of larger local manufacturers, it is anticipated that higher volumes of wine will be consumed in Georgia while a focus grows firmly on developing new export markets especially in Asia.



The higher turn-overs of producers are likely to see a stricter approach to the taxation of wine manufacturers. As a result, the competitive landscape is set to become less fragmented as the market size grows.^{xxv} Despite these maturing signs and regulations, viticulture and winemaking

in Georgia are still uncoordinated. The Vine and Wine Department Samtresti has little influence on the overall sector. The trend towards quality is practised individually and is not yet enforced. Therefore, issues such as excess irrigation and yields as high as eight to 12 tons per hectare in most wine growing

areas are barely monitored. The underlying reason is that though Georgia may be a part of the Old World, its institutions are still young.

Georgia's challenge is to regain value and respect for their wines.^{xxvi} Its strength is a focus on distinctive indigenous grape variety wines made in a clean international style that can compete in global export markets. The idea that Georgia could be successful in global markets with its unique wines is certainly valid despite these markets being highly competitive. Product differentiation is critical and wines need to tell an authentic story of Georgia and its wines. New investment and new players are also required. Perhaps a narrower focus on fewer wine styles to brand would be important. Georgia is a poor nation according to World Bank statistics with a GDP of about US\$3800 and jobs are sorely needed. The way forward is for Georgia to focus on increasing the quality of their conventional wines, create employment in the sector and differentiating by stressing a small number of exciting indigenous grape varieties (perhaps red Saperavi and white Rkatsiteli and various blends) from among the dozens of native Georgia wine grapes.^{xxvii}

Georgia could become a notable competitor if it is able to further improve oenology and viticulture practices, as well as global marketing campaigns.

2. TASMANIA

2.1 BRIEF BACKGROUND

Tasmania is located broadly south-east from Australian. Tasmania is a group of over 300 islands. Tasmania has a mild, temperate maritime climate with four distinct



seasons, making it the ideal location for production of premium food and wine. In summer (December to February) the average maximum temperature is 21°C. In winter (June to August) the average maximum is 12°C and the average minimum is 4°C. It is worth noting that Tasmania's climate is very similar to parts of New Zealand, a new world wine producer with a reputation for premium quality cool-climate wines, particularly Sauvignon blanc.^{xxxviii}

Government Tasmania is a parliamentary democracy governed according to the principles of the Westminster System. Since 1901 Tasmania has been a state of the Commonwealth of Australia. At March 2013, the estimated resident population of Tasmania was 512 900. The capital of Tasmania is the city of Hobart. The greater Hobart area has a population of approximately 216 000 people. Europeans from the British Isles established a penal colony in 1803. During this time the island was called Van Dieman's Land. The transportation of convicts ended in 1853. The island was renamed Tasmania in 1856.

The Tasmanian wine sector is an important and growing contributor to trade and the economy, regional employment, tourism and the overall Tasmanian brand.^{xxxix} Early settlers identified Tasmania as suitable for wine grape production and vineyards were quickly established throughout the state. By 1827 Matthew Broughton, who had a vineyard near Hobart, was advertising, "grape wine made in imitation of champagne" and other still wines from his property. Tasmania's wine industry floundered until the 1950s, when Italian and French immigrants recognised that Tasmania's soils

FAST FACTS

- 1 340 full time equivalent positions
- 160 licensed wine producers
- 200+ vineyards covering close to 1,800 hectares
- Average annual production of 500,000 dozen, less than 1% of national production
- 90 cellar door outlets
- 160 000+ tourists visiting wineries – 15% of all visitors (2014)
- Key varieties – Pinot Noir 41%, Chardonnay 18%, Sauvignon blanc 17%, Pinot Gris 10%, Riesling 8%
- Sparkling wine production – 35% of total production (76% of Chardonnay and 45% of Pinot Noir)
- Sales percentages (approximate) – Tasmanian 40%, mainland Australia 52%, export 8%
- Highest pricing for Pinot Noir, Chardonnay, Riesling and Sauvignon blanc grapes in Australia
- Average bottle value of \$22.36, compared with the national average of \$10.87 per bottle

and climate were similar to the great grape growing regions of their homelands. Tasmania is well-established as one of Australia's finest cool-climate wine producing regions. This is an integral part of the state's tourism sector and makes a significant contribution to the Tasmanian brand. The quality of Tasmanian wine is increasingly being recognised around the world, including through independent endorsements, wine show results and sales, and the Tasmanian wine region is regarded as one of the



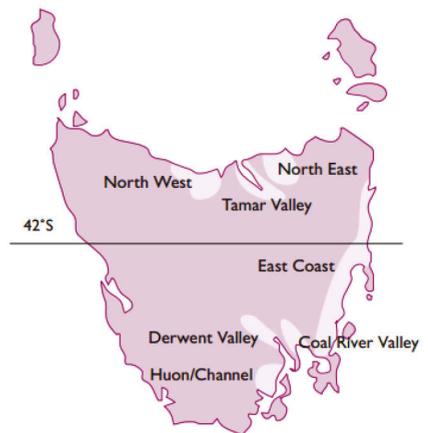
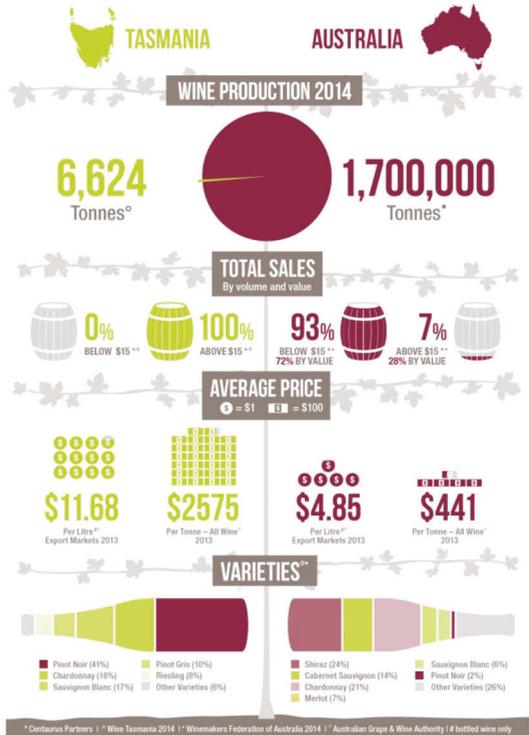
strongest in the country having developed a strong, clear and collaborative position in the wine world, built on quality and value. Contrary to many other Australian wine regions, demand for Tasmanian wine continues to outstrip supply, and strong growth is occurring in the Tasmanian wine sector, including through the attraction of external investment.^{xxx} There are seven distinct growing areas around the state.^{xxxii}

The Tasmanian wine industry directly provides approximately 4,100 full-time equivalent positions. Pinot Noir and Chardonnay have done particularly well in Tasmania, although other early ripening varieties are suitable for planting. Wine Tasmania is the peak body for Tasmanian grape growers and wine producers. Its members represent 98% of total wine production in the state.^{xxxiii}

The industry welcomed 210,000 visitors to its cellar doors annually, 18% of all visitors to Tasmania in 2015.^{xxxiiii} Wine Tasmania is based on voluntary membership, with 95 state-wide producer members and 50 associated member businesses and operates against a clear Strategic Plan, which is available at www.winetasmania.com.au.

2.2 AREA UNDER VINES

With only 1 880 ha under vine, the Tasmanian wine industry still has great potential for growth. The growing global market for cool-climate wines means demand for Tasmanian wine continues to outstrip supply. Over the five years to 2013, average annual production in Tasmania has been approximately 7 800 tonnes.





The state has around 1% of the national vineyard area and produces less than 0.5% of Australia's wine. Tasmania has 160 individual licensed wine producers throughout the state. There are some 230 working vineyards with vineyard growth over the past five years of more than 25%.

The majority of Tasmania's grapes are grown in:

- Tamar Valley, which produces approximately 40%.
- East Coast, which produces approximately 20%.
- North East (Pipers River), which produces approximately 19%.
- Coal River Valley, which produces approximately 13%.

The remaining wine growing areas, including the Derwent Valley, North West and the Huon/Channel, contributed approximately 9% to the total harvest in 2013.^{xxxiv} Of the licensed wine producers, more than 100 producers sell only within Tasmania and are therefore reliant on the tourism market and direct sales to customers

In Tasmania there are approximately:

- 160 licensed wine producers
- 230 individual vineyards
- 90 cellar door outlets
- 1 500 hectares under vine.
- More than 11 000 tonnes of wine grapes were processed in the 2013 vintage. This represents around 0.5% of Australia's total wine grape production

through cellar door, events and markets; a sector that is receiving investment.^{xxxv}

Currently, only 0.06 per cent of the available agricultural land in Tasmania is planted to grapevines. In addition to available land around the state's established wine producing areas, the large-scale irrigation projects currently under development in Tasmania will deliver water to an increased area of the state. Access to water may present opportunities for viticulture in areas of the state not previously considered for such development. The cost of purchasing land in Tasmania is low when compared to other wine producing regions of Australia or New Zealand. While land costs can vary considerably across the state, potentially suitable land can be found from as little as around \$5 000 per hectare.^{xxxvi}

2.3 CULTIVARS

Tasmania is in a unique position where demand for its high-quality Pinot Noir and other premium wines exceeds the current capacity to supply. Furthermore, Tasmanian grapes and wine tend to fetch higher average prices compared to that of other Australian wine producing regions. While mainland Australian producers have faced oversupply issues and a continuing decline in return per litre in export markets since 2007, Tasmanian wine has held a return approximately 2.5 times the Australian average over this period. The majority of Tasmania's vineyards are located near the cities of Launceston in the north and Hobart in the south. Most of the area of Tasmania is well suited for the production of dry, aromatic white wines but the warmer Coal River Valley and Freycinet Peninsula are



starting to distinguish themselves with red wines. Tasmania will continue to build a reputation for premium sparkling wine, Chardonnay and aromatic whites such as Riesling and Pinot Gris. However the goal is to be recognised as the best producer of quality Pinot Noir. Cool climate grape varieties most common in the state are:

- Pinot Noir – 44% (used for both table and sparkling wine): Tasmania is increasingly recognised for producing the highest

quality Pinot Noir in Australia. This is a strong differentiator as it is difficult for other regions in Australia to consistently replicate the quality of Tasmanian Pinot Noir.

- Chardonnay – 23% (used for both table and sparkling wine)
- Sauvignon blanc – 12%
- Pinot Gris – 11%
- Riesling – 5%
- Other: Cabernet Sauvignon, Merlot and Gewürztraminer

Table 11: Area and yield by variety, 2013 vintage

Variety	Ha	Yield (tons)	% of yield
Pinot Noir	623	4950	43.5
Chardonnay	330	2649	23.3
Sauvignon blanc	158	1346	12
Pinot Gris	120	1210	10.6
Riesling	107	585	5.1
Cabernet Sauvignon	46	305	2.7
Merlot	19	95	0.8
Other	135	234	2
Total	1538	11392	

In 2013, about 45% of the Pinot noir tonnage and about 59% of the Chardonnay tonnage (over 30% of yield) was made into sparkling wine.

2.4 CERTIFICATION SYSTEMS

Geographic Indication (GI) is the term for the officially recognised super zones, zones, regions and sub-regions of Australia which have been entered in the Register of Protected Names pursuant to the *Australian Wine and Brandy Corporation Act 1980* (Cth). At its most general, registration is based on state boundaries or an aggregation of states or parts thereof. The broadest is South Eastern Australia, which takes in the whole of

New South Wales, Victoria and Tasmania and those sectors of Queensland and South Australia in which grapes are (or may conceivably be in the future) grown. Next come individual states, designations which need no explanation. Each state is then divided into zones; securing agreement on the names and boundaries of the zones was completed in 1996. The regulations provide that a zone is simply an area of land, without any particular qualifying attributes. The one super zone is Adelaide, which includes the



Mount Lofty Ranges, Fleurieu and Barossa zones.

Each zone can then be subdivided into regions (the vast majority are), and each region into sub regions (of which there are only a few). A region must be a single parcel (or piece) of land, comprising at least five independently owned wine grape vineyards of at least 5ha each, and usually producing a total of at least 500 tons of wine grapes a year. A region is required to be *measurably* different from adjoining regions, and have *measurable* homogeneity in grape growing attributes over its area. A sub region must also be a single parcel of land, comprising at least five independently owned wine grape vineyards of at least 5 ha each, and usually producing at least 500 tonnes of wine grapes annually. However, a sub region is required to be *substantially* different from other parts of the region, and have *substantial* homogeneity in grape growing attributes over the area. As is obvious, the legislation is

vague, and the difference between a region and a sub region is extremely subtle.^{xxxvii}

2.5 PRODUCTION

The growing global demand for key cool climate varieties and styles, such as Pinot Noir, sparkling wine, Chardonnay and Riesling, provides significant opportunity for Tasmania to grow its wine consumer base. Over the past five years, vineyard plantings in Tasmania have grown by more than 25% (about 500 ha) and more is being planted in 2016/17. Tasmania is bucking the national trend in production growth, with the most recent Vineyard Census reporting that overall yield decreased by 11% in the cool and temperate regions of Australia in 2012/13, in contrast to Tasmania's growth of 14% over the same period. In addition to the significant increase in vineyard plantings, expansion by existing wine producers and external investors has included new processing facilities (wineries), packaging/bottling, cellar door, restaurant and tourism infrastructure. Table 12 depicts the yield by growing area.

Table 12: Yield by growing area, 2013

Area	Ha	Yield (tons)	% of yield
Tamar Valley	508	4521	39.7
East Coast	299	2272	19.9
North East	285	2109	18.5
Coal River Valley	245	1470	12.9
Derwent Valley	99	713	6.3
North West	21	161	1.4
Huon and Channel	76	144	1.3
Total	1538	11392	100%

Total tonnes and ha have been rounded and are based on data of 200 vineyards, 160 licensed wine producers and 29 wineries.



Tasmania's total wine production represents less than 0.5% of the total national wine grape production, but 10% of the premium wine segment. The average production of Tasmanian wine over the past five years equates to approximately 600 000 cases of Tasmanian wine. Through a combination of increasing vineyard area and stabilising the average yield across Tasmanian vineyards, Wine Tasmania believes the opportunity is to almost triple the availability of Tasmanian wine to 1.5M cases (9 litre equivalents) of Tasmanian wine by 2020, whilst retaining and building on value and quality.^{xxxviii}

Tasmania's cool climate has made Tasmania a good location for the production of sparkling wine with many of Australia's mainland producers having production facilities on the island to make the base *cuvée* that is later transported to the winery's main facility. Even some French Champagne houses have taken notice with companies like Moët et Chandon and Louis Roederer using some Tasmanian grapes for the Australian sparkling wines. Tasmanian Rieslings have begun to gain notice for their closer similarities to a Mosel Riesling than that which is typically produced in Australia. It is not surprising that Tasmania has attracted a number of local, national and international businesses to invest in operations in the state. Major producers include:^{xxxix}

- Bay of Fires Wines Owned by Accolade Wines, recently acquired by Champ Equity, Bay of Fires Wines has a vineyard, winery and cellar door at Pipers River.
- Accolade Wines also owns the premium sparkling wine producer House of Arras which sources fruit from vineyards across Tasmania.

- Brown Brothers of Milawa, Victoria, one of Australia's most recognised and respected wine businesses purchased the Tamar Ridge Estates in 2010. The company now operates over 300 ha of vineyards in Tasmania.
- The Hill-Smith family, owner of fine wine brands Jansz Tasmania and Dalrymple Vineyard, recently increased its investment in Tasmania through the purchase of around 300 ha of land in the Coal River Valley near Hobart.
- Kreglinger Wine Estates encompassing the Kreglinger, Pipers Brook, Ninth Island and Norfolk Rise labels.

2.6 STOCK STATUS

Demand for Tasmanian wine continues to outstrip supply but this combined with small supply means prices are steep. Within the larger context, an oversupply of Australian wine and the impact of the strong Australian dollar have led to a decrease in the per litre value of Australian wine since 2007.

2.7 DOMESTIC CONSUMPTION

In the Australian context, Tasmania has among the lowest figures for estimated adult alcohol consumption, at below 10 litres per year. There is a A\$2.8 billion domestic market for Australian wines, with Australians consuming over 530 million litres annually with a per capita consumption of about 30 litres – 50% white table wine, 35% red table wine. Only 16.6% of wine sold domestically is imported.

Tasmania's total sales value has decreased from A\$3 billion in 2007 to A\$1.94 billion in 2011. Despite this, and consistent with global trends, demand for Pinot Noir and sparkling



wine is increasing in the Australian market. For example, in the Australian retail sector, Pinot Noir represents only 6.3% of all red wine sales, but sales are growing at an impressive 15.4% per annum. Growth rates of this scale have not been seen in the Australian red wine market since the emergence of Cabernet Sauvignon as a popular variety in the late 1970s.

Consumption of cool-climate wine styles at super-premium and ultra-premium prices is growing in the established markets. Sales of other cool-climate wines, such as sparkling wines and Pinot Gris are also trending upwards at super-premium and ultra-premium price points. There is currently a limited supply of cool-climate Pinot Noir from Burgundy, Oregon and New Zealand to meet global demand. The growth of cool climate wine sales, especially Pinot Noir, represents an opportunity for the Tasmanian wine industry in the global marketplace.^{xI} It is also important to note that over 156 100 people visited Tasmanian vineyards/cellar doors over the one year period to September 2013.

Tasmania has strength in sales in the lucrative on-trade channel, where higher margins are attainable. Despite producing 0.5% of Australia's wine, Tasmania has a 6.1% share of Australian wine listings by region through this channel. The participation of wine (and other beverage and food) producers in events and activities such as markets is a key attraction for visitors to Tasmania. Tourism Tasmania research shows that 56% of the people who have been to Tasmania, or are considering travelling to Tasmania in the next 12 months, believe that the state is known for its great food and beverage offerings. A further 41%

indicated that Tasmania was a destination they would travel to specifically for its food and beverage offering (just behind Victoria). This was particularly evident in the 25 to 39 year age group. The majority of the 160 licensed wine producers only sell their wine within Tasmania, with a priority focus on regional cellar door and wine tourism.

2.8 EXPORTS

Total exports of Tasmanian wine by value in 2012/13 were A\$2.12m. Additionally, a further A\$0.33m of Tasmanian wine blended with wine from other Australian regions was exported in 2012-13. The average export price per litre of Tasmanian wine in 2012-13 was A\$12.01 compared to the national average for bottled wine of A\$4.72 per litre. In order, the top five export markets by value for Tasmanian wine in 2012-13 were (in order of size) UK, China, Canada, Japan and Finland. Exports of Tasmanian wine to China have been growing strongly. Just 0.1% of Tasmania's wine is exported.

2.9 IMPORTS

Tasmanian wine imports are averaged into the Australian wine trade figures.

2.10 INTERNATIONAL POSITION

Of Australia's more than 60 designated wine regions, Tasmania is the 5th most listed region and listings of Tasmanian wines are growing faster than any other state of Australia and every country except New Zealand.^{xII} In the larger context, Australia is the 5th largest wine producing country globally after Italy, France, Spain and the US with an estimated 2016 production of 12.5 million hl (OIV, 2016).



It relies primarily on the wine export market. Since the US dollar has weakened, Australia is expanding their wine marketing in Hong Kong and Asia.

2.11 GENETIC MANIPULATION AND BIOTECHNOLOGY

As an island state, Tasmania has a clear biosecurity advantage. Tasmania’s biosecurity system is at the core of the Tasmanian brand, as its natural environmental values and quality produce rely upon the state’s relative freedom from pests, diseases and weeds. Integrated pest management systems are commonly implemented by Tasmanian viticulturists. This ensures effective spray regimes, with applications kept to a minimum. Tasmania is free from grape vine phylloxera.^{xiii}

2.12 PRICES (GRAPES, PACKAGED WINE, BULK WINE, SPIRITS)

With demand outstripping supply wine prices are steep. All Tasmanian wine produced is in

the super-premium or ultra-premium wine categories, prices for both Tasmanian grapes and wine are some of the highest nationally. The average retail price of a bottle of table wine in the Woolworths group [supermarket chain] is A\$10.24, and the average price of a bottle of Tasmanian wine in the group A\$20.91. Units of Tasmanian wine represent 0.9% of Woolworths stocks, but in value they represents 1.9%. It is possible that prices can come down as production becomes more centralized. Within the larger context, an oversupply of Australian wine and the impact of the strong Australian dollar have led to a decrease in the per litre value of Australian wine since 2007. Tasmanian grapes attract a premium price in the market. The average purchase price paid per tonne of Tasmanian grapes in 2013 was A\$2,393. The national average purchase price is just A\$499 per tonne. The table below compares the prices paid per tonne in 2013 for specific varieties from a number of Australian wine regions. As can be seen, Tasmanian grapes attract significantly high prices.

Table 13: Prices per tonne paid for specific varieties (in A\$), 2013

Region	Pinot Noir	Chardonnay	Sauvignon Blanc	Riesling	Pinot Gris
Tasmania	2578	2322	2010	2153	2080
Mornington Peninsula (Victoria, Aus)	2703	2263			2362
Yarra Valley (Victoria, Aus)	1979	1660	1304		1353
Adelaide Hills (South Aus)	1526	1286	1070	780	1282

By volume, approximately 40% of Tasmania’s wine is sold within Tasmania, 50% on the Australian mainland and 10% in export markets. The domestic market is therefore crucial to Tasmanian wine producers and this reinforces the industry’s close linkage with

tourism. Pinot Noir listings represent 18.4 % of all red wine listings, and the variety is Australia’s second-most listed red wine after Shiraz. Tasmania is the most listed Pinot Noir producing region in Australia and the average price for the Tasmanian product in this channel



is A\$58.32 per bottle. Tasmanian sparkling wines also have a strong presence on wine lists, consolidating the state's reputation as a premium sparkling winemaking location.

2.13 TAXES, PRODUCER INCOME AND STATE REVENUE

Tasmania has a value-based system of taxation on wine, together with the rebate, and only in conjunction with the rebate. Within Tasmania, the Wine Equalisation Tax (WET) rebate is being utilised as was originally intended to support small wine producers / cellar doors making a significant contribution to Australia's regional communities. Industry body Wine Tasmania believes increasing net taxes paid by Tasmanian wine producers would severely impact on this developing high quality and value sector, which is increasing being recognised around the world. It says there is an opportunity to reform the rebate in line with its original intent, removing the rebate from bulk, unpackaged, unbranded and private label wine and foreign producers.^{xliii}

With all of Tasmania's wine in the small category of Australian wine retailing above the equivalent of A\$15 per bottle (7% of national volume but generating 28% of value), the state's wine producers are taxed very highly. However, the WET rebate is being applied in line with its original intent in Tasmania recognising and support small wine producers contributing to regional economies. Moving from the current value-based system on wine and / or removing the WET rebate would increase net taxes paid by the state's wine producers. This would significantly impact on this emerging high value and quality wine

region, which is increasingly being recognised and contributing to the Australian wine sector's global reputation.

Whilst the Tasmanian wine sector is in a strong position, Tasmania is an expensive place to grow grapes and make wine. It is difficult for producers to recover these high costs in a highly competitive marketplace, where there is constant pressure on pricing.^{xliiv}

2.14 FORECASTS

The Tasmanian Government has identified the wine industry as a priority sector with excellent growth prospects. The government works with potential investors to secure value-adding investment for the wine industry. Tasmania has clear potential to become the most productive and distinctive cool-climate wine producing region in Australia. The Drinks Business, named Tasmania as one of the top two wine investment locations in the world. Indeed, due to its single GI, the Tasmania wine industry has chosen to work with the strengths of the total geographical position as its 'regional hero' brand message. The focus is on marketing the whole state, avoiding any fragmenting of its marketing, such as subsets of smaller wine regions or valleys. This means Tasmania's wine is marketed with a single, powerful and cohesive message. The Tasmanian wine industry's strong and sustainable growth is set to continue with recent investments and awards confirming the state's position as a premium cool-climate wine region.

3. UNITED KINGDOM

3.1 BRIEF BACKGROUND

It is generally agreed that the Romans introduced the vine to Britain. It has also been



inferred that the climate in Britain at that time was warmer. The Middle Ages saw a gradual decline in English viticulture. Why it did not really become a viable alternative to other crops, as it did in other countries where monastic viticulture was common, is open to debate, but commercial and practical considerations probably played a major role. Towards the end of the 600 year period to the 20th century, there are records of some vineyards in the 17th century. However, the true revival had to wait for the arrival of pioneers who wanted to disprove the theory that wine could not be made from grapes grown outside in the UK climate. A combination of new varieties, more suitable growing techniques, better disease control and an acceptance by the public of the style of wines that those varieties produced, were the key elements in that revival. There are 3 individuals who, in their own ways, brought about the start of the revival which lead to the planting, in 1951, of the first commercial vineyard of modern times at Hambledon in Hampshire. They were Ray Barrington Brock, Edward Hyams and George Ordish. Brock must be considered as one of the founding fathers – if not the founding father – of the revival in wine production in the British Isles. The real expansion of the vineyard area and the establishment of both sizeable vineyards and wineries started in earnest in the late 1960s and early 1970s. The years between 1976 and 1995 saw a large number of vineyards planted.

The UK wine industry is now modernizing and producing wines that are competitive in both style and price. One growth area is tourism and vineyards are opening their doors to

visitors, introducing appropriate facilities, allowing visitors to see how wine is grown and made, and buy direct. A ‘Taste England’ campaign, encouraging the tourist trade and visitors to explore England’s regional food and drink was introduced and in 2016 the English Wine Trail was launched.^{xiv} At present, the UK is one of the smaller wine producers in the EU, but one of the largest importers in the world.

There are several main UK wine industry bodies, including:

- The Wine and Spirits Trade Association (WSTA) which represents all parts of the wine industry, over 340 companies producing, importing, exporting, transporting and selling wines and spirits in the UK. WSTA members range from major retailers, brand owners and wholesalers to fine wine and spirit specialists, logistics and bottling companies. It campaigns for a “vibrant and sustainable wine and spirit industry, helping to build a future in which alcohol is produced, sold and enjoyed responsibly”.
- UK Vineyards Association (UKVA) is a producer association representing most UK vineyards.
- The Food Standards Agency (FSA) provides advice, enforces EU wine laws in the UK through its Wine Standards Inspectors, and UK vineyards must register with the agency. Inspectors carry out inspection visits to traders, and warehouses.^{xlvi}

UK winemakers offer a range of white, rose and some red wine and have moved towards producing sparkling wine in the traditional method used in Champagne.^{xlvii} In terms of revenue the UK wine industry is for the first



QUICK FACTS

- UK alcohol industry worth £39bn in sales.
- Wine and spirits are worth £9.6 bn in sales on trade and £10.4 bn to the off trade.
- Wine and spirits directly and indirectly support nearly 600 000 jobs.
- In 2014, wine and spirits contributed £15.6 billion to the Treasury (VAT, excise, employment and corporation tax).
- In 2014 wine consumers paid £3.8 billion – 36% of all alcohol duty.
- Spirits consumers paid £3 billion – 29% of all alcohol duty.
- In 2015 there were 502 commercial vineyards registered in England and Wales and 133 registered wine producers.
- In the last 10 years the area of planted vines has more than doubled and is set to grow by a further 50% by 2020.
- Production is set to double to 10 million bottles per year by 2020.
- 55% of the average bottle of wine in shops and supermarkets is accounted for by tax.
- 74% of a bottle of spirits in shops and supermarkets is accounted for by tax.
- Following the freeze in wine duty in the 2015 budget, wine duty income increased on the previous year by £139m (+3.6%) from April 2015 – March 2016 inclusive.
- Following the cut in spirits duty in the 2015 budget, spirits duty income increased on the previous year by £125m (+4.1%) from April 2015 to March 2016 inclusive.

time hitting the £4bn mark in duty revenues for the Exchequer. In 2015 wine and spirits contributed £15.5bn to the Treasury. The industry has faced difficult trading conditions recently with the fall of the pound and the uncertainty of trade post-Brexit although there have also been new opportunism.^{xlviii}

3.2 AREA UNDER VINES

Official figures on vineyard planting and volumes produced have only been in existence since 1989, prior to which submission of data to then The Ministry of Agriculture, Fisheries and Food (MAFF) was

entirely voluntary. Since 1989, however the information is collected annually Department of Food and Rural Affairs (DEFRA) and reflects the trends in the industry. The high point of planting was in 1993 when 1 065 ha was reached. After a decline, the area under vines has increased to around 500 vineyards in England and Wales covering some 1 821 ha and producing sparkling and still wines. The UK wine industry has ambition to grow the area of planted vineyards from 2 000 ha to 3 000 ha by 2020. From 1994, figures exclude vineyards not in active production.



Table 14: Key Facts 2016 (based on 2015 data)

Number of Vineyards:	502
Average Size of Vineyard:	4 Ha
Annual Production (2015):	5.06m bottles
Total Has under vine:	2,000+ Ha
Number of Wineries:	133

Potential quality wines includes PDO and PGI wine

Source: Wine Standards Branch, Food Standards Agency

Table 15: Summary of official statistics from the Wine Standards Branch (Food Standards Agency)

Year	Total Ha	Increase ha	Table Wines		Potential Quality Wines (PDO / PGI)		Total White	Total Red	Total yield in HL	Ha in production	Yield/ha	No of vineyards	Av size of vineyards	No of wineries	Prod bottles (m)
			White	Red	White	Red									
Surveys before 1989 were voluntary and data is therefore not reliable															
'75	196														
'89	876								21,447	652	32.89	442	1.98	147	2.9
'00	857		10,799	1,409	1,950	57	12,749	1,466	14,215	822	17.29	363	2.36	106	1.9
'05	793	32	6,269	1,324	4,158	1,055	10,427	2,379	12,806	722	17.74	350	2.27		1.7
'10	1,324	109	15,684	2,554	8,856	3,252	24,540	5,806	30,346	1095	27.73	404	3.28		4.05
'15	1,956	72	10,300	2,246	21,271	4,159	31,571	6,406	37,977	1,839	20.67	502		133	5.06
5yr Ave			9,576	2,561	13,993	3,711	23,569	6,272	29,841	1,479	16.66				3,972
10yr Ave			9,684	2,211	9,965	2,989	19,668	5,200	24,869	1,132	20.06				3,313

Source: WST, 2016

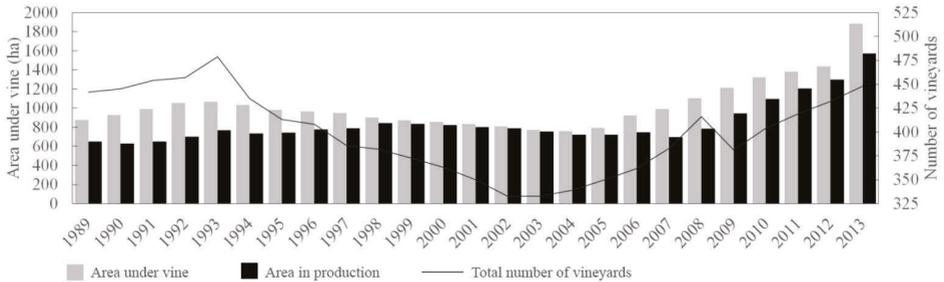
Between 2004 and 2013, the area of land in the UK dedicated to growing wine grew by 148% (see table 16).

Southern England is home to most of the UK's vineyards; Sussex, Kent, Surrey, Berkshire, Hampshire, Wiltshire and the Isle of Wight. The largest single vineyard is Denbies Wine Estate.^{xix}





Table 16: Total area under vine in the UK, area in production and total number of vineyards (1989-2013)



Source: WST, 2016

3.3 CULTIVARS

Since the mid-1990s there has been a marked change in wine styles and types sold in the UK. In the late 1960s and 1970s, when English wines started to appear on the market, the best sellers were Liebfraumilches and other German styles. At present few growers bottle in tall German-style Hock and Mosel bottles, preferring to use the Burgundy and Bordeaux (in green or clear) bottles. Many growers have stopped using the German sounding varietal names such as Müller-Thurgau, Reichensteiner, and Huxelrebe etc. and will now give their wines more descriptive names (Surrey Gold, Stanlake Park).

Bottle-fermented sparkling wines are one of the major growth areas in UK wineries. The quality of the wines and their success in both national and international competitions and

tastings has proven that a quality product can be produced in the UK, and sell at a premium price. About 15% of all wine produced is sparkling, with this figure expecting to rise over the next years, as the popularity of this style continues to increase. Winemakers in the UK have been making oak aged wines since the mid-1980s, using not only oak barrels, the traditional, but costly method of imparting oak flavour to wine, but also by using oak staves and oak chips in the fermentation and storage tanks. Oak is also used quite widely in the maturation of red wines. Also increasing in popularity is rosé. The volumes of red wine produced in the UK is small (an average 10% of total production), and there is a demand for them. Pinot Meunier, Dornfelder and Pinot Noir are current favourites (see table 17 for a list of white and red cultivars in the UK).¹





Table 17: White and Red Cultivars in the UK

White	Red	Top 20 Grape Varieties planted in the UK in order of production
Auxerrois	Dornfelder	Chardonnay
Bacchus	Dunkelfelder	Pinot Noir
Chardonnay	Pinot Meunier	Bacchus
Faberrebe	Pinot Noir	Seyval
Huxelrebe	Regent	Pinot Meunier
Kerner	Rondo	Reichensteiner
Madeleine Angevine	Triomphe	Rondo
Müller-Thurgau		Muller Thurgau
Optima		Madeleine Angevine
Orion		Ortega
Ortega		Schönburger
Phoenix		Fruhburgunder
Pinot Blanc		Regent
Pinot Gris		Phoenix
Regner		
Reichensteiner		
Rivaner		
Schönburger		
Seyval Blanc		
Siegerrebe		
Würzer		

Source: English Wine Producers website, 2016⁵

Table 18 depicts the top three grape varieties planted in the UK in 2015.

Table 18: Top three Grape Varieties Planted in the UK, 2015

Grape Variety	Has	% of Total UK Vine Plantings
Chardonnay	353	23.00%
Pinot Noir	323	22.00%
Bacchus	129	8.00%

Source: English Wine Producers website, 2016⁶

3.4 CERTIFICATION SYSTEMS

In terms of UK Industry Regulations / Legislation and Labelling the following are notable points:

- English or Welsh Wine is made from fresh grapes grown in England (or Wales) and produced in UK wineries.
- British Wine (Made Wine) is the product of imported grapes or grape concentrate that is made into wine in Britain and usually sold at a low retail price. British' wines are not wines as defined by the EU which specifies that wine can only be the product of fermented freshly crushed grapes.



The EU's system of labelling to protect the reputation of regional foods i.e. Protected Designation of Origin (PDO) and Protected Geographical Indication (PGI) status has just been introduced for English and Welsh wines. These wines have passed certain taste and analytical parameters under wine schemes sponsored by the UKVA. The producers must also prove the geographical origins of the grapes: PDO wines comply with more stringent rules on the origin of their grapes than PGI wines. There is a PDO scheme for still and sparkling wines and a PGI scheme for still and sparkling wines. The UKVA is made up of seven Regional Associations and a grouping of the larger producers in the UK. For details of the PDO and PGI wine schemes for England and Wales and a full list of English Wines that have attained PDO/PGI status please see www.ukva.org.uk.

3.5 PRODUCTION

Wine production in England and Wales is increasing from a small base. In 2014, production reached 4.7 million liters (6.3 million bottles) predominantly due to favourable weather conditions in 2014. According to the English Wine Producers organization, there are

470 registered vineyards in England and Wales (22 in Wales and 448 in England), for 135 wineries and 1 884 ha under vine. Since 2007, English vineyard area has more than doubled. Around two thirds of the wine made in England and Wales is sparkling. The two most popular grapes grown in England are the Champagne grapes, Chardonnay and Pinot Noir, followed by Bacchus in third place (see table 19). UK bottling capacity is also increasing and a Harpers report found that four out of every 10 bottles consumed in the market are bottled locally. It is thought that the UK has the potential capacity of bottle 60% of wine market consumption. The UK also produces a small quantity of "made wine", which is made from imported concentrated grape must, mainly from Italy. Currently, the lack of significant production volume in the UK means that it has a negligible effect on market figures (it is less than 1% of total wine market size).ⁱⁱⁱ The UK wine industry aims to increase in production from 5 million bottles per year to up to 10 million bottles by 2020. The industry also aims to access new data on soil types, water resources, and infrastructure networks to identify the best areas of land for production.^{iv}



Table 19: Production of Top 15 Grape Varieties planted in the UK as at August 2014

Variety	Total area in commercial production	% Total production
Chardonnay	353.37	23.06
Pinot Noir	337.25	22.01
Bacchus	128.52	8.39
Seyval	88.31	5.76
Pinot Meunier	76.65	5.00
Reichensteiner	72.35	4.72
Rondo	48.24	3.15
Muller Thurgau	45.94	3.00
Madeleine Angevine	39.34	2.57
Ortega	35.48	2.32
Schönburger	27.83	1.82
Fruhburgunder	26.89	1.75
Regent	26.80	1.75
Phoenix	24.80	1.62
Solaris	24.25	1.58
Total of top 15 plantings	1 356.02	88.49
Other varieties	176.33	11.51
Total ha	1 532	
Top 20	1 447.55	94.40
Others	84.79	5.60

Source: English Wine Producers website, 2016^y

3.6 STOCK STATUS

Each month, Her Majesty's Customs and Excise (HMRC) publishes an alcohol duties bulletin which shows totals clearances of alcohol in the UK. Clearances represent the total amount of alcohol which is 'released for consumption' or in others alcohol on which tax (UK excise duty) has been paid. The full data is

available from the UK Trade Info website uktradeinfo.com. UK wine yields remain low. In Champagne, yields can be more than 10 000 litres per ha, but in the UK, it is around 2 100 on average mainly due to climatic factors.

3.7 DOMESTIC CONSUMPTION

In 2014, the UK was the 6th largest wine consuming country in the world in 2014 after



the US, France, Italy, Germany and China. The International Wine & Spirit Research (IWSR) predicts that by 2018, the top still wine markets by value will be the US and UK, worth US\$ 33 billion and US\$26 billion respectively. UK total alcohol consumption has declined by 20% in the last ten years (Her Majesty's Customs and Excise data). (In the period 2004 to 2014 it fell from 11.6 of pure alcohol litre/head to 9.4 litres of pure alcohol/head).

VARIETIES

White wine is consumed in slightly greater volume overall than red wine, while rosé continues to be around 10% of the market. Fruit flavoured wine and lower alcohol wine are new style products with growth potential. Balancing the negative effect on consumption of the health agenda, the upturn in the UK economy will encourage consumers to drink wine more frequently, particularly in foodservice channels although high taxes are a deterrent (see table 20). Retail purchases of wine are skewed towards white wine (47% of all sales in 2015). Women in the UK are more likely to drink wine than men. Red wine accounted for

42% and Rosé 11%. Sauvignon blanc and Pinot Grigio are the white wine varieties that demonstrated the most growth. Aromatic whites such as Albariño, Grüner Veltliner and Riesling are also widening their appeal. Merlot, Shiraz and Tempranillo are increasingly popular reds followed by Malbec while Cabernet Sauvignon is the third largest red variety consumed behind Merlot and Shiraz. Rosé volume and value has experienced decline in the last two years. New fruit-flavoured wines are seen as direct competitors to still rosé wine (particularly for women aged between 18 and 34) and this could further intensify the decline of still rosé wine. Sweet wines are increasing in prominence from all over the world including France (Sauternes, Barsac and Beaumes de Venise), Germany (Eiswein), Canada (Ice Wine), Australia (Muscat) and Hungary (Tokaj) as well as South Africa, Chile and Spain. Most sweet wines, such as Muscat or Moscatelle, are sold in the UK as dessert wine and many are now available in half bottles or half liters. However, many consumers are not familiar either with the wines or their usage, even though most supermarkets and specialists stock one or two.

Table 20: Most popular drinks in the UK

Off trade (home)	On trade (pub)	On trade (restaurant)
Red wine	Lager	White wine
White wine	Cider	Red wine
Lager	Ale	Lager
£10.4 billion in sales to the off trade	£9.6 billion in sales to the on trade	
	120,000 bars, pubs, restaurants & hotels	
	Wine £3.9 billion – 17.2% Spirits £5.3 billion – 23% RTDs £330 million – 2.4%	
	Wine and spirits are worth 35.5% of all sales in UK pubs; £5.4 to UK pubs	

Source: WSTA, 2015^m



TASTE TRENDS

In the UK, wine drinking is no longer just for connoisseurs. A recent survey by the Wine & Spirit Trade Association (WSTA) shows it is now the preferred alcoholic drink for 60% of UK adults, compared to all other alcohol products. The UK has over 30 million regular wine consumers across all regions, ages and social classes.^{lvii} Health concerns are the main driver, along with changing lifestyles and demographics. While UK consumers may be trading up in their purchases, much of the increased expenditure is increased tax in the form of excise duty. Top red varietals are Merlot, Shiraz, Cabernet Sauvignon, Zinfandel, and Pinot Noir and the top white varietals are Chardonnay, Pinot Grigio, Sauvignon blanc, Chenin blanc, and Semillon.

CHANNEL

The majority of UK wine sales (over 80%) are through retail outlets. The remaining sales take place in bars, restaurants, hotels and other foodservice venues. Although the volume of UK still wine bought from retail stores is declining (it fell 1% from 2014 to 2015), the value of the market remains broadly stable. Over the same time period, the foodservice market was steady in volume terms and increased 2% by value.^{lviii} With changing consumer demand there is a marked change in the drinks mix of premises that are opening. Half of the drinks sold in new pubs, bars and restaurants are wine and spirits.^{lix}

Sparkling wine is bucking the downward trend with an increase of 27% in the year to December 2015. Market growth for sparkling wine is coming particularly from consumers under the age of 35. After the financial crisis of

A UK tabloid published results of a 2016 survey (of 2 000 customers) by trade magazine *The Grocer*. The findings were interesting.

- English wine is now rated as better quality than Spanish, South African and New Zealand wine by UK wine lovers trailing behind France, Australia and Italy.
- More than half of Brits have never even tried an English wine and many have no intention of doing so.
- Those aged 25-44 years old are most receptive to English wine but older consumers are less likely to switch from their traditional favourites and younger ones find the UK versions too expensive.
- French wine is still seen as the best in the world by 36% of supporters, followed by 15% choosing Italian, possibly as a result of the boom in prosecco consumption.

2008, Italian Prosecco became the celebratory drink of choice for many consumers as Champagne seemed unaffordable for many. Although the volume of UK still wine consumption bought from retail stores is declining (it fell 1% from 2014 to 2015), the value of the market remains broadly stable. This is due to the growth in volume of higher price band wine. UK consumers are increasingly looking for value for money at grocery stores and are generally price-sensitive when it comes to wine, particularly those who shop for wine in supermarkets as consumers will often only trade up to mid-priced/premium brands when



the brand is heavily discounted. Price-marked packs (PMPs) are a new marketing strategy that is increasingly employed. Private label is important in wine. The major suppliers to the UK wine retail market: Australia, Italy and US together account for nearly 50% of volume and value sales.^{ix}

The retail sector has been disrupted by the growth of non-traditional grocery stores such as discount chains Aldi and Lidl. Cash-conscious consumers are their main customers but their success is also down to main-stream consumers seeking value on their purchases. In addition, there has been an increase in trade through independent wine merchants. More UK consumers are turning to top-end retailers for special occasion shopping and a desire for quality. This polarization within the retail sector has led to a squeeze on market share held by supermarket chains such as Tesco, Sainsbury's and Asda (Walmart). As result there have been radical reductions in the number of wine product listings in-store. In fact, as an industry, there continues to be wide-spread company consolidation and rationalisation across the supply chain.

Food-led occasions at which to serve alcohol have become increasingly important to the foodservice sector. Casual dining venues are now 60% of the market versus 40% in 2002. Since casual dining means shorter 'dwell' time, wine ranges available 'by the glass' are becoming increasingly important. Carafes are also becoming more common-place again in restaurants. As traditional mealtimes become less significant, health-conscious consumers are less inclined to drink with a late lunch than they would be with dinner. Traditional

beverage-led venues such as public houses (pubs/bars) and clubs are in decline. Those venues that are thriving are increasingly specialised destinations such as innovative cocktail lounges, new wave wine bars or pubs with a high quality range of craft beers. The latter is a rival product for traditional wine consumers as innovative new product development aims to entice the female consumer to experiment with beer. The foodservice sector is dominated by French and Italian wine followed by Australia, US, Chile, and Spain. White is an even more dominant choice in foodservice than in retail, with 53% share in the year to October 2015, 37% sold is red wine and 10% rosé.

Online sales of wine are in increasing, led by outlets such as Majestic, Virgin Wines and many of the major supermarket chains.

GROWTH

It seems the high tax is inhibiting growth in sales and the industry calls for a decrease in taxes. However, tax paid on the wine sold in the UK is currently at a record high. UK consumers currently pay nearly 60% taxes on an average priced bottle of wine and have not had a tax cut since 1984. The UK has one of the most punitive excise duty regimes in the EU. This forms part of the government's strategy to reduce alcohol consumption per capita.

3.8 EXPORTS

Vineyards are enjoying a boom in wine exports after Britain voted to leave the EU. Wines have since become cheaper for those in Asia, the US, and the EU to buy from the UK. And the UK is targeting a tenfold sparkling wine export



growth by 2020 from 250 000 bottles to 2.5 million bottles. In terms of value, this would be an export increase from £3.2 million to over £30 million by 2020. The new wine targets set by the UK wine industry and supported by the government's Great British Food Unit, launched in 2016, aims to accelerate exports, boost inward investment and support emerging British companies to export overseas. The government also pledged to help producers identify an additional 30 351 ha across the country suitable for sparkling wine production by making available new data on soil types, water resources, and infrastructure networks to ensure the future sustainability of the industry. The UK aims to become a leading vintner in the world to bring innovative new

brands and unique flavours to market. In the EU, total wine exports reached £168 million in 2015, with growing markets in Portugal, Spain and the Czech Republic. Demand for UK sparkling wine is growing (brands Ridgeview, Chapel Down and Bolney wine). The UK wine industry anticipates exports to increase from what is currently 5% of production to represent up to 25%, with an estimated value of £30m by 2020. Since 2010, the Government has opened over 600 new markets across the world, helping to support over 4 000 food and drink businesses sell their produce abroad. As at 2015, Hong Kong is still the largest importer of UK wine (China) followed by France, the US and the Netherlands (which contains a re-export component) (see table 20).





Table 20: Top ten export markets for UK wine, 2015

Importer	Exported value 2015 (US\$ thousand)	Trade balance 2015 (US\$ thousand)	Exported quantity 2015	Quantity unit	Unit value (US\$/unit)	Exported growth in value between 2011-2015 (% , pa)	Exported growth in quantity between 2011-2015 (% , pa)	Exported growth in value between 2014-2015 (% , pa)	Total import growth in value of partner countries between 2011-2015 (% , pa)
World	673,141	-3,864,292	108,105	Tons	6,227	-6	-2	-11	0
Hong Kong	253,563	253,053	1,565	Tons	162,021	-12	-54	0	2
France	72,488	-1,438,022	31,125	Tons	2,329	-4	38	-28	2
US	57,607	-177,770	651	Tons	88,490	34	10	14	3
Netherlands	46,388	31,113	17,432	Tons	2,661	-5	22	-16	1
Ireland	34,155	29,558	10,563	Tons	3,233	-10	-10	-21	-3
Singapore	24,337	24,062	252	Tons	96,575	4	10	-6	5
Denmark	23,917	12,747	10,467	Tons	2,285	-4	12	-15	-1
Sweden	15,619	14,413	6,876	Tons	2,272	-3	53	-12	1
Macao, China	15,576	15,576	65	Tons	239,631	6	0	-14	-15
Germany	14,134	-173,412	4,253	Tons	3,323	-8	-6	-2	-3

Sources: ITC calculations

3.9 IMPORTS

The UK is a key market for the global wine trade, particularly in terms of sales value. International Wine & Spirit Research (IWSR) predicts that by 2018, the top still wine markets by value will be the US and UK, worth US\$33 billion and US\$26 billion respectively. As still light grape wine is not produced extensively in the UK from domestic grapes, the country relies on imports to fulfil demand. Australia, Italy, France, South Africa and the US are some of the key source countries for

wine imports to the UK. With still light grape wine very rarely being sold during its year of production as the taste of wine will usually improve with maturity, the volume of wine imports in any given year do not necessarily reflect what was sold to consumers during the same year. It is reported that as much as 85% of all Australian still wine imported into the UK arrives in bulk for bottling locally. This situation is being repeated across the EU so it is now impossible to track the exact origin of wine traded in the UK through trade statistics.



Table 21: Top ten wine exporters to UK, 2015

Exporter	Imported value 2015 (US\$ thousand)	Trade balance 2015 (US\$ thousand)	Imported quantity 2015	Quantity unit	Unit value (US\$/unit)	Imported growth in value between 2011-2015 (% , pa.)	Imported growth in quantity between 2011-2015 (% , pa)	Imported growth in value between 2014-2015 (% , pa	Total export growth in value of partner countries between 2011-2015 (% , pa)
World	4,537,433	-3,864,292	1,483,418	Tons	3,059	-4	-2	-10	0
France	1,510,510	-1,438,022	237,982	Tons	6,347	-5	2	-13	-1
Italy	882,853	-880,343	315,731	Tons	2,796	7	9	-6	1
Spain	363,627	-355,401	157,904	Tons	2,303	-2	-1	-12	-1
Australia	351,135	-347,281	245,195	Tons	1,432	-16	-11	-16	-5
New Zealand	308,820	-308,214	59,360	Tons	5,202	-1	-6	-4	5
Chile	266,322	-266,263	106,968	Tons	2,490	-6	-3	-7	2
US	235,377	-177,770	109,419	Tons	2,151	-8	-14	0	3
Germany	187,546	-173,412	72,053	Tons	2,603	-1	11	-21	-4
South Africa	147,449	-146,089	105,512	Tons	1,397	-5	0	-16	-4
Argentina	94,161	-94,061	28,305	Tons	3,327	11	13	23	-2

Sources: ITC calculations





3.10 INTERNATIONAL POSITION

The UK wine market is the 6th largest wine market in the world; still small on an international scale being similar to the size of wine production in places like Tasmania. However, what is interesting in the UK is the significant boom since 2005. In terms of production the UK does not feature on global rankings as yet. By way of comparisons, Hungary in 20th place globally produced around 2,7 million hl in 2016 (OIV, 2016).

3.11 GENETIC MANIPULATION AND BIOTECHNOLOGY

The UK government is not fundamentally opposed to cultivating genetically modified crops, but it has opted for a cautious approach. It has therefore restricted commercial production of biotech crops until coexistence rules with traditional crops are in place. In the meantime, however, the UK has been the site for the world's largest ever field study on GMOs.^{lxii} Sales of organic wine in the UK have grown across the independent on and

off-trade in the UK. Interest is growing in no-sulphur added organic wines, as well as organic spirits and beers.^{lxiii}

3.12 TAXES AND PRICES (GRAPES, PACKAGED WINE, BULK WINE, SPIRITS)

Alcohol Duty is a tax that is charged on alcohol produced or processed in the UK, or brought into the UK for consumption. All alcohol is subject to the standard rate of VAT at 20%. Excise duties are charged at different rates according to the type of alcohol. Duties on beer and wine are calculated according to their strengths (measured as Alcohol by Volume – ABV) (see table 23) and whether they are still or sparkling. Duty on spirits is calculated per litre of pure alcohol. The four alcohol duties are:

- Wine of fresh grape
- Made Wine
- Spirits
- Beer and Cider

Table 22: UK Excise duty: Rates per bottle from 20 March 2016 (excluding VAT @ 20%)

Wine	£2.08 per 75cl
Sparkling Wine Exceeding 5.5% but not exceeding 8.5% ABV	£2.02 per 75cl
Sparkling Wine Exceeding 8.5% but not exceeding 15% ABV	£2.67 per 75cl
Fortified Wines	£2.78 per 75cl
Spirits (37.5% ABV)	£7.26 per 70cl
Spirit based RTDs (5.5%)	£0.42 per 27.5cl
Cider/Perry (up to 7.5%)	£0.22 per pint
Beer (4%)	£0.42 per pint

Figures are approximate due to rounding up – from 20.03.2016.



Table 23: UK Excise duty: Rates per 100 litres (HL) from 20 March 2016^{lxiii}

Wine	£277.84 per HL
Sparkling Wine Exceeding 5.5%, not exceeding 8.5% ABV	£268.99 per HL
Sparkling Wine Exceeding 8.5%, not exceeding 15% ABV	£355.87 per HL
Fortified Wines Exceeding 15%, not exceeding 22% ABV	£370.41 per HL
Spirits and spirit-based RTDs	£27.66 for every 1% of strength per HL
Cider/Perry Up to 7.5% ABV	£38.87 per HL
Beer	£18.37 for every 1% of strength per HL

VAT is charged on the total of the value of the goods plus all payable duties (i.e. excise duty and also customs duty if the latter is payable). For example, if a 750ml bottle of wine is imported from another EU member state at £5.00, the VAT will be calculated as follows: $20\% \times (\pounds 5.00 + \pounds 2.00) = \pounds 1.40$.^{lxiv}

Duty is payable once the alcohol product is released for consumption onto the UK market. Manufactures must pay any duty in the month following the accounting period when the liability occurred, which is usually the previous calendar month. Therefore, there is a one month lag between the end of the accounting

Current UK duty tax

£2.05 on a 750 ml bottle of wine +VAT

£7.75 on a 700ml bottle of spirits + VAT

period and the cash being received. The UK's Wine & Spirit Association (WSA) research reports that cross-border wine sales have risen steadily and may account for as much as 15 to 20% of the total UK wine market. UK consumer cross-channel purchases are very often event-driven, as the purchasing of large quantities offers the largest saving.





Figure 2: Indicative breakdown assuming average supply costs



Source: Financial Times, 2016^{iv}

Table 24: Wine of Fresh Grapes: Recent Quantities Released For Consumption and Revenue June 2016

Financial Year	Quantities Released for Consumption						Hectolitres	Revenue	
	Not exceeding 15%			Composition by Origin above 5.5% ABV				£ million	
	Still	Sparkling	Over 15% ABV	Imported ex-ship	Ex-warehouse	UK registered premises		Total wine of fresh grape	Total Wine
2011/12	12 061 420	801 695	216 351	4 686 157	8 373 973	19 336	13 079 466	3 356	10 036
2012/13	11 678 439	885 309	227 882	4 663 587	8 111 597	16 447	12 791 631	3 537	10 219
2013/14	11 434 771	944 161	217 683	4 224 201	8 356 140	16 274	12 596 615	3 713	10 455
2014/15	10 922 458	1 144 648	192 977	3 958 761	8 281 022	20 300	12 260 083	3 837	10 489
2015/16	11 236 512	1 434 536	196 673	3 634 225	9 217 759	15 737	12 867 721	3 973	10 686
Calendar Year									
2011	11 843 704	799 538	216 517	4 686 446	8 155 571	17 742	12 859 759	3 306	9 867
2012	11 705 405	872 345	223 867	4 620 328	8 161 814	19 476	12 801 618	3 467	10 201
2013	11 585 699	925 118	227 717	4 351 349	8 371 574	15 611	12 738 533	3 693	10 358
2014	11 243 599	1 117 124	201 323	4 025 953	8 516 735	19 359	12 562 046	3 808	10 557
2015	11 209 744	1 375 241	196 290	3 746 946	9 016 786	17 543	12 781 276	3 951	10 659



3.13 PRODUCER INCOME AND STATE REVENUE

In 2016, the tax bill on wine topped the £4bn mark for the first time.

- Wine duty raised £3.8bn for the exchequer in 2015, having grown at an annual rate of almost 6% since 2001. If trends continue, receipts will hit £5bn by 2019-20.
- British drinkers pay 55% tax on the average bottle. On a cheap bottle of prosecco, as much as 70% will go to HMRC.
- Wine duties in the UK are the second highest in Europe, lower only than in Ireland, and account for two-thirds of all tax collected on wine across the EU.
- Most European countries, including Germany, Italy and Spain, do not levy duty on non-sparkling wine. The French pay 3p tax per bottle. In the UK, duty stands at £2.05 a bottle. With value added tax payable on top, HMRC receives most of the money paid for any bottle sold at less than £6.20. Only 47p of the money spent on a £5 bottle of red or white wine goes on the drink.
- A bottle of red or white retailed at £20 would contain wine worth £7.17. A consumer buying a £10 bottle would spend £2.87 on the actual wine.

- A longstanding “champagne tax” means fizz drinkers pay £2.63 a bottle in duty. Buyers of bottles of sparkling wine costing less than £7.90, such as Proseccos, are spending most of that money on duty and VAT. Tax on a £5 bottle of prosecco amounts to 69% of the price paid.^{lxvi lxvii}

3.14 FORECASTS

Several factors impact on forecasts of the UK wine industry. Besides climate changes, high taxes, BREXIT and health concerns, changing lifestyles and demographics will impact on the production of wine as well as the volume of wine consumed/per capita wine consumption which has been decreasing. Concerning taxes, under discussion are potential tax policies to incentivise lower alcohol products, labeling changes to indicate calories (energy) per 100 grams, units of alcohol per glass or container, and health warnings. UK excise duty rates are already much greater than most EU countries and particularly that of France.

Although the British wine industry appears to be booming as the effects of climate change become more apparent, and the government has recently announced its support for growing production, new research suggests that the future may involve climate variability that could impact negatively on production year on year. Cold snaps, sharp frosts and



downpours still threaten productivity. Varieties such as Chardonnay and Pinot Noir are more susceptible to UK climate variability than traditional varieties. There are plans afoot to double wine production in the UK by 2020 building on the boom in English wine production since 2006. The land used for viticulture has increased by 148% but although climate change is causing a shift in wine production and the UK is warming faster than the global average since 1960, bringing earlier harvests, the wine produced is not of higher quality. The South-East is set to experience more water shortages than the rest of England over the course of the century, and shifting rainfall patterns are expected to see the UK experiencing more rainfall, but in fewer, heavier downpours.

There is also a trend of vineyard owners increasingly favouring sparkling over still wine and planting less classic German grapes on which it built its foundations with a trend towards the more prestigious Chardonnay and Pinot Noir varieties used to make sparkling wine. With supermarkets from Waitrose to Lidl now stocking English sparkling wine, consumer demand for a good, locally-sourced wine is increasing. Health factors are increasingly impacting on consumption patterns. Capitalising on the UK's obsession with health, wines are now available in diet/low-calorie ver-

sions. Low alcohol by volume wines are expected to record slow but steady growth in the next 5 years. There are also an increasing number of organic wines in the UK market. In addition, the Co-op has introduced fair trade wines from Chile. In terms of packaging, many brands are now appearing in single-serve bottles or with screw-tops especially on most entry level wine. There are also a large number of gift packs now available for special occasions. Sales of sparkling wine, fruit wine and port are growing fast although offset by a decline in volume sales for the larger wine categories such as still red wine and still rosé wine. In general terms, the upturn in the UK economy will encourage consumers to drink wine more frequently, particularly in foodservice channels. Public debates on what are appropriate policy levers to address alcohol abuse, as well as hidden calories in food as part of the UK's anti-obesity strategy, are very front and center stage right now. The large numbers of alcohol-related and other dietary health problems manifested in British consumers are putting the UK's National Health Service under strain. The UK government supports greater coherence in existing EU alcohol (abuse) policies, particularly a 'health in all policies' approach to ideally be reflected throughout EU policy on food labeling, cross-border marketing and taxation.^{lxviii}



- i wineeconomist.com/2016/10/18/georgia-anatomy/
- ii www.jancisrobinson.com/articles/georgia-undaunted
- iii www.oiv.int/public/medias/4587/oiv-noteconjmars2016-en.pdf
- iv www.theworldfolio.com/news/georgia-toasts-to-booming-wine-exports/3533/
- v en.wikipedia.org/wiki/Georgian_wine
- vi www.theworldfolio.com/news/georgia-toasts-to-booming-wine-exports/3533/
- vii wineeconomist.com/2016/10/18/georgia-anatomy/
- viii www.eurasianet.org/wine/
- iv Tbilisi: Sakpatenti. 2010. p. 5 and <http://news.hvino.com/p/appellations.html>
- x news.hvino.com/2016/10/grape-harvest-2016-farmers-in-georgias.html#more
- xi www.eurasianet.org/wine/
- xii www.thedrinksbusiness.com/wordpress/wp-content/uploads/2015/06/Georgian-Wine-2015.pdf
- xiii news.hvino.com/2016/10/grape-harvest-2016-farmers-in-georgias.html#more
- xiv www.jancisrobinson.com/articles/georgia-undaunted
- xv factcheck.ge/en/article/more-than-4-000-hectares-of-vineyards-have-been-planted-over-the-past-two-years/
- xvi vinecon.ucdavis.edu/publications/cwe1301.pdf
- xvii www.euromonitor.com/wine-in-georgia/report August 2016
- xviii news.hvino.com/2016/07/nwa-georgia-exports-44-percent-more.html
- xix news.hvino.com/2016/10/grape-harvest-2016-farmers-in-georgias.html#more
- xx www.theworldfolio.com/news/georgia-toasts-to-booming-wine-exports/3533/
- xxi europa.eu/rapid/press-release_IP-16-2369_en.htm
- xxii usa.chinadaily.com.cn/epaper/2016-09/22/content_26865387.htm
- xxiii wineeconomist.com/2016/10/18/georgia-anatomy/
- xxiv en.wikipedia.org/wiki/List_of_wine-producing_countries
- xxv www.euromonitor.com/wine-in-georgia/report
- xxvi www.jancisrobinson.com/articles/georgia-undaunted
- xxvii wineeconomist.com/2016/10/18/georgia-anatomy.
- xxviii cg.tas.gov.au/__data/assets/pdf_file/0003/123375/INVEST14053_IG_Wine_En_20150622_Web.pdf
- xxix bettertax.gov.au/files/2015/06/Wine-Tasmania.pdf
- xxx www.abc.net.au/news/2015-03-02/tasmanian-wine-producers-struggle-to-meet-demand/6272286
- xxxi www.winecompanion.com.au/wineries/tasmania
- xxxii cg.tas.gov.au/__data/assets/pdf_file/0003/123375/INVEST14053_IG_Wine_En_20150622_Web.pdf
- xxxiii winetasmania.com.au/resources/downloads/Strategic_Plan_2017-19_FINAL.pdf
- xxxiv en.wikipedia.org/wiki/Tasmanian_wine
- xxxv winetasmania.com.au/resources/downloads/Wine_Tasmania_Submission_to_Liquor_Licensing_Act_Review_Feb16.pdf
- xxxvi cg.tas.gov.au/__data/assets/pdf_file/0003/123375/INVEST14053_IG_Wine_En_20150622_Web.pdf
- xxxvii www.winecompanion.com.au/wineries/top-100-australian-wineries/geographic-indications
- xxxviii winetasmania.com.au/resources/downloads/Strategic_Plan_2017-19_FINAL.pdf



- xxxix cg.tas.gov.au/__data/assets/pdf_file/0003/123375/INVEST14053_IG_Wine_En_20150622_Web.pdf
- xl [Ibid](#)
- xli [Ibid](#)
- xlII [Ibid](#)
- xlIII bettertax.gov.au/files/2015/06/Wine-Tasmania.pdf
- xlIV [Ibid](#)
- xlV www.englishwineproducers.co.uk/background/history/history-commercial-revival-in-the-1950-s/
- xlVI www.nibusinessinfo.co.uk/content/overview-uk-wine-industry
- xlVII www.wsta.co.uk/
- xlVIII www.wsta.co.uk/press/799-the-wine-and-spirits-industry-is-the-toast-of-the-treasury-after-bringing-a-boost-to-british-economy
- xlIX www.wsta.co.uk/images/Research/Market-Reports/LWFOverview2015.pdf
- I www.englishwineproducers.co.uk/background/history/history-commercial-revival-in-the-1950-s/
- II [Ibid](#)
- III www.englishwineproducers.co.uk/background/varieties/
- IIII gain.fas.usda.gov/Recent%20GAIN%20Publications/UK%20Wine%20Market%20Report%202016_London_United%20Kingdom_2-19-2016.pdf
- IV www.gov.uk/government/news/uk-wine-industry-pledges-10-fold-increase-in-exports
- V www.englishwineproducers.co.uk/background/varieties/
- VI www.wsta.co.uk/images/Research/Market-Reports/LWFOverview2015.pdf
- VII www.wsta.co.uk/press/731-uk-becomes-a-nation-of-wine-drinkers-as-wine-replaces-beer-as-our-drink-of-choice
- VIII gain.fas.usda.gov/Recent%20GAIN%20Publications/UK%20Wine%20Market%20Report%202016_London_United%20Kingdom_2-19-2016.pdf
- lix www.wsta.co.uk/images/Research/Market-Reports/LWFOverview2015.pdf
- lx gain.fas.usda.gov/Recent%20GAIN%20Publications/UK%20Wine%20Market%20Report%202016_London_United%20Kingdom_2-19-2016.pdf
- lxi www.icwm.co.za/dissertations/3-2011-berrie-leigh-genetically-modified-organisms-in-the-wine-industry/file
- lxII www.thedrinksbusiness.com/2016/01/organic-wine-sales-consistently-growing-in-uk/
- lxIII UK excise duty rates from 2000 to 2014; European Union: Excise duty rates in EU member states
www.wsta.co.uk/resources/facts-figures
- lxIV For further details, visit the HMRC website
- lxV www.ft.com/content/fb7fb7f4-dc96-11e5-8541-00fb33bdf038
- lxVI [Ibid](#)
- lxVII www.harpers.co.uk/news/alcohol-generates-more-in-tax-than-it-costs-the-government-says-think-tank-report/524090.article
- lxVIII See UK political debate on EU Alcohol Strategy here: www.parliament.uk/business/committees/committees-a-z/lords-select/eu-home-affairssubcommittee/news-parliament-2015/alcohol-strategy-debate/
- Anderson, K. 2013. Is Georgia the next 'new' wine-exporting country? Kym Anderson University of Adelaide, Australian National University and CEPR RMI-CWE Working Paper number 1301 January

*Compiled, in collaboration with SAWIS, by
Dr Marie-Luce Kühn, IBIS Business and Information Services (Pty) Ltd
PO Box 7048, Stellenbosch 7599
Tel +27 21 883 2855
e-mail: mlm@ibis.co.za website: www.ibis.co.za*

A SAWIS Publication.

©SAWIS, 2016

ibisTM

strategic environmental analysis

