



The international wine trade: Recent trends and critical issues

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Abstract

This paper aims to contribute to the understanding of international wine trade complexities, focusing on the period 2000–2011. Since 2000 the wine trade has grown significantly and its structure has experienced major changes. Such changes are shaping the current competitive scenario of the wine market and are the base elements for its future development. The paper analyses the growth of world wine imports, considering all wines together and the single categories recognized by global statistics (bottled, bulk and sparkling wine). It then describes the changes in the geography of importers with the emergence of new markets and the competitive performance of the main suppliers. The bulk wine trade, the re-export of wine and the exposure of trade flows to trade barriers are also analyzed in detail. Finally, on the basis of the dominant trend in wine consumption and changes in the supply chain, the critical issues arising from analysis are examined, with the need for further research being underlined.

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1. Introduction

Wine has traditionally been a traded good but only in the past two decades, the international wine trade has experienced considerable growth: in the 1960s the exported share of global wine production was 10% and in 1990 this share had reached only 15%. However, by the year 2000 the exported production had reached 25% of global production and more than 30% in 2010.

The growth of the international wine trade is just one of the aspects of the complex evolution of the world wine sector: there have been profound changes in the geography of

production and consumption and in the direction of export flows (Anderson and Nelgen, 2011a; Banks and Overton, 2010; Mariani et al., 2011). Indeed, the growth of the wine trade was caused during the 1990s by the wine consumption increase in Northern Europe and North America, compensating for the decrease in consumption in Mediterranean countries, and by the growth of exports from so-called New World Wine Producers. Recently, the international trade in wine has been boosted by increasing demand mainly in Asian countries which until recently were only marginally involved in wine imports, and production is increasing in some importing countries (China, India, Brazil) and in those with considerable potential (Ukraine). Undoubtedly, the growth of the international wine trade makes the wine industry “an intriguing case of globalisation at work” (Anderson, 2004; p. 3).

A major consequence of the increasing importance of the international wine trade is the strong export orientation of the world's large producing countries and the dependence of the profitability of the wine industry on expansion of international trade. The study of the international wine trade is therefore a very important issue but also not easy to tackle. As observed

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by Hugh Johnson, introducing Pierre Spahni's book on international wine trade: "Can there be a more complex trade than commerce in wine? What other commodity is offered in such infinite variety, at prices from inconsiderable to fabulous. Its markets are as almost various as itself, ranging from regions where it is as everyday as bread to milieus where it is elevated (if that is the word) to a fashion item. Governments vary so widely in their attitude to it that in one country it is covered in health warnings, in others used as a tax cow, while in another the only official injunction is not to throw the empty bottle into the nearest ditch" (Spahni, 1998; p. vii).

This paper aims to offer a contribution to the understanding of the complexities of the international wine trade, focusing on the period 2000–2011. Since 2000, after the two-year contraction in the late 1990s, the wine trade has grown significantly and its structure has experienced major changes. Such changes are shaping the current competitive scenario of the wine market and are the base elements for its future development.

This study analyses the growth of world wine imports, considering all wines together and the single categories recognised by global statistics (Section 2). Then it describes the changes in the geography of importers with the emergence of new markets (Section 3) and the competitive performance of the main suppliers (Section 4). The next three sections explore some characteristic features on the new international wine market: the bulk wine trade (Section 5), the phenomenon of re-export (Section 6) and, finally, exposure of trade flows to trade barriers (Section 7). In the final remarks (Section 8) we discuss the critical issues arising from the analysed trends.

The data source is Global Trade Information Services (GTI). This data base provides import and export flows of 83 countries (reporting countries): neither all the countries are involved in the wine trade, nor does the data base contain all countries contributing to the trade. Because of the missing countries, the import flows considered do not represent the whole market but the overwhelming majority. Wine trade flows are disaggregated into the three wine categories of the Harmonised System at a six-digit level of disaggregation: (i) code 220421, non-sparkling wine in containers holding 2 litres or less (hereafter: bottled wine); (ii) code 220429, non-sparkling wine in containers holding more than 2 litres (hereafter: bulk wine); (iii) code 220410, sparkling wine.

Given both the importance and complexity of such issues, an exhaustive analysis lies beyond the scope of

our paper. The objective is simply to show, with statistics to hand, the overlying importance of some traits of the evolution of the international wine trade as elements of change and hence stress their importance as critical issues for the business community and policy makers and as a specific research field for academics.

2. International wine trade since 2000: An overview

In the period 2000–2011, world wine imports grew significantly from 2004 to 2007, and recovered in 2010 after a decline in 2008–2009 due to the international economic crisis. In 2011 world imports reached a new high: €22.6 billion for 3.4 million hectolitres (Fig. 1). While world production decreased, world consumption showed a moderate increase. Hence the rise of international trade is the consequence of a considerable increase in consumption in non-producing countries.

Comparing the 2000–2001 average with 2010–2011, world imports have increased by 53% in value and 58% in volume (Table 1). The three categories considered have all grown, albeit at different rates. Bulk wine shows the highest increase, followed by sparkling wine, then bottled wine. Due to this trend, the share of bulk wine in world trade has increased, reaching almost 11% in value and nearly 40% in volume (a remarkable 5-point increase), while bottled wine has experienced a significant share reduction. Considering growth over the years, bottled and sparkling wine have risen steadily, experiencing only a decline in 2007–2009 (more pronounced for the latter), while for bulk wine the rapid surge in growth since 2005 is to be noted.

As a result of the dynamics of values and volumes, the average unit value (a proxy for price) of total wine imports recorded a reduction (–3.3% to € 2.38), with greater differences by category: a slight increase in the unit value of bottled wine (+3%, to € 3.18), a drop for bulk wine (–2.5%, to € 0.63) and a sharp decrease for sparkling (–7.0%, to € 6.65).

During the period considered, the composition of flows changed considerably, revealing a shift in demand which merits attention. The increase in the importance of sparkling wine stems from increases in consumption occasions and the success of some affordable products (Prosecco in

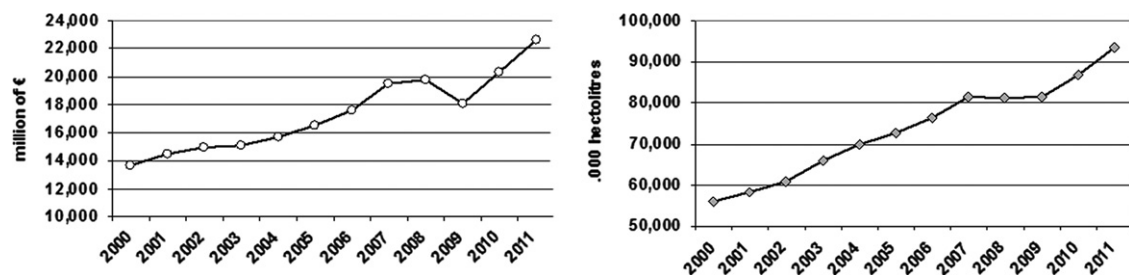


Fig. 1. All wine world imports, in value and volume, 2000–2011. Source: Our calculations, based on GTI data.

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