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## France

## Wine

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**Report Highlights:**

Frustrated by overproduction, shrinking exports, advertising restrictions, an aggressive anti-alcohol abuse campaign, and changing domestic drinking habits, French wine makers are pleading for government assistance. The wine crop is forecast to increase by 23 percent to 58.5 million hectoliters in 2004. French vintners say overproduction worldwide has glutted a market where French wines already face fiercest competition from "new world" producers. In 2003, domestic wine consumption continued to decline except for quality wines. French wine exports dropped 3.4 percent in volume and France continues to lose market share in its major markets to the advantage of new world wines. During Jan-June 2004, exports to the United States, Denmark and the U.K. decreased while exports increased to Japan. Wine agreement negotiations between the U.S. and the EU are ongoing; the derogation for the U.S. on wine-making practices was extended till December 31, 2005.

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Includes PSD Changes: Yes  
Includes Trade Matrix: Yes  
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**Note: Official Exchange Rates used in this report:**

Average exchange rates:

Calendar Year 2002: USD 1.00 = 1.057 Euros

Calendar Year 2003: USD 1.00 = 0.884 Euros

Average Jan-Nov. 2004: USD 1.00 = 0.8073 Euros

(Source: Paris Stock Exchange/European Central Bank)

**EXECUTIVE SUMMARY**

France is the world's number one wine producer with 47.5 million hectoliters (MHL) in 2003 and a 2004 vintage currently estimated at 58.5 million hectoliters (MHL), an increase of 23 percent over the 2003 crop but down 14 percent compared to the average for 1999-2003. After a dry and cold winter and vine burgeoning late March, blooming started in May, warm temperatures during the Summer along with significant rains brought an early vintage with, however, a reduced expected crop.

One third of French wine production is exported mainly to the European Union (the United Kingdom, Germany, Belgium and the Netherlands). Outside the EU, France's major clients are the United States, Canada, Switzerland, and Japan.

The long-term trend toward declining domestic wine consumption continued last year. Based on a recent study conducted by a French consumer-polling panel, this trend will continue in the coming years. Total bottled wine sales in hyper/supermarkets in 2003 dropped 1.4 percent, compared to 2002 to 9.7 MHL. The consumer poll also reported that volumes purchased by the food service sector (traditional restaurants, cafeterias and company restaurants) decreased 4 percent in volume in 2003, although average prices were stagnant. VQPRD wines make the lion's share of the food service sector purchases.

French wine exports in CY 2003 dropped 3.4 percent, compared to CY 2002, to about 15.2 MHL or 5.9 billion Euros (\$6.7 billion) in value. However, France continues to lose market share among its major clients to the advantage of "new world wines". For the period January-June 2004, French wine exports decreased 4.6 percent in volume and 5.2 percent in value to 2.5 billion Euros (\$2.8 billion). During this period, volume exported to the United States decreased 1.9 percent, 22.3 percent to Denmark and 9.5 percent to the United Kingdom, while volumes exported to Japan increased 23.7 percent. The United Kingdom, the United States and Germany alone purchased 234,000 hectoliters less in 2003 representing a loss of 157 million dollars in total French wine exports.

Total Wine imports in CY 2003 increased 6.7 percent in volume to reach 4.9 MHL worth at 478 million Euros (\$541 million). Although the United States represents only 2 percent of total French wine imports, French imports of U.S. wines have been growing steadily from 15,000 HL in 1994 to 100,000 HL in 2003. In 2003, French imports from the United States increased 4.2 percent in volume and decreased 18 percent in value to reach 14 million Euros (\$16 million).

Growth in trade and the EU's expansion to Central and Eastern European countries intensify competition for exporters to the EU and among European producers themselves. The Government of France (GOF) urged European growers to adapt to changing consumer demand in order to better compete with emerging third-country competitors and in new markets. This resulted in the creation of the European Community Market Organization (COM) to coordinate EU wine practices and production. The COM, since its creation in 1971, has redefined itself to adapt to changes in the world wine market.

French winemakers pressured by overproduction, shrinking exports, advertising restrictions,

an aggressive anti-alcohol abuse campaign and changing drinking habits, are pleading for government help at all levels of the industry.

The budget for financing international promotional campaigns for wines in 2003 amounted to 10.3 million Euros (\$11.6 million).

On December 17, 2003, the EU Agriculture Council approved a two-year extension of the U.S. derogation for winemaking practices, until December 31, 2005 at the latest or until the entry into force of a bilateral agreement. Two additional derogations on labeling and documentation were also extended until December 31, 2005. In May 2002, the European Commission adopted new rules for the labeling of wine. These rules lay down what information must be shown on wine labels and regulates the use of certain optional terms such as production methods, traditional expressions, names of the vineyard and vintage year. These rules originally scheduled to enter into force on January 1, 2003, were postponed until February 1, 2004, and recently amended by Commission Regulation 1991/2004 to incorporate the provisions on allergen labeling to enter into force on November 25, 2005.

#### **DEFINITIONS AND PRODUCTION RULES:**

##### ***Wine Definitions:***

1. Appellation of Origin (AOC) wines: Certifies the wine's regional origin, manufacturing process, character, and alcoholic content. AOC wines must undergo taste tests by the French Institute of Appellations of Origin (INAO). Nearly 45 percent of French wines and spirits are designated AOC.
2. Superior Quality Wines (VDQS): Although less restrictive in taste tests than AOC wines, this also certifies origin, yields, etc. VDQS wines are also subject to taste tests as well.
3. VQPRD Wines (Quality Wines Produced in Determined Regions or Areas): This is a European classification that combines French AOC wines and VDQS wines.
4. Table Wines: Wines other than AOC and VDQS. These wines include country wines (*vins de pays*), which are regionally produced and are often of higher quality than ordinary table wines. They follow certain rules including analytical tasting, various specified controls, and no mixing of wines from different regions.

##### ***Wine Plantations and Production Rules:***

Each of the above wine categories is subject to both, European Union and French strict planting and production rules.

1. Planting Rules:
  - Control of vine planting (uprooting, new planting),
  - Ban of new planting, except in case of vineyard restructuring, experimentation or family consumption,
  - Possibility of replanting under special conditions to replace old vines,
  - Control of vine planting according to wine produced,
  - Control of cultivation practices and treatments of vineyards.
2. Production Rules:
  - Obligation to declare wine production to the French Customs,
  - Follow specific production criteria,
  - Follow an official procedure of agreement to guarantee wine origin, production and

- organoleptic controls,
- Tracability control.

*Note: Starting Marketing Year (MY) 2000/2001, the period is August/July. Thus, MY 2001/2002 is the period August 1, 2001 to July 31, 2002, MY 2002/2003 is the period August 1, 2002 to July 31, 2003, etc.*

## SECTION I. SITUATION AND OUTLOOK

The 2003 wine crop (MY 2003/2004) amounted to 47.5 million hectoliters (MHL), 8.4 percent less than the 2002 level (MY 2002/2003). Of the 2003 total production, 21.8 MHL were VQPRD wines, 17.8 MHL table wines, and 7.9 MHL wines for cognac production.

After a cold and dry winter, the bourgeoning appeared at the end of March, and a mid-April frost touched certain vineyards, particularly in the Champagne and Beaujolais areas. Blooming started at the end of May and developed quite rapidly and homogenously thanks to extremely favorable and even warm temperatures at the beginning of June. Overall conditions, extreme heat, little significant rains and the exceptional earliness of the harvest, promised a good vintage, but the size of the crop decreased with the passing months. Extremely warm temperatures at the beginning of August resulted in early crops. However, if the dryness had an immediate impact on the general crop volume, its effect on wine quality varied from a region to another (type of soil, humidity degree, etc.).

During MY 2003/2004, total ending stocks reached 33.5 MHL, an increase of 6 percent, compared to the previous MY. The latest statistics indicated that as of July 31, 2004, ending stocks were 32.4 MHL, a decrease of 1.1 MHL, compared to the previous year. VQPRD wines ending stocks decreased 3.8 percent to reach 25.5 MHL.

During CY 2003, total French wine and spirits exports increased by 0.5 percent in value to 8.0 billion Euros (\$9 billion) compared to CY 2002. Wine exports increased by 1.7 percent in value, from the 2002 level, to reach 5.8 billion Euros (\$6.6 billion), with an exported volume of 15.2 million hectoliters. However, even if French exports remain at a high level, France continues to lose market share among its major clients to the advantage of new world wines. France's traditional export markets remain the United Kingdom, the United States, and Germany in value and the United Kingdom, Germany, Belgium, the Netherlands and the United States in volume. One third of the French wine production is exported to the European Union (approximately 70 percent of wine exports in volume and 57 percent in value). The United States represents 6.5 percent of that export volume.

Total French wine imports during calendar year 2003 increased 6.7 percent in volume to reach 4.9 million hectoliters, valued at 478 million Euros (\$541 million). Table wines represented 83 percent of total French wine imports in volume, mostly from EU countries. Italy and Spain remain France's leading suppliers. In 2003, imports of U.S. wine into France increased by 4.2 percent in volume and decreased 18 percent in value compared to the previous year. Although the total U.S. market share is only 2 percent in volume, for a value of 14 million Euros (\$16 million), it is interesting to note that French imports of U.S. wines have been growing steadily from 15,000 HL in 1994 to 100,000 HL in 2003.

French wine consumption in France has been decreasing since 1999. A study conducted by the French Agricultural Research Center (INRA) and the French Office for Wines and Vines (ONIVINS) on French wine consumption indicated that this trend should continue and result in a 25 percent decline in wine consumption by 2010 compared to 1999.

MY 2003/2004 was the third marketing year where the new Common Organization of the Wine Market (COM) (as defined by the European Commission regulation 1493/1999) was applied with various technical adjustments made in the production and market conditions. This marketing year, the European Union crop low level permitted a decline in the regulatory distillation process and no crisis distillation was necessary. However, several subjects were raised during this campaign such as the labeling in regard to designation, denomination, presentation and protection of wines, and the possibility of a COM reform to include priorities raised by a 25 Member States Europe.

In Calendar Year 2003, France (ONIVINS and SOPEXA) had a total budget of 10.3 million Euros (\$11.6 million) for export promotions of French wines in different countries, including the United States. Domestic advertising focuses on regional wines, while international advertising promotes VQPRD wines.

The French Ministry of Agriculture forecasts the 2004 wine crop to be 58.5 MHL, up 23 percent from the 2003 wine crop; a good crop in quantity and quality for most of the French wine regions and one of the most abundant in the five last years. However, this is not good news for the French wine industry that now fears overproduction pushing prices down. In addition, the French Health Ministry is stepping up enforcement of labeling requirements warning pregnant women and other consumers about health side effects of too much consumption. French customs officials indicated that during the period January-June 2004, total French wine exports decreased 4.6 percent in volume and 5.2 percent in value, compared to the same period in 2003. For Jan-June 2004, total French wine exports amounted to 2.5 billion Euros (\$2.8 billion).

Champagne and sparkling wines are still in demand, while VQPRD and table wine exports have significantly decreased during the first six months of 2004, compared to the same period in 2003. The French industry is having a hard time changing marketing practices to face "new world" competition. It is considered urgent to "rehabilitate" the international credibility of French wines whose image of quality image is losing ground.

During the first six months of 2004, France's major clients remained the United Kingdom, Germany, Belgium, the Netherlands and the United States, representing 68 percent of total export volume.

## SECTION II. STATISTICAL TABLES

## 1. Trade Matrices

## Export Trade Matrix

Country France

Commodity Wine

Time Period Jan-Dec Units: 1,000 HL

Exports for: 2002 2003

U.S. 1116 U.S. 981

Others

Others

United King.	3242	United King.	3293
Germany	2947	Germany	2862
Belgium/Lux	1772	Belgium/Lux	1723
Netherlands	1559	Netherlands	1525
Japan	636	Canada	606
Denmark	621	Switzerland	597
Switzerland	603	Japan	590
Canada	596	Denmark	563
		Russia	458

Total for Others 11976 12217

Others not Listed 2384 1974

Grand Total 15476 15172

## Import Trade Matrix

Country France

Commodity Wine

Time Period Jan-Dec Units: 1,000 HL

Imports for: 2002 2003

U.S. 96 U.S. 100

Others

Others

Italy	1800	Spain	2120
Spain	1411	Italy	980
Portugal	565	Portugal	897
Chile	154	Chile	165
Germany	98	Germany	99
Australia	72	Morocco	94
South Africa	69	Australia	82
Morocco	69	South Africa	75
United King.	46	United King.	49
Tunisia	32	Argentina	34

Total for Others 4316 4595

Others not Listed 169 197

Grand Total 4581 4892

## 2. PSD Table:

**PSD Table**

Country	France					
	Wine					
Commodity				(1000 MT)(1000 HL)		
	2002 USDA Official [Old]	Revised Post Estimate [New] 08/2002	2003 USDA Official [Old]	Estimate Post Estimate [New] 08/2003	2004 USDA Official [Old]	Forecast Post Estimate [New] 08/2004
Market Year Begin						
TOTAL Grape Crush	6756	6756	6756	6240	6240	7605
Begin Stock (Ctrl App)	26219	26219	26219	26545	26545	25542
Begin Stock (Other)	8520	3589	3589	2751	2751	6818
TOTAL Beginning	75545	34739	83367	42249	90877	46598
Stocks						
Prod. from Wine Grapes	51966	51966	51966	47519	47519	58500
Prod. from Tabl Grapes	0	0	0	0	0	0
TOTAL PRODUCTION	51966	51966	51966	47519	47519	58500
Intra-EU Imports	3872	3872	3872	4171	4171	4173
Other Imports	628	709	709	721	721	723
TOTAL Imports	4500	4581	4581	4892	4892	4896
TOTAL SUPPLY	132011	91286	139914	94660	143288	109994
Intra-EU Exports	10922	10922	10922	10961	10961	10303
Other Exports	4161	4554	4554	4211	4211	3958
TOTAL Exports	15083	15476	15476	15172	15172	14261
Dom.Consump(Cntrl App)	16144	16144	16144	15821	15821	15505
Dom.Consump(Other)	17417	17417	17417	17069	17069	16728
TOTAL	33561	33561	33561	32890	32890	32233
Dom.Consumption						
End Stocks (Cntrl App)	48544	30897	51270	32661	32661	47500
End Stocks (Other)	34823	11352	39607	13937	13937	16000
TOTAL Ending Stocks	83367	42249	90877	46598	46598	63500
TOTAL DISTRIBUTION	132011	91286	139914	94660	94660	109994



## 3. Price Table:

**Wine Price Evolution and Retail Sale Prices  
From 1999 to 2003**

Wholesale Prices Index

Retail Price  
in USD/liter

Years	Table Wines	VQPRD Wines	Sparkling Wines	Total	Alcoholic content of 11% by volume	Alcoholic Content of 12% by volume
1999	105.9	109.6	98.8	114.5	1.30	N/A
2000	104.2	100.8	110.4	102.2	1.13	N/A
2001	105.6	102.3	112.0	103.9	1.25	N/A
2002	93.4	100.6	101.3	103.9	1.25	N/A
2003	107.5	100.6	N/A	125.8	1.27	N/A

Note: All above indices are current

N/A = Not Available

Source: French Institute for Statistics (INSEE)

**4. Tariff Table:**

## Taxes on Wines Imported into France from Outside the EU

HTS Codes (*)	Types of Wines	EU Customs Duties (EURO/HL)	French Transportation Tax (EURO/HL)	French Value Added Tax (TVA)
22 04 10	Sparkling wines	32.00	8.40	19.6%
22 04 21	Volume of still wines with alcoholic content not exceeding 13%: - in containers holding 2 liters or less - In containers holding more than 2 liters	13.10  9.90	3.40  3.40	19.6%  19.6%
22 04 29	Volume of still wines with alcoholic content above 13% but not exceeding 15%: - In containers holding 2 liters or less - In containers holding more than 2 liters	15.40  12.10	3.40  3.40	19.6%  19.6%

Footnotes: (\*) Harmonized Tariff Schedule

HL = Hectoliters

EU customs duties are calculated as a percentage of the ad valorem value of the product.

The current duty rates are 32 Euros per hectoliters for sparkling wines, and between 9.90-13.10 Euros per hectoliters for still wines under 13 percent alcohol content, and 12.10-15.40 Euros per hectoliters for still wines over 13 percent alcohol content, depending on how the product is bottled.

**SECTION III. NARRATIVE ON SUPPLY, DEMAND, POLICY AND MARKETING****Production****1. General Production**

Based on most recent data published by the French Ministry of Agriculture's census (CY 2000), France has 144,000 wine growers cultivating a total area of 887,200 hectares of vineyards for wine production. About 63 percent of French vineyards are devoted to VQPRD wines. France represents 26 percent of the European Union's vineyard area and 12 percent of the world's vineyard area. In the European Union, Spain has the largest area under vines, followed by France and Italy.

In 2003, France was the largest European producer immediately followed by Spain and Italy. France's share of total world wine production is about 19 percent while the United States represents about 8 percent of the total world production.

The three largest French wine producing regions--Languedoc-Roussillon, Aquitaine, and Provence/Alpes/Cote d'Azur (PACA) -accounted for 62 percent of total French wine production in 2003. French vineyards made up 17 percent of all harvested agricultural areas, compared to 15.8 percent in Spain and 11.9 percent in Italy.

The 2003 wine crop (MY 2003/2004) amounted to 47.5 MHL, a volume decrease of 8.4 percent compared to 2002. It is said to lack of flavor, have low acidity due to the dryness and its early harvest with quality varying from a region to another depending on the type of soil, humidity degree, etc.

The GOF used to provide financial assistance to the growers of ordinary table wine in an effort to improve the quality of their vineyards. As of MY 2001/2002, this function was taken over by the new European Community Market Organization (COM). The EU Regulation on wine production was modified in 2002 by the Commission and implemented by the French Government (GOF). The new French decrees involve:

- Vine plantings (the goal being to control new vine plantings)
- Production condition for table wines (the goal being to control production and maintain quality)
- Assistance in the restructuring of vineyards including bonus for uprooting marginal vines.
- Prevention distillation

Note that MY 2003/2004 was the third marketing year where new COM was applied with various technical adjustments as to production and market conditions made. Prevention distillation decreased during that period and no crisis distillation was necessary.

With the European Union extension and 25 Member States, a new wine COM reform will be necessary with the question for the new Commission to determine priorities.

## **2. Crop Area and Yields**

In 2003, on a total planted area of 849,400 hectares, the French average yield was 58 hl/ha, compared to 60.4 hl/ha in 2002, or a decrease of 3.9 percent.

## **3. Production Policy and Government Support**

- EU Export Subsidies and World Trade Organization (WTO) Agreements on Wines

Table wines and liquor wines without appellation, as well as concentrated grape juice, can benefit from EU export subsidies. These subsidies, however, are granted only for export to certain countries and the wines involved are subject to specific analyses and agreements. During CY 2003, the volume of French non-AOC wine exported with EU export subsidies amounted to 203,941 HL, and the amount paid out by ONIVINS was 1.59 million Euros (\$1.80 million).

The EU agreements under the WTO implemented on July 1, 1995 called for a reduction in the volume of subsidized wine exported by 21 percent, and in the value of wine subsidizes by 36 percent for a period of six years which has been continued for an indefinite time depending

upon future negotiations. The current duty rates are 32 Euros per hectoliters for sparkling wines, and between 9.90-13.10 Euros per hectoliters for still wines fewer than 13 percent alcohol content, and 12.10-15.40 Euros per hectoliters for still wines over 13 percent alcohol content, depending on how the product is bottled.

--Organic Wines and sustainable agriculture

In 2003, ONIVINS renewed its financial support to the French Interprofessional Federation of Organic Wines (FNIVAB) so that this association can continue its development activities for organic wines. In addition, the French Food Labels and Certification Committee authorized use of the "AB" (agriculture biologique) logo on wine labels. The French wine industry has been participated in French's sustainable agriculture push since 1999. These efforts encourage environmental friendly cultivation but not as restrictive as organic cultivation.

### Consumption

French Wine Consumption by Category  
For Marketing Years 2001/02, 2002/03 and 2003/2004  
(In 1,000 HL)

Wine Category	2001/02	2002/03	2003/04
VQPRD Wines	16,834	16,144	15,821
Table Wines	17,486	17,417	17,069
TOTAL	34,320	33,561	32,890

Source: DGI/DGDDI (General Customs Office, Excise Taxes)

Per Capita French Wine Consumption by Category  
For Marketing Years 2001/02, 2002/03 and 2003/2004  
(liters)

Category of Wines	2001/02	2002/03	2003/04 (F)
VQPRD Wines	28.3	27.1	26.6
Table Wines	29.5	29.2	28.6
TOTAL	57.8	56.3	55.2

(F) Forecast

(G) Source: DGI/DGDDI (General Customs Office, Excise Taxes)

French per capita wine consumption has been decreasing from 103 liters in 1980 to 56 liters in 2003. French consumers are moving from quantity to quality. A study commissioned by ONIVINS and conducted by the French Consumer Panel (SECODIP) indicates that among alcoholic beverages, seniors prefer wine, while younger drinkers prefer more exotic drinks.

A recent study conducted by ONIVINS and the French Institute for Agricultural Research (INRA) indicated that consumers under 35 years old (23 percent of total French households) 88 percent bought at least once a still wine and 48 percent bought at least once a sparkling wine in the last year. This age group buys less than the seniors. Consumers from 35 to 49 years old (30 percent of French households) make 25 percent of wine purchases. They purchase still white and sparkling wines (except champagne) in larger quantities than any other age group. The 50-64 years old group is the leading buyer of wine in all categories with a preference for red wines. The 65 years old and over consumer group represents with the 50-64 years olds 47 percent of the total French households and are the leading buyers of still wines consisting mostly of table wines. The 50-64 years old and over consumers are

also the major consumers of champagne consuming 11 percent above the average consumption level.

The study also forecasts that French wine consumption could decrease between 5 to 25 percent by 2010.

## Trade

### 1. Exports

In 2003, the total value of French wine exports increased by 1.7 percent from 2002 to reach 5.9 billion Euros (\$6.7 billion). French wine exports for 2003 reached 15.1 MHL, representing 32 percent of the total French wine production, a decrease of 2.5 percent in export volume compared to the previous year. The trade surplus in wine for calendar year 2003 was 5.4 billion Euros (\$6.1 billion), an increase of 1.8 percent over the previous year. The increase in wine exports values is due to Champagne exports (+5.7 percent) as well as Bordeaux AOC wines.

VQPRD wine exports in 2003 decreased in volume (-8.6 percent) and 0.5 percent in value, compared to 2002. Globally, 2003 French wine exports decreased 3.4 percent in volume and increased 1.7 percent in value. This export decrease affected Japan, the United States and Denmark, while wine exports to Poland and Russia increased significantly.

French wine exports are very concentrated. In value, the three largest French clients represent 50 percent of the total French exports in value and 52 percent in volume. Due to one third of French wine production being exported, economic health of destination markets are very important to the well being of the French wine industry.

The EU's share of all French exports is 69 percent in volume and 54 percent in value, a decrease of three percent over the last five years. Within the EU, France's major clients are the United Kingdom, Germany, Belgium and the Netherlands. Major non-EU export markets for VQPRD wines are led by the United States followed by Japan, Switzerland and Canada.

During the period January-June 2004, French exports of wines increased to Japan (23.7 percent in volume and 25.9 percent in value), Italy (7.5 percent in volume and 8.2 percent in value), and Canada (3.4 percent in volume and 0.1 percent in value), while exports to the United States decreased 1.9 percent in volume. Within the EU, French wine exports also decreased to Denmark, the United Kingdom, Germany, Belgium and the Netherlands (respectively, 22.3 percent, 9.5 percent, 5.8 percent, 0.9 percent and 4 percent in volume). During this period, the value of wine exports to the United States decreased 15.7 percent, compared to the first six months of 2003.

Globally, during the first quarter of 2004, French wine exports to foreign countries decreased 5.2 percent in value and 4.6 percent in volume; this decrease being more accentuated for VQPRD wines than for table wines, Champagne and sparkling wines. This is not the first crisis the French wine industry has gone through, but this time it is hitting VQPRD wines, the heart of the French industry.

Over six years, French exports have dropped by 12 percent while wine production by the New World producers increased by 83 percent. France's wine industry, which employs half a million people, says the value of its exports was down by 9.6 percent and 3.5 percent in volume at the end of August 2004. In 2004, French wines became number three in the United States, with a 14 percent market share, while Australia wines represent 26 percent of U.S. consumption. The French wine industry sees itself in crisis and is seeking government

assistance to restructure its marketing strategies so that it can meet head on the challenge posed by the new world wines.

As of December 12, 2003, French exporters of wine and spirits to the United States should comply with the new U.S. law on the Bioterrorism Act (BTA). The information on the requirements of the BTA was widely spread among the French exporters by the former French Center for Exterior Trade (CFCE) now UBI-France and the French Association of Wine and Spirits Exporters (FEVS).

## **2. Imports**

The value of French wine imports in 2003 amounted to 478 million Euros (\$541 million). In 2003, total French wine imports increased by 6.7 percent in volume compared to the previous year. France's top EU suppliers remain Spain, Italy and Portugal. Outside the EU, Chile (165,000 HL imported), USA (100,000 HL), Morocco (94,000 HL) and Australia (82,000 HL) are the top suppliers.

In 2003, French imports from the United States reached 100,000 HL, an increase of 4 percent in volume over calendar year 2002. It is interesting to note that the French imports of U.S. wines have increased 55 percent in volume over the period 1999-2003. This increase can be attributed to the presence of Gallo Winery in this market since 1998. Gallo is very active and winning space on store shelves in the retail sector and restaurant menus in the food service sector.

## **3. Domestic Support and Impact on Trade**

The GOF subsidizes the wine sector through the French Office for Wines and Vines (ONIVINS). ONIVINS's total budget in CY 2003 was 67 million Euros (\$76 million); from this amount 43 million Euros (\$49 million) went to orientation and intervention expenses; 20 million Euros (\$23 million) to operational expenses, and 4 million Euros (\$4 million) to working capital.

ONIVINS also administers EU subsidies allocated to the French wine sector including export refunds and assistance earmarked for vineyard reconstruction, distillations, and grape juice fortification. For MY 2004/2005, a total European budget of 450 million Euros (\$557 million) was allocated for the reconstruction of a total of 61,688 Ha throughout EU. From this amount France will receive 107 million Euros (\$132 million) for 13,541 HA. A total of 14 Member States including new comers such as Czech Republic, Cyprus, Hungary, Malata, Slovenia and Slovakia benefited from this support.

## **4. European Community Market Organization (COM) and French Aid for Vineyard Improvements**

The EU Wine Community Market Organization Reform (COM) was authorized by the European Union Agricultural Ministers in March 1999 under "Agenda 2000" and implemented by regulation no. 1493/1999 of May 17, 1999. The current COM coordinates EU wine practices and production and carries out reforms involving wine to help the EU wine industry adapt to new market conditions. This project will simplify former legislation by:

- Replacing current distillations (preventive, mandatory or support) with a more flexible system that will address such "crises" as overproduction. The preventive distillation will be replaced by a certain distillation that will supply alcohol and products made from wine (vinegars and aromatized wines).

- Modifying the EU's system of planting and uprooting vines.
- Having the EU reimburse wine growers for losses resulting from reconstructions, uprooting or planting. However, purchases of new equipment will be financed both by Brussels and the producer.

The EU Regulation that supports vine uprooting (originally Regulation 1442/88 CEE) has been maintained under certain conditions with no annual quotas per Member State. As a consequence, each marketing year, France determines areas and vines which can benefit from the uprooting support.

## **MARKETING**

### **1. Infrastructure and Distribution**

Wholesalers and importers make up France's wine distribution system. Wholesalers frequently sell to specialized wine stores, food stores, restaurants and institutions. Importers sell to supermarkets. Mail order sales are generally made directly by the producer. Supermarket wine sales in France make up 78 percent of household wine purchases (17 percent for hard discounters), while 22 percent come from specialized wine sales (wine stores, direct sales, etc.).

According to SECODIP, in 2003, total still wine sales in French supermarkets, including foreign wine sales, were estimated to be 3.2 billion euros (\$3.6 billion), from which VQPRD wines were 2.4 billion Euros (\$2.7 billion). Total wine consumption in 2003 reached 36 MHL, of which restaurants, hotels and cafes accounted for 10.6 MHL, and homes 25.4 MHL. Of the 25.4 MHL of wine consumed in homes, 10 MHL were purchased in supermarkets and the rest in specialized stores or directly from wine growers.

As per SECODIP, wines purchased for the food service sector in 2003 decreased 4 percent in volume, with the bulk of purchases for red VQPRD wines.

In 2003, total sales of foreign wines in super/hypermarkets increased 5 percent compared to 2002. Foreign wine market in France is a branded market representing sales in supermarkets of over 54 million Euros (\$61 million). Foreign wines selling the best are from North Africa, Spain, Italy and "new world" wines (Chile, Australia, South Africa and U.S. -- California).

### **2. Policy: Safety Laws, Labeling and Restrictions affecting U.S. Wine Exports**

#### **-- The Impact on French Wine Consumption of the Evin Law, and other Regulations Against Alcohol**

In 1992, the GOF instituted regulations that limited radio and TV advertisements promoting alcohol. These regulations were called Loi Evin (the name of the French Minister for Social Affairs at that time). These regulations were followed by two additional decrees in 1993 which regulate advertising at point of sale and for event sponsorship. These regulations are still in force and the French wine industry continues to lobby for modifications to the Evin law. In addition, ONIVINS has conducted several studies to better understand the effects of moderate wine consumption on health. These studies show that moderate consumption has health benefits.

#### **-- Import Rules**

The U.S. and the EU are in the process of negotiating a bilateral agreement on wine. Exports of U.S. wine to the EU continue under derogations permitting certain U.S. oenological practices, which would otherwise be prohibited. The current derogation for U.S. wine making practices and certification has just been extended until December 31, 2005. For more information, visit the following website: [www.useu.be/agri/usda.html](http://www.useu.be/agri/usda.html).

Commission Regulation 883/2001 lays down detailed rules for implementing Council Regulation 1493/1999 as regards trade with third countries in wine, grape juice and grape. All U.S. wine imports must be accompanied by the certificate and analysis report or VI1-form (Annex VII to 883/2001) that certifies its origin and compliance with EU standards. Under the current regulation, the producers may issue the certification themselves if they provide certain assurances. A list of U.S. agencies / laboratories / wine producers authorized to draw up VI1-forms was published in Official Journal C 322 of December 21, 2002 or can be obtained from the Bureau of Alcohol, Tobacco and Firearms ([www.atf.treas.gov](http://www.atf.treas.gov)).

### -- Labeling Regulations

Labels on U.S. wines exported to France must include:

- Net contents of the bottle, in milliliters, centiliters or liters.
- Name and address of the French importer preferably printed on the main label. However, small stick-on labels can also be applied by the French importer.
- The wine's alcohol content.
- Indication of manufacturing lot.
- Indication of country of origin.

EU labeling regulations allow the US government-authorized indication of two vine varieties for table wines provided the wines are exclusively from those vines. All varieties should be listed using the same print and field of vision, the most important variety topping the list. The label must indicate geographic origin.

### New Labeling Rules

In May 2002, the European Commission adopted new rules for the labeling of wine (Commission Regulation 753/2002). The rules lay down what information must be shown on wine labels and regulates the use of certain optional terms such as production methods, traditional expressions, names of the vineyard and vintage year. The new regulation introduces arrangements for the protection of certain traditional expressions linked to an EU geographical origin, e.g., "ruby" for port from Portugal. It also reserves certain bottle types for certain types of wine. Title V of the new regulation outlines provisions applying to third country wines. Third country wines may include geographical indications on the label but only under certain conditions.

In August 2002, the U.S. Government commented on the EU's notification of the new rules to the WTO (G/TBT/N/EEC/15). Comments related mainly to the provisions on geographical indications and traditional terms, which appear to be in conflict with several articles of the TRIPs Agreement (Trade-Related Aspects of Intellectual Property Rights).

On February 23, 2004, the European Commission published a set of amendments (Commission Regulation 316/2004) to respond to a number of concerns raised by the U.S. and other non-EU wine producing countries. In an effort to conform with its international commitments under the TRIPs Agreement, the EU has adopted new conditions for the use of traditional expressions on wine labels by third countries. Regulation 753/2002 established a system of two categories of traditional expressions to designate quality wines. The first



category contained expressions that could be used by third countries under certain conditions while the second category included expressions exclusively reserved for EU wines. Regulation 316/2004 simplifies this system by merging the two categories into one single category and third countries will be allowed to use them under very strict conditions. Requests by third countries to use traditional expressions will be considered by the EU and the member states and the right of use will be granted if all the conditions are fulfilled.

August 10, 2004, the European Commission published an updated list of vine varieties and their synonyms that include a geographical indication and that may appear on wine labels in accordance with article 19.2 of regulation 753./2002.

In November 2003, the EU published Directive 2003/89/EC making the indication of allergenic substances on food labels mandatory. The EU's new allergen labeling rules also extend to alcoholic beverages. The presence of sulphites in wine must be indicated on the label. Alcoholic beverages not complying with the new rules will be prohibited as of November 25, 2005.

For more information on new wine rules, please visit:

[www.useu.be/agri](http://www.useu.be/agri)

- EU Wine Labeling – Amended Rules – Report E24043
- Wine – EU Import & Labeling Rules – Report E23180
- U.S. Wine Derogations Extended – Report E23247
- New Allergen Labeling – Report E23186

### **3. France Market Development Activities**

Public assistance for domestic and international promotion of wines and spirits comes from the French national market promotion agency (SOPEXA) which actively promotes French food products and wines in EU and overseas markets.

During CY 2003, ONIVINS had a budget of 10.3 million Euros, or about US \$11.6 million for promoting French wines. The GOF and inter-professional organizations underwrite this budget.

Promotional activities funded by ONIVINS focused on advertising campaigns, promotional materials, in-store promotions in specialized outlets, hotels, restaurants, as well as fairs and trade shows. New promotional activities were also conducted in 2003, including qualitative studies, reinforcement of advertising campaigns, educational programs and in-store promotions, not only in the EU (35 percent of the budget), but also in North America, Japan and in emerging markets (Eastern Asia and Central and Eastern Europe countries). SOPEXA promotes the image of the "French Style of Living" and "French Cooking" through "French weeks" in foreign restaurants, including wine waiter contests.

#### **4. Competitor Programs/Activities**

Nearly all of the other EU countries conduct some form of market promotion in France. Wine is commonly promoted through participation in trade shows as well as public and trade advertising and supermarket promotions. Countries that do not have export promotion agencies often use their local embassies or French importers to conduct their promotion. Non-EU countries promoting wines in France include South Africa, Chile, Argentina, the United States, Australia, and more recently New Zealand and Bulgaria.

#### **5. U.S. Market Opportunities**

Most of the American wines sold in France are Cabernet Sauvignon, Chardonnay, Zinfandel and Pinot Noir from California. U.S. wines in France face strong competition from domestic producers, and from France's leading EU suppliers (Italy, Spain and Portugal), as well as Australia, South Africa, Argentina and Chile. Central and Far Eastern wine producers are now emerging and should be considered as future competitors. However, there are market opportunities for U.S. wines in France, thanks in part to the "exoticism" and quality of U.S. wines, and also to the promotional efforts of Office of Agricultural Affairs at the American Embassy and the many American restaurants in Paris.

E&J Gallo has been present in France since 1998 and has contracts with most major French retailers (Carrefour, Auchan, etc.). Gallo is also selling to restaurants in France and Europe as well as in wine stores. Since May 2000, Mondavi wines were also introduced in France through a leading importer/distributor.