Analysis of organic wine market needs

Jonis M.[1], Soltz H and Schmid O[2] , Hofmann U[3], Trioli G[4]

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Abstract

In the last years the market for organically produced wine has developed significantly. But until now only few data are available about the actual organic wine market and market needs as well as future market trends. Therefore, the conduction of a trans-national study was seen as necessary within the ORWINE project. The aim of this market study was to get a clear picture about the national structure as well as the development and the potential of the domestic and international organic wine market. This report gives the results and main trends concerning organic wines markets of the first step of this study: status quo analysis from experts' survey and literature analysis and operators' market survey with qualitative and quantitative data. The second step of the study will be end, in December 2007, more interviews will be led with operators from other countries: producing European countries and European and non European consuming countries.

Introduction

In the last years the market for organically produced wine has developed significantly (Hamm et al. 2004). Main importing countries like United Kingdom, Germany, Switzerland and the Scandinavian countries have started to import more and more organic wines, mostly from the Mediterranean Countries.

The market development of European organic wines is influenced by the realities of the global wine market. As a result, the organic wine sector is also confronted with the current debate, on which type of wines is requested by the market, as well as the opposition between "modern/ technological" and "classical/ traditional" wines.

Although in few countries some figures about the development of the organic wine market do exist, until now no trans-national studies were undertaken so far about the actual organic wine market and market needs as well as future market trends. Therefore, the conduction of a trans-national study was seen as necessary within the

[1] ITAB. Institut Technique de l'Agriculture Biologique, 149 rue de Bercy, 75 595 Paris cedex 12, France. E-mail : monique.jonis@itab.asso.fr. Website : www.itab.asso.fr

[2] FIBL. Research Institute of Organic Agriculture, Ackerstrasse, 5070 Frick, Switzerland, E-Mail hanna.sotlz@fibl.org, otto.shcmid@fibl.org. Website : www.fibl.org

[3] ECOVIN. Federal Association of Organic Wine producers.Praelat-Werthlannstr.37 D-65366 Gesenheim. E-mail : uwe@eco-consult.net. Website : www.ecovin.de

[4] VINIDEA. Piazza 1 Maggio20, I-29028 Ponte dell'Olio PC. E-mail : gianni.trioli@vinideanet.com. Website : www.vinidea.it

ORWINE project for supplying the needed market background to the regulatory recommendation that will be developed by the project

Methodology

The aim of this market study was to get a clear picture about the national structure as well as the development and the potential of the domestic and international organic wine market. In order to investigate the potentials and needs of the market, consultations with experts and traders were made in each of the countries which are covered by the consortium: Italy, France, Germany and Switzerland. The focus was both on retail chains and specialized wine firms, which already trade organic wines.

In the first phase, which took place in 2006, two approaches were chosen in order to investigate the market needs: on one hand, interviews with the main market operators from the four countries involved in the consortium were led and on the other hand, this data were completed with expert surveys and literature analysis to give an overview about the development of the organic wine markets.

In the second phase, other surveys will be conducted in the second half of 2007. They will concern new market's operators of countries from the consortium but will also be extended to consuming countries like the UK, Netherlands, Denmark, the USA, and other producing countries like Spain, Greece or Portugal.

Results

Concerning the organic market development (for all major products), a general increasing growth trend can be observed in the four study countries, connected to the increasing demand of consumers for organic food and the development of organic farming in most of the European countries. Nevertheless, the growth rates and the market evolution can strongly differ from one country to another. If organic wines are sold in the same channels as conventional wines, the relative importance of each differs. While most organic wines are sold in specialized organic shops or through direct sales, conventional wines are mainly sold in supermarkets and even discounters.

It was difficult to get complete and precise qualitative information. Several of the traders did not respond to the quantitative questions or gave incomplete answers. But although the data are not sufficient to be representative of the whole organic wine market sector, their analysis show interesting trends and give at least an indication of the structure of the organic wine market.

For all traders (organic specialized or not), the red wines represent the most important volumes traded, except for one operator

Most operators surveyed in the case-study countries reported an increase in organic wine turnover, over the past five years, with only a single operator reporting decreased

turn-over. The increase varied from 5% to 90%, with a total average of about 18% for all countries combined. We can therefore observe an overall strong increase in the organic wine trade. Growth projections for 2008 indicate the same trend. The most relevant companies in the case study countries expect a rise or continuation in their present rate of organic wine sales growth. These projections vary from 6% to 20% with a mean of about 13%.

These results can only be considered as a trend, since it is based solely on estimations provided by operators, which sometimes seem to be highly approximate. Still, these results are reason to be optimistic about the future of organic wine commerce and production.

The importance of import and export markets of wines varies considerably between the case study countries. Some countries are strongly oriented to export such as Italy and France. Other countries are more importers of wine like Germany and Switzerland. These trends apply also for organic wines. (See report D 2.5: numbers and origin of producers who export). Imported organic wines come almost exclusively from the European Union, the three main countries of origin being Italy, France, and Spain. Their order of importance varies according to the operator. Greece and Portugal are mentioned as well. Wines are either imported already bottled, or imported in barrels or other containers and then bottled by the operator. Bulk importation accounts for 50 to 100% of the volume purchased. According to operators, 50 to 100% of the total volume also consists of wines with official “appellation d’origine” certifications. Because of the low number of responses on this topic, however, this cannot definitively be called a general trend.

Two major wine consumption trends are observed for the domestic organic and conventional wine market: a decrease in main European producing countries like France, Italy and Spain and an increase or a stabilization in consuming countries: northern European countries, Japan, USA. For organic wines the consumption trend is totally different with a general increase in all countries, even if it is higher in consuming countries of Northern Europe than in producing countries.

Four potential obstacles to the development of the organic wine market, in the case study countries, emerge as most significant according to the wine traders surveyed:

- Low consumer knowledge about organic wines and organic wine production. This lack of knowledge seems to concern wine production in general. This factor received the highest score in three countries (Italy, Switzerland, and Germany) out of four (in France it ranked fourth).
- Problem of B to C (Business to Consumer) marketing. This was ranked the third most significant obstacle in Switzerland, Italy, and Germany, but seems to be less important in France.
- Strong competition between conventional wines and organic wines. When quality is equal, organic wines are less competitive because of their higher price. This is

particularly true in France, where it was cited as the single most important obstacle to organic wine market development, and in Switzerland, where it was ranked third.

- High prices of organic wines. An important factor in France and Switzerland, where it ranked second, but less important in Germany and Italy.

Concerning organic wine consumption, the main consumer trends -even if there are some differences among the four case-study countries- in the analysis of the results are the following:

- a wine consumption trend strongly oriented to young and fresh wines, round and tasty wines, and organic and local wines. These trends vary in the country-by-country analysis;
- cuvee wines, speciality wines, wines from resistant and new varieties, labelled wines and dry wines should remain as popular as they are today;
- tannic tasty wines, woody wines and old wines show a projected decrease in consumer preference by 2008. This trend is confirmed in country-by-country analysis.

Discussion

Some general comments can be made on the structure and on the results of the first survey conducted from mid of 2006 until mid of 2007. First of all, the authors noticed that it was very difficult to obtain economic quantitative data from the markets' operators. Therefore the main focus was on the analysis of the qualitative data. Many interesting information could be gained about the major obstacles for the expansion of organic wine production and consumption and which strategies operators envisage.

Comparing the results of the market operator survey with the *status quo* analysis of the organic wine market, which was based on literature analysis and expert knowledge with the ORWINE consortium, several similarities came out:

- The results showed that estimation of the growth figures of the organic market do not contradict with the feedback from the interviewed traders.
- Based on the growth figures a continuation of the growth can be extrapolated at least for the coming years, which is also confirmed by the interviewed traders.

However the first survey showed also the need for more quantitative figures as well as more information on specific areas (such as import, export, labelling) to be taken up in the in-depth second survey now planned for the second part of 2007.

Conclusions

From this first preliminary analysis of the first survey, three main problem and challenges can be identified:

Nearly total absence of global communication and marketing strategies for organic wines.

- The lack of consumer knowledge, but also of many market operators especially retailers (not specialized in organic) concerning organic wines and organic farming. This point is one of the consequences of the previous problem, but not the only one.
- The need to still improve sensorial quality of organic wines and also their image (connected to the lack of communication).

The preliminary results of the study on the organic wine market help to identify the main problems of the organic wine market. Some tasks of the Orwine project could also allow for the improvement of some aspects mentioned by the market operators, such as the improvement the quality of organic wines (how to reduce SO2 without compromising sensorial quality and the preservation of wines) and the development of a European regulation for organic wine making.

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