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1 Synthesis

The 2004 enlargement of the EU added slightly more to the Union's consumption demand for wines than it added to its total wine production. Wine production in the ten new Member States (NMS) average just over 6.5 million hectolitre litres in the period 2000 to 2004, thus adding a little more than 4 % to total EU wine output. Consumption in the ten countries averaged a little less than 7 million hectolitres, equal to a little more than 5% of EU-15 consumption.

However, the Accession of Bulgaria and Romania In 2007 will reverse the position as both countries are net exporters of wine. Following their Accession a further 7 million hectolitres will be added to annual output but only 5.75 million hectolitres to consumption.

Taken together, the 12 NMS will therefore add in round terms another 1 million hectolitres to the annual EU surplus. In relative terms however, the impact upon the EU's structural surplus of wine is unlikely to be very substantial as estimates of the existing annual surplus range from 15 to 20 million hectolitres.

As the individual country reports highlight, in a number of the acceding countries the wine sector is not presently very well structured to take advantage of the possibilities of increased commercial exports to either other MS or to third countries.

Table 1 Wine Statistics Averages 2000 to 2004

	Production	Imports	Exports	Consumption	
	000 Hl	000 Hl	000 Hl	000 Hl	litre/head
Cyprus	309	12	206	115	17
Czech Republic	534	970	28	1581	16
Estonia		7		7	5
Hungary	4438	50	741	3265	32
Latvia					
Lithuania					
Malta					
Poland		565		570	3
Slovak Republic	422	156	92	598	11
Slovenia	839	59	85	719	36
Total NMS	6543	1818	1152	6847	
Bulgaria	1402	29	826	575	7
Romania	5546	9	388	5124	23
Bosnia & Herzegovina	61	39	19	80	2
Croatia	1000	79	82	1000	22
Serbia & Montenegro	1648	133	59	1829	18
Turkey					
Total Candidates	9656	289	1375	8609	
EU- 15	150000			135000	

The above table presents the best estimates that the compilers have been able to make of production and consumption levels in the various countries. One cannot put too much reliance on the wine statistics for some of the Balkan states as different expert sources seem to produce significantly different data for the same countries. There seem to be particular problems in assessing the statistics for Croatia, where it is thought that the official statistics overestimate the annual volume of production. For several of the small countries, notably Cyprus and Malta, figures of consumption per head may be a little exaggerated by the inclusion of consumption by holiday makers.

1.1 The New Member States (NMS)

The New Member States can be classified into three groups: the new northern MS (the Baltic countries together with Poland) which have little or no wine production and a very low wine consumption per head (up to 3 litres per annum); the Czech Republic and Slovakia which are both wine producers but import a significant share of their modest average consumption (16litre per head in the Czech Republic, 11 in Slovakia); and the wine producing and exporting countries Hungary, Slovenia and Cyprus. Consumption per head in Hungary tends to be in the range 32 to 34 litres with no discernable trend; that in Slovenia is around 36 and that for Cyprus only 16 to 17 litres, though this latter figure, like that for Estonia, may well be exaggerated through the inclusion of wine consumed by tourists.

In many countries, the wine industry has a long history and its importance to the rural economy greatly exceeds its measured contribution to the GDP. Vineyard cultivation on hillsides helps to prevent soil erosion, gives employment in the countryside, is environmentally friendly and nowadays enhances tourism. The bare figures on the value of wine production may be a little misleading in that, as also occurs elsewhere in EU-15, wine-grape growing and wine production almost certainly contributes to the attractions of rural tourism and sales of wines to the earnings from tourism in the central and southern countries of the Union.

Hungary is the only substantial wine producer and exporter among the NMS (though both the Slovene and Cypriot economies benefit from modest earnings from wine exports.) Slovenia imports table wines and exports quality wines resulting in a relatively modest level of net export earnings. The Czech Republic, which supplies about 40% (by volume) of internal consumption, imports high quality wines and exports table wine – overwhelmingly to Slovakia, which itself has a two-way trade in wine.

Cyprus

Although there are over 21,000 vineyards in Cyprus, covering a total of over 17000 hectares, only 5% of the vineyards exceed 2 hectares in size. Recent years have seen a continuing reduction in the total vineyard area under a government funded restructuring and abandonment scheme which grant aided the replacement of old varieties by those for which there is a commercial demand. .

Having long been a net exporter of wine, the past six years have seen a near doubling of the value of wine imports from £C 2.2million to £C 4.3 million (1.3 to 2.5 million euro) whilst the value of exports has not shown the same increase and for the first time in 2004 there was a negative trade balance in wine.

In 2004 the Cypriot Government approved a new Comprehensive Strategic Plan for the restructuring, development and support of the wine sector aimed at improving the industry's overall competitiveness, via variety conversion schemes in quality wine regions, encouraging investment in advance technology in wine-making and the promotion of Cypriot wines.

Hungary

Hungary was fairly well prepared for EU Accession as through its 1997 Wine Act it had already begun to adapt the national wine regulations to the wine CMO. A vineyard cadastre system is now being implemented under a new Wine law of 2004. In the four years immediately preceding EU Accession, the number of Hungarian farms registered as specialising in growing wine grapes increased by 74%. In part this was due to owners of relatively small plots of land in good wine-grape growing areas assuming that their economic prospects would improve after Accession. A more cogent factor was the knowledge that under the wine CMO there would be restrictions on new vineyard planting after Accession but that existing registered vineyards could be eligible for EU restructuring subsidies for replanting and modernising vineyards. However, some uncertainties remain and there are fears that the new restrictions could lead to social divisions.

The 2004/05 marketing season has been a difficult one for Hungarian producers as very good weather led to an above average output of wine that, combined with high stock levels and weak selling, resulted in very low prices. In order to ease the market disorder crisis distillation was approved for up to 500000 hectolitres.

It is unfortunate that adoption of the wine CMO coincided with such a weak market, though it may bring home to Hungarian producers the benefits of strong and effective marketing and thereby encourage greater participation in PMOs. The Hungarians already had a fairly effective, if rather under funded, export promotion system but lessons could be learned from the success of the new world wine producers in boosting sales to the northern European MS.

Poland

Poland is not currently a wine producing country though grapes have long been grown in the country and grape wine has been made from imported grape juice. The Polish government has applied for inclusion in the zone A producing countries which would allow up to 25000 hectolitres of wine a year to be produced in future from imported grapes or grape juice.

Slovenia

As far as the impact of EU-Accession is concerned, Slovenia appears to have been the best prepared among the 12 NMS, having completed its vineyard registration and adoption of the instruments of the wine CMO before Accession. A number of the other NMS have not made the same degree of progress. Even so, Slovene wine producers are concerned about the loss of national export promotion subsidies which have reduced both the total spending on wine export promotion and, in consequence, the volume of wine exported in 2005. Future promotion spending will depend upon Slovenian producer organisations being able to generate their own promotion funds in order to attract co-financing from the Slovenian government and the EU. Hence there remains work to be done on encouraging Slovenian wine producers to join producer marketing organisations and find their share of promotional funds.

1.2 The Candidate Countries

Bulgaria

The Bulgarian wine sector is going through a period of significant change with many vineyards being abandoned, mainly due to age and the fragmented nature of holdings. There has been some replanting of vineyards and some 3% of the total vineyard area is now of young vineyards not yet of fruit-bearing age. The modernisation of vineyards is mainly the result of government support for the sector provided through low interest rate investment credits from the state "Agriculture Fund" and aided under the SAPARD support measures. Under this investment credit scheme more than 1100 new vineyards have been created over the last three years.

Bulgaria exports nearly two-thirds of its total wine production – averaging some 840000 hectolitres out of 1.3 million hectolitres over the past four years. This has been achieved through good marketing, especially in the highly competitive UK market. Around 40% of the exports go to the EU-15 and 20% to CEFTA countries. Other major export destinations are the NIS and Baltic countries. However, in recent years, Bulgarian exporters have only filled, on average about half of their zero tariff import quotas to the EU. Although there seems to be the prospect of future export expansion, this will depend upon the continuing renewal of the production capacity and some strengthening of the marketing activities.

Croatia

In recent years, Croatian annual production is thought to have been around one million hectolitres per year supplying a domestic market in which consumption per head is estimated to be around 22 litres. Until last year, wine exports exceeded imports in value terms but imports had been rising quite rapidly after the turbulent 1990s and in 2004 the trade balance is estimated to have become negative. Although Croatia would appear to be in the best position among the Balkan countries, the industry is in need of restructuring and modernisation of both the vineyards and the wine processing plants. Whilst the majority of medium sized producers are registered, a substantial proportion of small

growers are not yet they supply a significant share of total production and consumption. There remains much for the industry to do before it will be in a position to conform to the EU wine CMO and face the competition from within and outside the enlarged EU.

Romania

Among the candidate countries, Romania is by far the largest wine producer, its production exceeding the combined output of Bulgaria, Croatia and Serbia. Although in all those countries there are some uncertainties over the reliability of the recorded data.

Over the five years to 2004, Romanian wine output has averaged 5.5 million hectolitres despite a continuing fall in the recorded area of wine growing grapes. The fall was fairly gradual up to and including 2003 but in 2004 the area recorded dropped by 15% to 178400 hectares though for 2005 it was shown as 181500 hectares. There are over 1.1 million farms in Romania growing wine grapes, the vast majority on a very small area and with much of their wine production being for their own consumption or selling in the informal markets.

The Romanian commercial wine producing sector is large and more than 90% of Romanian wine is sold on the domestic market, where the annual per capita consumption is reaching 25 litres. The volume of exports has been rising in recent years, at its height in 2002 exceeding half a million hectolitres and the value of net exports of wine has been around 20 million euro a year. The Romanian climate favours wine production and there seems no obvious reason why, with greater emphasis on quality wines, Romania should not be able to increase its share of the export market in future though this will require substantial changes in the wine sector.

Currently, around half of the wine-grape vineyards are planted with hybrid varieties and Romania has requested a transition period of 8 years from EU Accession until the end of 2014 for the hybrid vineyards to be restructured and replanted with approved varieties. The Government has also requested a four year post Accession period for the completion of the vineyards inventory and register. The next few years will need to see some substantial efforts to improve the commercial performance of the industry through the establishment of strong producer organisations coupled with an effective marketing structure.

Turkey

Turkey is neither a significant wine producing nor consuming country, with consumption per head of less than 1 litre! There are rising levels of wine imports, but these are thought to be in the main associated with the increase in the numbers of tourists visiting the country.

1.3 The countries from the Western Balkan

A major problem in assessing the situation in the wine sector in the western Balkan countries is the lack of reliable data. Given the turmoil in the countries of the former Yugoslavia in the late 1990s, it is scarcely surprising that some vineyards were destroyed

and others abandoned. Official central government statistics are sometimes unreliable and there are often conflicting estimates of the real situation. Hence the data contained in table 1 above and in the statistical workbook is not as robust as the data collected by Eurostat for the EU-15.

Serbia Montenegro

Serbian wine producers suffered from the hostilities of the late 1990s, though the past five years have seen a substantial recovery in the volume of production and consumption per head is rising towards 20 litres. Restrictions on trade have meant that there has been but a small recorded volume of imports and exports which, with the exception of 2001, have amounted to a negative balance of 2 to 3 million euro annually. Much still needs to be done if the industry is to be brought up to the levels of efficiency and the quality standards prevailing within the EU-15 countries.

Bosnia & Herzegovina

Southern Herzegovina is the only significant wine producing area of Bosnia & Herzegovina. The country produces a small volume of wine and is a net importer but with a per capita consumption estimated at less than 3 litres does not make a great impact on trade in the region.

1.4 Conclusion

Among the NMS, Hungary, and to a lesser extent Cyprus and Slovenia, could have an increasing impact as exporters to other MS. The Czech Republic, Poland and Slovakia are all net importers of wine and likely to remain so and in the Baltic countries as in Poland (and Turkey) the level of wine consumption per head is trivial. The three exporting countries have had to develop their production and marketing to meet the demands of EU consumers and continuing rationalisation and modernisation is under way.

Bulgaria and to a lesser extent in the immediate future, but with greater long-term potential, Romania could increase their share of the EU wine market though they are well behind Hungary, Cyprus and Slovenia in adjusting their internal regulations and monitoring to conform with the standards set in the wine CMO.

To the extent that reform of the wine CMO liberalises trade with third countries, many producers in the NMS and candidate countries will face much more intense competitive pressures from new world wine producers in future. This re-enforces the need to press ahead with modernisation in all those countries.

2 Bosnia Herzegovina

Introduction

Bosnia and Herzegovina is a producer of wines and a net wine importer. With a pre-war vineyard area of around 6,000 ha and installed winery capacities of around 375,000 hl, B&H's wine sector was ranked as next to last among the former Yugoslav republics.

2.1.1 Wine consumption

There are no reliable data on wine consumption in Bosnia and Herzegovina. FAO, OIV, and USAID variously estimate B&H wine consumption between 1.8 and 5 litres per person a year). Local experts estimate consumption at around 2 litres per person per year, slowly increasing since 2001.

Market information, including demographics and consumer preferences, has not been developed. USAID estimates that 70-75% of commercially produced B&H wine is sold on the domestic market. For a long period men above 30 were the leading wine consumers, but during last few years women become the fastest growing segment and some estimates say they consume more than half of the wine sold in B&H. Young people still prefer beer to wine. Traditionally, and regardless of world trends, consumption of white wines is higher than that of red wines. Most wine consumers buy cheaper, low-quality wines. The exception is middle-aged businessmen buying the most expensive and usually top-quality wines.

2.1.2 Wine imports

The average wine import to B&H for period 1999-2003 is around 34,000 HL, but with significant fluctuations from year to year. The average value of import was 5.6 million USD, varying from 2.3 to 9.4 million USD). During the same period the negative trade balance varied from 2 to 8 million USD (the average being around 4.4 million USD).

B&H buys higher priced imported wine (1.75 USD/L) compared to the surrounding countries (Croatia: 0.81, Macedonia: 0.91, Slovenia: 0.62). Most of the wine imported to the Federation of B&H originates from Slovenia and Croatia, whereas the Republic of Srpska imports 85-90% of its wine from Serbia and Montenegro.

2.1.3 Vine production

Southern Herzegovina is the most significant and only productive winegrowing region in Bosnia and Herzegovina. The leading varieties are autochthonous Zilavka (white) and Blatina (red) wine varieties. Some of the bigger Blatina vineyards have rather small number of Vranac, Merlot, Cabernet Sauvignon, and Alicant Bouchet vines.

2.1.4 Vineyard area

The pre-war vineyard area in Herzegovina was around 6,000 ha, which decreased to an estimated 3,600 ha in 2003 (FAOSTAT). Many vineyards are very old and in urgent need of replanting. Around 80% of the total Herzegovina vineyard areas are vineyards for wine production, which has been the ratio during last 40 years.

Bosnia and Herzegovina does not have a vineyard register or cadastre yet. No differentiation is made between vineyards for quality and table wines. The old Yugoslav "appellation" system is still in use but a revision of the system is in progress in Western Herzegovina.

2.1.5 Structure of production

Lack of reliable data makes it almost impossible to categorise and review the structure of wine production. Pre-war wine production in Herzegovina was in the hands of a huge state owned agri-food company. All commercially produced wines were sold under that company's label and the whole production was organized in 5 industrial wineries. After the war a number of small or medium size private wineries (capacities between 100 and 1,500 HL) started to bottle their own wines. Their number increases year by year, but some have gone out of production mostly because lack of finance or marketing skills or due to periodical wine surpluses on local market. Problems with privatisation and modernisation caused 3 of the 5 former state owned wineries to get into difficulties with limited and low quality wine production.

Herzegovina grape production is dominated by many small vineyards (0.3 – 0.4 ha) with very few blocks exceed 10 ha. Most private wineries have their own vineyards. However, those vineyards usually are not enough for the installed capacities so the wineries buy wine grapes from neighbouring growers.

2.1.6 Wine yields

The estimated average yield of wine grapes is around 5.5 t/ha. The characteristics of the leading wine grape varieties and winery equipment in use allow production of around 410 HL of wine per hectare.

2.1.7 Wine production

OIV, FAOSTAT and information from local institutions puts the estimated average annual wine production at around 55,000 HL, with significant variations year by year (from 47,000 HL in 2000 to 75,000 HL in 2003). Informed but unofficial opinion is that commercial wine production in 2004 could be between 8 – 11 million litres. Vineyards planted after the war are coming into production thus causing a gradual rise in total output. Most of the new vineyards are planted with cv. Vranac (an indigenous Montenegrin variety), which can create some problems with production of QWPSR. Namely, current and most promising markets for Herzegovina wines recognize Vranac as exclusively Montenegrin vine and wine.

Domestic wine production is divided into four quality categories which could be called: top-quality PSR, good-quality PSR, table-quality PSR, and table quality w/o PSR. Lack of official controls has led to an unrealistically high proportion of commercially produced Herzegovina wine being declared as top-quality wine. In comparison with other countries in the region, the proportion of bottled middle quality wines is very low. Production of the lowest quality category - table wines – is relatively high. Expert opinion puts the approximate ratio among commercially produced Herzegovinian wines as 35% top – quality, 15% good-quality (middle quality) and 50% table wines.

2.1.8 Production cost and competitiveness

Climatic and soil conditions are well suited for wine production in the main B&H winegrowing region. Grape producers are paid on time; prices are favourable to vine growers (between 0.50 and 0.75 EUR/kg of grape, depending of grape quality), which ranks winegrowing among the most competitive plant productions in Herzegovina. There are not reliable data on wine production costs, but they could be relatively high because of fragmented vineyards and small installed winery capacities.

Nevertheless, the average realized price for exported B&H wines is relatively low and amounts 0.61 USD/L (period 1999 – 2003). During the same period Croatia and Slovenia realized 1.10 and 0.77 USD/L respectively for their exported wines. On the other hand, Herzegovina wines attain reasonably high prices on domestic market in comparison with imported wines. The typical wholesale price for top-quality Herzegovina wines on B&H market vary between 3.50 and 6.00 EUR/750-mL glass bottle sealed with a cork; good-quality wines catches 2.00 – 3.00 EUR/750-mL glass bottle sealed with a cork, while wholesale price for table-quality wines range of 1.00 – 2.00 EUR/L bottle with a metal screw cap.

2.1.9 Wine exports

During the period 1999 – 2003 the average annual B&H export of wines was around 20,000 HL, varying from 4,400 HL in 2000 to almost 35,000 in 2003. According to USDA FAS Office at the U.S. Embassy in Sarajevo, Croatia receives 90% of B&H wine exports. Serbia and Montenegro, Slovenia, and Austria receive about 9%, while remaining 1% is distributed between Germany, Sweden, Canada, and USA. The average annual value of wine exports for the same period was around 1.2 million USD, varying from 0.3 in 2000 to 2.8 million USD in 2003. The volume of wine exports has been growing since 1998 but the value has not grown in line with the volume, which indicates low quality of exported wines. Exporting to EU countries is still difficult because of incompetence and inefficiencies on the official control systems and lack of agencies authorised to certify the quality and safety of wines.

2.1.10 Policy issues

One of the first and most important preconditions for improvement of the B&H wine sector is adopting a new and effective wine law. The sector is still regulated by the old Yugoslavian wine law and regulations. Meanwhile, all the other former Yugoslav republics (except Serbia and Montenegro) have adopted wine laws and regulations which are harmonised with EU wine legislation. Other preconditions for modernising the B&H wine sector are the establishment of a vineyard cadastre and a register of grape and wine producers plus revision of the current "appellation" system. All those activities should be followed by strengthening the responsible institutions.

Consumer preferences, tradition and the characteristics of B&H wines make domestic sales and neighbouring countries the most promising markets for the near future. Some problems have arisen because of different legislation systems in B&H's constituent countries make inter-country wine trade almost impossible. Harmonisation or unification

of the constituent countries' labelling and tax laws is a priority for B&H wine sector development.

Almost all elements of the EU's wine CMO pose big challenges for the small, weak and unorganised B&H wine sector. Wine surpluses in Europe and the support provided to their EU competitors are the most obvious concerns of local wine producers. The sector players recognise the necessity for change: the establishment of a land and vineyard cadastre, a register of recognised wine producers, support and orientation for the modernisation of vineyard management and wine production, and the implementation of an EU-conforming structure of market regulation and quality control system. However, most of this could not be achieved without state institutional and financial support and must be accompanied by a market-orientated attitude towards meeting consumers' demands. Fortunately, the relatively long period expected before B&H accession to the EU gives some time for the sector to reorganise.

3 Bulgaria

3.1.1 Wine consumption

In general, there is no balance sheet of wine in the country. The only information in respect to consumption refers to household consumption of wine¹. The per capita consumption of wine increased over the period from 6.5 kg to 8.3kg. These figures refer to the consumption at home and do not include consumption in restaurants, bars or other public food places.

3.1.2 Wine imports

Bulgaria is a net exporter of wine, importing only very limited quantities. The broached wines (in casks) formed nearly 80% of total wine imports by volume at the beginning of the period in 2001 but in 2004 the share of this type of wine declined to less than 15%. In general the price of this type of wine is very low (less than euro 0.5 per litre). Traditionally the main sources of imports have been the CEECs (mainly Hungary and Czech Republic) and Macedonia but in the last two years imports from Macedonia have fallen to zero. Over the years, imports from the EU (the largest single source being Germany) increased substantially. In general the import of broached wine is very variable and is extremely dependent on contracted export to the NIS markets because there are no requirements for guarantees of wine origin on these markets.

There is a decreasing trend in the import of bottled table wines. From 2002 to 2004 imports of bottled table wine nearly halved whilst those of quality wines rose.

3.1.3 Vineyard area

For the first sub-period 1999 to 2001 the total area of vineyards increased, while in the later years a decline can be seen and the proportion of non-cultivated vineyards increased. In 2004 the abandoned vineyards increased from 28000 ha in 2003 to 34000ha. This is mainly due to the change in the ownership and high fragmentation of the vineyards as well as the age structure of the plant.

Due to various reasons (frost, pest and disease etc) on average 5% of the vineyards annually are not harvested. The figures in the Annex refer to the vineyards harvested but to the total area under grapes. The vineyards not yet of fruit-bearing age have increased over recent years. In 2004 they comprised 3.2% of the total vineyard area. This is mainly the result of support policy applied to the sector through which low interest rate investment credits were provided by the State "Agriculture" Fund and in particular under the SAPARD support measures.

The process of replacement of the wine variety vineyards with new plants and new varieties is still in progress. There has been increased interest in planting new areas as well as in rehabilitation of old ones. In 2004 alone the Executive Agency on vine and wine issued 78 acts for re-planting of wine variety areas totalling 2000ha.

¹ Household budget survey carried out regularly by the National Statistical Institute.

In respect to the variety structure of vineyards, about 60% of the vineyards are planted with red wine varieties, 30% with white wine varieties, and the rest are table grapes and grapes grown in households (trellis vine). According to the wine experts, the vineyards planted with varieties providing better quality of wine like Chardonnay, Muscat Ottonel, Cabernet Sauvignon and Merlot have been well tended.

3.1.4 Structure of production

As shown in the annex grape production increased over the observed period with the exception of 2004 when some decrease is observed. The reduction in household grape production is the most substantial, 30%, compared to the previous year. The share of table grapes in total grape production varies from year to year but on average is 5 to 7% of the total grape production. About 70% of the wine grape production is red grape.

It is a phenomena in Bulgaria that only about 70% of the wine grape production is processed into wine, the remainder of the grapes go to non-industrial (home made) wine and beverages production.

3.1.5 Wine production

Over the period 2000 to 2004 there have been 150 wineries. 62% of them have a capacity of less than 3 million litres; 18% a capacity of 3 to 10 million litres and the other 20% a capacity above 10 million litres. Due to structural changes in wine grapes production as well as weather conditions the wine production has fluctuated over the analysed period, showing declining trend at the beginning of the period after which recovered slightly and remained at the same level in the last two years.

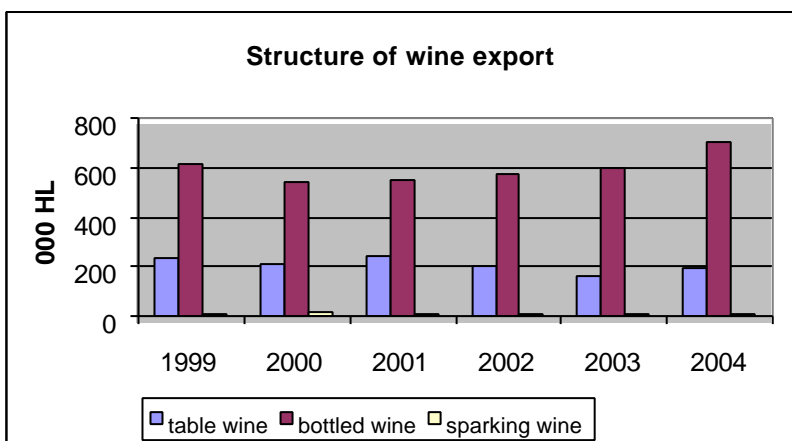
In the last two years of the period most of the wineries have changed their ownership which has resulted in a larger volume of grapes being purchased for wine-making and has led to some modernisation of the wineries and improvements in their financial position. Some of the new owners have also showed keen interest in the establishment of new vineyards.

Some 55% to 65% of the wine produced is table wine, regional wines comprise about 20% and high quality wines around 15% with small volumes of sparkling and special wines. Red wines make up about 55% to 60% of total wine production, the major varieties being Cabernet Sauvignon (27% to 30%), Merlot (25% to 30%) and Pamid (20% to 25%). The varieties Rkatsitely (20%) and Misket Cherven (20%) have the highest share among the white wines, followed by Muscat Ottonel (15%) and Dimiat (15%).

Non-industrial production of wine decreased over the period and in 2004 28% less home made wine was produced compared to the previous year.

3.1.6 Wine exports

As mentioned above Bulgaria is net exporter of wine. The exported quantities of wine vary from year to year, but remained around 800000 HL, showing a slightly increasing trend over the period as a whole. The structure of wine export over the period 1999 – 2004 is shown below.



Bulgarian exports are mainly of bottled wine, a decline in the bottled wine exports observed at the beginning of the period has been offset by an upward trend over the last four years. Approximately 60% of the exports go to the EU (40%) and CEFTA countries (20%). Other major export destinations are the NIS and Baltic countries (30%). Exports to the rest of the world amount to only about 10%. Poland and the UK are the most important importers of Bulgarian wines. The export of bottled wine to these two countries alone amounts to about 30% of the total exports of bottled wine, but is noticeable that exports to the UK shows slightly declining trend while exports to Poland are rising.

In recent years, Bulgarian exporters have only filled, on average about half of the preferential (zero duty) import quotas to the EU. Over the period Bulgaria has achieved some 60% to 65% of its bulk table wine quota, and 40% and 20% respectively of the quotas for bottled and sparkling wine.

The average export prices of Bulgarian wine differ according to the destinations of export. In general the price of export to the EU is some 30% higher than on average for the total export while the export price to the NIS is around 20% lower than the average. Over the last years of the period a slightly increasing trend in the average export price is observed for both table and bottled wines. More substantial increases have been seen in the export price of sparkling wine (210% for the period 2002 – 2004).

3.1.7 Policy issues

In 2003 the Wine and Beverages Act was amended. The amendments refer mainly to the regulations on vineyards, establishing an integrated information system for management and control and changing the rules for the registration of wine grape producers from the

Regulation of the MAF to the Act as an obligatory element of the control. The “Bulgarian Wine Fund” was set up in the Act, having as its main purpose the promotion of Bulgarian quality wines.

Over the period regulations for:

- allowing organic practices and their control,
- conditions and order for registration and maintaining the wine register and all other documents for insuring the effective management and control
- requirements for transportation of wine and wine grapes
- conditions and order of planting new vineyards or up-rooting, re-planting and grafting wine vineyards
- labelling and trade presentation of wine and beverages

and other regulations in respect to harmonisation of Bulgarian legislation with the EU regulations have been introduced or amended.

Over the period the price and trading regime was completely liberalised. Government support to wine grape and wine producers has been carried out by the State Fund “Agriculture”. The main element of support to producers has been the provision of low interest rate investment subsidies for planting and re-planting new vineyards, including some direct payments for this amounting to 1500 leva (766.9 euro) per ha but no more than 50 ha per producer. Under this investment credit scheme more than 1100 new vineyards have been created over the last three years.

Under the measure for the improvement of processing and marketing of agricultural and fishery products of the SAPARD programme, over 15 projects were financed for renewal of the technical equipment and adoption of new technologies in wine processing factories and the total amount of the financial assistance paid to date is estimated at 20.7 million leva (10.6 million euro).

Grape producers can also benefit from the SAPARD measure for investments in agricultural holdings. This measure provides support for the improvement of the quality and technologies used in wine grape production.

4 Croatia

4.1.1 Wine consumption

Wine consumption in Croatia is currently 22 litres per head and experts expect this will rise by about 25% until 2010 when it will be around 27 litres per head.

There was 56% of quality, 41% table and 3% high-quality wines in registered trade in year 2004.

4.1.2 Wine imports

Wine import has risen (from 53000 hl in 1999 to 135000 hl in 2004). The annual value of imports has fluctuated during that period from 7.9 million euro in 2000 to 10.2 million euro in 2002. In 2004 Macedonia was the top exporter of wines to Croatia, followed by Bosnia Herzegovina, Slovenia, Italy, and Germany.

Table 3 Wine imports into Croatia in 2004

Country	Quantity (hl)	Value (EUR)
Macedonia	62000	4713303
Bosnia Herzegovina	50340	2774897
Slovenia	9910	1357017
Italy	4450	610156
Germany	1100	284234
Other countries	7200	2252673
Total imports	135000	11992280

Source: Statistical Yearbook, Republic of Croatia, Bureau of Statistics

Experts estimate, that by 2010, imported wines will take 30% of domestic market, with some 58% being white wines and 42% red wines. The biggest share of imported wines are expected to be in the mid prices segment.

4.1.3 Vine production

Most Croatian wine producers are registered in the Grape and Wine Producers Register and thereby obtain a right to government subsidy payments and the right to sell wines. Unregistered producers have a significant share of Croatian wine production and consumption, and are also potential future registered producers.

The majority of grapes grown are wine-making varieties and, in recent years, newly planted vines and modern viniculture technologies are being adopted to meet consumer demand. A rising proportion of wines are being marketed with geographical indications and the relative share of quality wines has been rising and that of table wines falling. According to the Grape and Wine Register, the leading 33 wine-cellars account for 79% of total trade.

4.1.4 Vineyard area

According to the Central Bureau of Statistic, Croatia had 57,094 ha of vineyards in 2003, Agricultural census of 2003 shows 22,763 ha and Family Farm Register shows 28,000 ha. The Central Bureau of Statistic data are based on experts estimates and data used in Agricultural census are based on the statements of a farm member. Family Farm Register shows only cadastre area of vineyards registered in the Register nevertheless cadastres often are not accurate. Some experts presume that the most acceptable data are those obtained in Agricultural census.

The Grape and Wine Producers Register records only 13,637 ha with 64 million vines. The Government's aim is to have all 57000 hectares registered before EU Accession.

Table 4 Vine and wine production in Croatia in the period 1999-2003

		1999	2000	2001	2002	2003
Area of productive vineyards	ha	59	59	58	58	57
Fruit-bearing grape-vines	mil.	307	299	296	298	294
Grape production	t	394066	353541	359042	370000	333327
Yield per grape-vine	kg	1.3	1.2	1.2	1.2	1.1
Total production of wine	000 hl	2094	1891	1952	2095	1768

Source: Statistical Yearbook, Republic of Croatia, Bureau of Statistics

The development of Croatian viniculture is significantly hindered by vineyard fragmentation (85% of Registered producers have vineyards of under 1 ha). Most vineyards (65%) are over 25 years old. Some 40 different grape varieties are grown in significant quantities, with graševina bijela (26.5%), plavac mali (11.6%) and malvazija istarska (10%) together making up nearly half of total output.

4.1.5 Structure of production

Grape production in Croatia is organised on family farms and on wider production areas (ex Agrikombinats). Strategic government decision to take advantage of tradition and good climate for grape production favoured grape and wine production in family farms. Nowadays, family farms take high share in total market, especially market of quality and high-quality wines. Production on ex Agrikombinats suffered damages caused by war as well as bad privatization.

Average production area of producers enlisted in Grape and Wine Producers Register is small. Thus, 6.7% of producers had up to 0.1 ha in 2004, 58% had 0.1-0.5 ha, and 13.7% had 1.0-5.0 ha. 0.47% of them had over 10 ha.

4.1.6 Wine yields maximum

According to official statistics for year 2003, 294 million of vines gave 333,327 tonnes of grape. Production per hectare was 5.85 tonnes in 2003 but had been as high as 6.68 tonnes in 1999. Production per vine-stock remains very low, 1.13 kg in 2003 up to 1.28 in year 1999.

Producers enlisted in the Grape and Wine Register have a higher average production per hectare and per vine. They are market oriented, they apply technology of higher quality and they often have younger plantations.

Grape production per hectare and per vine is slightly higher in the mediteranean region than inland due to the grape varieties, planting density, climate conditions and size of vineyards.

4.1.7 Wine production

14 436 producers are engaged in registered grape and wine production in Croatia today (2005) at total of 13 942 ha of vineyards. Most of producers (2,973) are located in County of Split-Dalmatia. Out of total number of producers, 451 of them have controlled origin protection and they produce 1 219 different wines with controlled origin mark. Most of the quality wines (294) are made in the County of Zagreb and high-quality wines (41) in the County of Dubrovnik-Neretva. Although far from all producers or areas are registered the number of registered producers and vineyards rises each year. Thus, registered areas in 2005 in comparison to the year 1999 are 3860 ha higher and the number of registered producers rose by 4100. The number of producers with controlled origin protection rose too (in year 1999 only 317 producers had controlled origin protection with total of 797 protected brands). According to official statistics, total wine production was the lowest in 2003 (1.7 million hl) and highest in 1999 (2 million hl).

4.1.8 Production cost and competitiveness

Total income of grape production the Croatian plain was 4,836.45 euro/ha. Total variable costs were 2,938.15 euro and private mechanisation costs were 495.83 euro, the return was 1,402.47 euro/ha with production costs of 340 euro/t. (Source: Croatian Agricultural Extension Institute).

Grasevina wine (quality wine) production had total income of 17,371.19 euro and total variable cost was 12,173.44 euro. Total production cost was 1.75 euro/l i.e. 1.31 euro/bottle.

Total income in mediteranean Croatia was 4,969.87 euro/ha. Total variable costs were 2,730.64 euro and with private mechanization costs of 353.89 euro, total profit was 1,885.35 euro/ha and production costs were 342.89 euro/t.

In production of plavac (quality wine) total income is 20,172.99 euro, total variable cost is 11,976.71 euro and production cost was 1.90 euro/l i.e. 1.43 euro/bottle.

Table grape production in Croatia gave total income of 10,173.22 euro/ha, total variable costs were 4,695.36 euro, private mechanisation costs were 375,8 euro and profit was 5,102.07 euro/ha. Available calculations for family farms' productions are made without fixed costs (e.g. depreciation of buildings, machinery, and equipment). These costs differ

from farm to farm, and most of the farmers do not take them into account when calculating production costs.

4.1.9 Wine exports

The domestic wine market (domestic production plus imports) shows a slight increase wine exports a slight decrease since 2002. Croatia did not fulfil the maximum export quotas under the pre-Accession arrangements with the EU. In the period 1999 to 2002, Croatia's wine exports rose in volume and value but in the following year declined. In 2004 Croatia had a negative trade balance in wine of 2.1 million Euros. Bosnia and Herzegovina was the top importer of wines from Croatia in 2004 (3.9 million euro), followed by Germany (3.1 million euro), Italy (254686 euro) etc.

Table 5 Wine exports from Croatia in 2004.

Country	Quantity (hl)	Value (EUR)
Bosnia Herzegovina	13670	3925760
Germany	12280	3116815
Italy	3350	254686
Poland	1230	55813
Other countries	18410	2544859
Total export	48940	9897933

Source: Statistical Yearbook, Republic of Croatia, Bureau of Statistics

Croatian wine exports are not expected to rise in the next few years: the main obstacles being poor marketing, low production capacity and low wine production. The EU is the most promising export market.

4.1.10 Policy issues

No simulations have been made of the possible consequences of EU membership on the Croatian wine sector. Government policy can be summarised as having two objectives: an increase of total and average vineyard areas, and completion of the Grape and Wine Producers Register so as to improve wine quality control.

If the target of an increase vineyard area is to be accomplished before EU Accession, a number of significant issues need to be resolved. All abandoned and unutilised state land should be given in concession by public tenders; the Agriculture Land Law should be enforced for all private abandoned areas; only top quality vines should be planted, certified vines should be imported from the EU; and old vineyards modernised and new ones planted.

Most problems caused by domestic market liberalization will affect non-profitable wine cellars, producers of taped wine and wine grape producers. Wholesale, retail and family farms producing good wines can expect least problems. It is estimated that the market liberalization will lead to the slight increase of Croatian wines export, shall increase

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competitiveness of domestic wines at domestic market and will broaden total wine trade. The higher competition in the domestic market will ask from domestic wine producers to increase the quality of their wines and to look for new (export) markets.

Most of experts think that domestic wines need protection by import quotas in order to prepare for competition. Experts claim that government can help domestic market with black market suppression and by subsidizing production, trade and marketing of domestic wines and by organizing mutual wine marketing. Production technology needs to be enhanced, new technologies of processing and wine care should be developed, and wine quality should be improved. In the trade sector it is necessary to build up image of Croatian wines, to educate consumers about wine and to enforce wine advertisement.

5 Cyprus

Introduction

The summary table below presents the latest available key indicators of the Wine Industry of Cyprus.

Summary Table: Wine Industry Report

	Unit	1999	2000	2001	2002	2003	2004
Total area with vines	000ha	18.8	19.2	17.2	17.9	17.4	17.1
Table Grapes	000ha	1.6	1.7	1.3	1.3	1.8	1.2
Wine Grapes	000ha	17.2	17.5	16.9	16.6	16.3	15.9
Yield	Tons/ha	0.576	0.577	0.526	0.338	0.465	0.635
Producers of Grapes							
Total	000tons	107.3	110.7	90.5	60.5	80.9	108.5
Table Grapes	000tons	21.4	20.1	15.6	13.4	11.3	21.1
Wine Grapes	000tons	85.9	90.6	74.9	47.1	69.6	87.1
Products of Wines	000HL	393.8	352.3	313.0	290.4	316.3	275.4
Imports of Wine	000HL	8.6	8.4	10.3	10.5	11.2	17.2
Exports of Wine	000HL	295.9	246.0	210.5	187.6	219.6	166.2
Processed	000HL	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Consumption	000HL	106.5	114.6	112.8	113.3	107.9	126.4
Stock Changes	000HL	*	*	*	-0.6	-0.8	0.4
Consumption per capita	Ltrs	15.3	16.3	16.1	17.1	16.6	17.4
Value of Trade							
Exports	Million£	3.4	3.8	3.5	3.8	4.4	3.8
Imports	Million£	2.2	2.4	2.8	3.1	3.1	4.3
Balance of Trade	Million£	1.2	1.1	0.7	0.7	1.3	-0.5
Exports	Million€	5.9	6.6	6.1	6.6	7.5	6.6
Imports	Million€	3.8	4.2	4.9	5.3	5.4	7.4
Balance of Trade	Million€	2.1	2.4	1.2	1.3	2.1	-0.8
n.a.	Not Available						
*	Small less than 100 HL						

The Vine and Wine Industry of Cyprus has a history of over 3000 years. The importance of this sector throughout the centuries was not due to its contribution to the Gross Domestic Product of the country but to its wider economic, social, cultural and environmental effects.

The significance of growing vineyards all over Cyprus is not due only to the use of grape juice to produce wine but to the fact that vines grow on infertile, stony and sloping soils on hills and mountains. The cultivation of vineyards on hills prevents soil erosion and supports the people to stay and work in the countryside especially in the deprived areas. Vineyards and wine making in the countryside are instrumental in the development of Agritourism in a green environment.

5.1.1 AREAS CULTIVATED WITH VINES

As people leave the countryside to work in the urban areas and as people become more educated, the areas cultivated with vines are reduced. The rapid development of tourism in Cyprus and the need to built accommodation in the countryside converted many vineyards into building land for country houses, cottages and inns and other developments. Consequently the areas of cultivation with vineyards in Cyprus were reduced. The table below shows the area under vine cultivation for the years 1999-2004.

Table 1: Area cultivated with vines in hectares 1999-2004

	1999	2000	2001	2002	2003	2004
Old Varieties	14083	14224	14183	13777	13176	12701
New Varieties	3144	3256	2731	2826	3161	3207
Total Area	17227	17480	16914	16603	16337	15908

Source: Wine Products Council

The vines in Cyprus are used for Wine making or are sold as Table Grapes. The table below shows the areas cultivated with Wine Grapes and with Table Grapes.

Table 2: Area cultivated with Wine Grapes and with Table Grapes in hectares for 1999-2004

	1999	2000	2001	2002	2003	2004
Wine Grapes	17227	17480	16914	16603	16337	15908
Table Grapes	1639	1711	1335	1341	1113	1213
Total	18866	19191	18249	17944	17450	17121

Source: Wine Products Council

According to the survey for vineyards in 2004 in Cyprus the active vineyards numbered 21105. About 85% were small vineyards with less than two hectares of cultivated land as shown in the table below:

Table 3: Analysis of vineyards by size (hectares)

Size	Vineyards	
	Number	Percentage
Less than 0.5 hectares	11708	55.5
0.5 – 2 hectares	8300	39.3
2 and over	1097	5.2
Total	21105	100%

Source: Ministry of Agriculture, Natural Resources & Environment

The varieties of vines are continuously improved though appropriate government schemes taking care, however, to maintain the traditional varieties. The table below shows the vine varieties in 1994 in decares.

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Table 4: Areas cultivated by Vines for Wines by variety in 2004

Varieties	Area (Decares)
Xinisteri	26.573
Malaga	3.786
Moschato	17
Promara	7
Palomino	1.800
Petro ximenez	13
Plant x	182
Ugni blanc	139
Malvasia lunga	93
Malvasia grossa	93
Jaen	11
Riesling	293
Semillon	482
Chardonnay	1.190
Sauvignon	161
Black	92.140
Maratheftiko	1.249
Ofthalmo	1.843
Lefckada	1.165
Kanella	2
Carignan noir	26.573
Grenache noir	1.768
Oeillade	1.281
Metaro	2.331
Cabernet franc	4.009
Cabernet sauvignon	4.120
Moschato Amvourgou	40
Shiraz	1.968
Merlot noir	525
Alicante bouschet	1.509
Other	226
Total	159.076
Varieties for dual use (Sultana)	9.031
Grand Total	168.107

Source: Wine Products Council

In order to improve the quality of Cyprus Wines the Government gave generous grants to farmers to uproot old varieties and plant new varieties. Grants were also given to farmers who decided to abandon their vineyards.

It has been estimated that by 2004 more than 3000 hectares of vineyards or 20% of all areas under vine cultivation with wine grapes had been abandoned. The main reason for the abandonment of areas which were previously cultivated with wine grapes was:

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- Low prices were offered to farmers by the four big wineries especially for the traditional varieties.
- High cost of production (pesticides, fertiliser, labour costs etc.)
- High transport costs from the farms to the wineries.
- The movement of people from the countryside to the urban centers.
- The aging population of the vine farmers
- The change use of farm land

The table below gives the total area of vineyard which was replanted with new wine varieties for 1999-2004.

Table 5: *Replanting of vineyards with new wine varieties 1999-2004*

Year	Area in hectares
1999	220
2000	211
2001	261
2002	183
2003	501
2004	202

Source: Wine Product Council

The support given to vineyard growers between 1999 and 2004 amounted to over £8,000,000. However the amount was given mainly for relief purposes with no plan for the future.

At the end of 2004 the Government of Cyprus approved a Comprehensive Strategic Plan for the restructuring, development and support of the viniculture sector.

The Strategic Plan addresses the strengths and weaknesses of the wine sector and specifies a framework of measures and areas of activities where problems and key issues need to be tackled. Its primary objectives are:

- to enhance the sector's strengths in today's competitive environment
- to improve the quality of raw material through a number of variety conversion schemes in quality wine regions
- to eliminate excess supply of the less popular wine making varieties
- to encourage investment in advance technology in the vinification process
- to promote quality and consistency of final product and finally
- to encourage the participation of wineries in international fairs

5.1.2 PRODUCTION AND DISTRIBUTION OF GRAPES

The production of grapes shows a downward trend due to the uprooting and abandonment of vineyards. However the level of production each year depends very heavily on the weather conditions. The production of grapes of all types in tons in Cyprus for 1999-2004 is shown in the table below.

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Table 6: Production of Grapes 1999-2004 in tons

Year	Quantity (tons)
1999	107.339
2000	110.682
2001	90.530
2002	60.546
2003	80.860
2004	108.516

Source: Wine Products Council

The production of table grapes and grapes for wine between 1999-2004 are shown in the table below:

Table 7: Production of Grapes for Wine & Table Grapes 1999-2000 in tons

Year	Table Wines	Wine Grapes	Total
1999	21.387	85.952	107.339
2000	20.116	90.566	110.682
2001	15.641	74.889	90.530
2002	13.405	47.141	60.546
2003	11.245	69.615	80.860
2004	21.144	87.171	108.315

Source: Wine Products Council

The distribution of grapes between 1999-2004 is shown in the table below.

Table 8. Distribution of Grapes 1999-2004 in tons

Distribution of grapes	Quantity (tons)	
	2004	2003
Production of wines	72.198	63.083
Export of table grapes	1.101	1.593
Canned fruit	614	300
Production of Commandaria	1.853	591
Production of sultana raisins	200	143
Production of wine distillate 49% vol.	500	150
* Surplus grapes (not harvested)	13.000	0
** Local consumption of grapes and vinification of grapes for home consumption	19.050	15.000
Total	108.516	80.860

* Estimation based on physical inspections.

** Estimated on the basis of previous year's consumption.

Source: Wine Products Council

5.1.3 GRAPES FOR WINE AND COMMANDARIA

The grapes for Wine and Commandaria are delivered by the growers to:

- Four Commercial Wineries
- Thirty nine Local Wineries
- Thirteen Co-Operative local companies which produce wine for commandaria making

The table below shows the delivery of grapes for wine making for 2003 and 2004 in tons

Table 9: Quantities of Grapes for Wine-making 1999-2003

	2004		2003	
	Quantity Kg	%	Quantity Kg	%
? . Commercial Wineries				
???	15.329.176	20.8	18.849.141	29.9
LOEL	20.926.800	28.3	17.295.831	27.4
SODAP	24.111.161	32.6	12.186.310	19.3
????	4.326.403	5.9	8.851.990	14.0
Total	64.693.540	87.6	57.183.272	89.8
? . Local Wineries	7.303.047	9.9	5.899.905	9.3
G. Co-Op (Commandaria Wine)	1.853.264	2.5	591.000	0.9
Grand Total:	73.849.851	100	63.674.177	100.0

Source: Wine Products Council

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The quantities of grapes delivered to the Commercial Wineries and to the Local Wineries by variety in 2003-2004 are given in the table below.

Table 10. Quantities of Grapes Delivered to Commercial and Local Wineries by Variety in 2003 and 2004

A/A	Variety	Quantity (Kg)			
		2004	%	2003	%
Cypriot Varieties					
1	Mavro	35.690.050	49.6	33.124.678	52.5
2	Xinisteri	11.102.700	15.4	6.750.800	10.7
3	Malaga	1.501.930	2.1	1.551.251	2.5
4	Ofthalgo	1.119.800	1.6	1.122.278	1.8
5	Sultana	3.728.745	5.2	4.208.716	6.7
6	Lefkada	202.498	0.3	90.022	0.1
7	Maratheftiko	204.660	0.3	185.961	0.3
8	Others	59.047	0.1	27.618	0.0
	Total:	53.609.430	74.5	47.051.324	74.6
Non-Cypriot Varieties					
1	Cabernet	2.446.508	3.4	1.435.575	2.3
2	Sauvignon blanc	49.590	0.1	24.596	0.0
3	Riesling	85.685	0.1	100.497	0.2
4	Chardonnay	226.143	0.3	80.051	0.1
5	Shiraz	149.750	0.2	60.656	0.1
6	Mataro	1.196.940	1.7	1.946.431	3.1
7	Semillon	233.560	0.3	176.528	0.3
8	Grenache noir	960.611	1.3	1.007.031	1.6
9	Alicante bouschet	589.105	0.8	527.685	0.8
10	Carignan noir	8.894.350	12.4	7.609.261	12.1
11	Palomino	2.509.350	3.5	2.189.155	3.5
12	PlantX	5.890	0.0	23.985	0.0
13	Oeillade	526.735	0.7	500.540	0.8
14	Malvasia grossa	97.140	0.1	5.155	0.0
15	Malvasia lunga	10.550	0.08	5.650	0.1
16	Ugni blanc	354.330	0.5	243.360	0.4
17	Black Muscat	2.750	0.0	.234	0.0
18	Merlot moir	42.170	0.1	12.272	0.0
19	Others	100	0.0	3.191	0.0
	Total:	18.387.157	25.5	16.031.853	25.4
Grand total:		71.996.587	100.0	63.083.177	100.0

Source: Wine Products Council

5.1.4 SALES OF VINE WINE PRODUCTS

The sales of Vine and Wine Products in the domestic market and the export market are shown in the table below.

Table 11. Sales of Vine and Wine Products 1999-2004 in thousand litres.

	1999	2000	2001	2002	2003	2004
Home Market	8.600	8.865	9.233	11.207	8.375	8.231
Exports	30.590	24.586	20.248	17.137	22.272	20.586
Total	39.190	33.451	29.481	28.344	30.587	28.817

Source: Wine Products Council

5.1.5 EXPORTS OF VINE WINE PRODUCTS

The total value of vine wine products in the last six years are shown in the table below in local currency.

Table 12. Exports of Vine Wine Products 1999-2000

Year	F.O.B. (Value in Cy£)
1999	10.724.571
2000	9.941.178
2001	8.339.167
2002	7.765.881
2003	8.260.324
2004	6.889.863

Source: Wine Products Council

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The table below represents an analysis by type of the exports of vine wine products for 2003 and 2004

Table 13. Analysis of Export of Vine Wine Products by type for 2003 and 2004

Product	2004			2003		
	Quantity		Value FOB £	Quantity		Value FOB £
Wines	13.637.474	Ltrs	4.264.975	22.022.908	Ltrs	5.753.813
Table	10.393.801	Ltrs	3.538.801	9247.173	Ltrs	3.282.268
Aromatised	2.938.798	Ltrs	509.502	12.082.512	Ltrs	1.982.582
Fortified	304.875	Ltrs	216.872	693.223	Ltrs	488.963
Commandaria	189.236	Ltrs	436.253	189.384	Ltrs	355.693
Concentrated grape must	6.432.122	Ltrs	1.066.441	954.694	Ltrs	420.420
Natural grape juice	232.912	Ltrs	92.506	533.647	Ltrs	148.877
Brandy	12.751	I.an.	52.043	17.181	I.an.	76.436
Ouzo	497	I.an.	3.506	2.682	I.an.	12.227
Ethyl alcohol	8	I.an.	28	103	I.an.	402
Wine distillate (eau-de-vie de vin)	0	I.an.	0	943.146	I.an.	340.585
Zivania	60	I.an.	709	0	I.an.	0
Other alcoholic drinks	13.784	I.an.	41.635	10.097	I.an.	36.539
Table grapes	1.102.230	Kgs	606.227	1.593.200	Kgs	880.000
Canned grapes	694.413	Kgs	325.540	431.153	Kgs	224.982
Total Value			6.889.863	Total Value		8.260.324

Source: Wine Products Council

5.1.6 EXPORTS AND IMPORTS OF WINE

The table below gives the value of Imports and Exports of Wine of fresh grapes including fortified wines between 1999-2004.

Table 14. Exports and Imports of Wines 1999-2004

	1999 £	2000 £	2001 £	2002 £	2003 £	2004 £
Exports	3.440.293	3.847.939	3.546.627	3.840.917	4.386.322	3.854.157
Imports	2.221.845	2.438.108	2.835.489	3.092.777	3.133.805	4.324.403
Trade Balance	1.218.448	1.409.831	711.138	748.140	1.252.517	-470246

Source: Statistical Service

5.1.7 CONSUMPTION OF WINE PER CAPITA

The local per capita consumption of wine in litres between 1999 and 2004 is shown in the table below.

Table 15. *Per Capita Consumption of Wine in litres for 1999-2004*

	Litres
1999	15.3
2000	16.3
2001	16.1
2002	17.1
2003	16.6
2004	17.4 *

* Estimated

Source: Statistical Service

6 Czech Republic

Czech wine production accounts for some but 40% of domestic consumption, hence imports dominate consumption. Czech wine exports are negligible, in 2004 equalling only 4% of imports.

6.1.1 Wine consumption

Consumption of wine has been increasing in recent years and now exceeds 16 litres per capita per year. The consumption of white wine has been rising at the expense of red wine and there has been some shift from table wines to quality wines.

6.1.2 Wine imports

Wine imports continue to rise in both volume and value. During the last 5 years, the volume of imports doubled and their value trebled. In 2004, imports reached 1.2 million hl of wine, valued at 2354 million CZK (74.3 million euro). The purchase of white wine in barrels reached 56%, the share of white wine in bottles to 2 l reached 41%. The major suppliers were: Austria with 21.8% of total imports, Italy 20% and Hungary 10%.

6.1.3 Vine production

In the Czech Republic, there is only a small area of vineyards used for table wine production, but most vineyards can produce grapes suitable for quality wine production. White wine varieties account for two-thirds of the vineyard area and red wine varieties the other third. Total area are divided to the white varieties 67% (Müller Thurgau (11 %), Veltlínské zelené (11 %), Ryzlink vlašský (8 %), Ryzlink rýnský (7 %), Sauvignon (5 %) a Rulandské bílé (5 %), red one 32% (Svatovavrinecké (9 %), Frankovka (7 %) a Zweigeltrebe (5 %), the rest are table wine sort.

6.1.4 Vineyard area

The total area of vineyards is 110000 ha, virtually all of which grows wine-making grapes.

6.1.5 Structure of production

At the present time in the Czech Republic there are 18292 producers of grape of which:

- 14 % of enterprises grow vines, buy and sell grapes
- 27 % of enterprises produce table grapes
- 19 % of enterprises produce wine grapes for processing
- 24% of enterprises grow grapes for processing to wine and buy more grapes for processing
- 10% of enterprises buy all the grapes they use for producing wine.
- the remaining 6% are engaged in a combination of two or more of the above enterprises.

6.1.6 Wine yields maximum

During last 10years, the yield of grapes in the CR varied between 3,99 and 6,04 tonnes/ha.. In 2004 the yield averaged 5,38 t/ha. The average sugar content amounted 18,4⁰.

6.1.7 Wine production

In 2004 production of wine reached 560000. Hl. During last 10 years annual production ranged between 267000 hl (1997) and 697000. Hl (1999). Production of wine processed in the CR is formed by 30% of table wine, 70% of quality wine. (due to the import of grape squash for production of table wine).

In comparison with 1998, in 2004 the production of domestic quality wines and wines with a geographical designation increased from 180000 hl to 300000 hl. Since 2000 the production of table wine has fallen.

6.1.8 Production cost and competitiveness

Costs of vineyards amount to 100000 CZK per ha. During last 10 years cost of 1 kg grapes reached 10,90 to 30 CZK/kg (in 2004 14,30 CZK/kg). The profit was estimated at 10% in 2003 but as the price for wine-making grapes fell 20% in 2004, it is estimated that grape growers endured a loss of some 5%.

6.1.9 Wine exports

In 2004 wine exports reached 47300 Hl (average export value 28,19 CZK/l), of which 85 % was exported to the Slovakia (40200Hl, average export value 25,50 CZK/l).

6.1.10 Policy issues

EU Accession has damaged Czech wine producers as the resulting fall in tariff barriers has led to increased low priced imports .Despite this, Czech producers are convinced that the quality of Czech wine can compete with that of other wine producers.

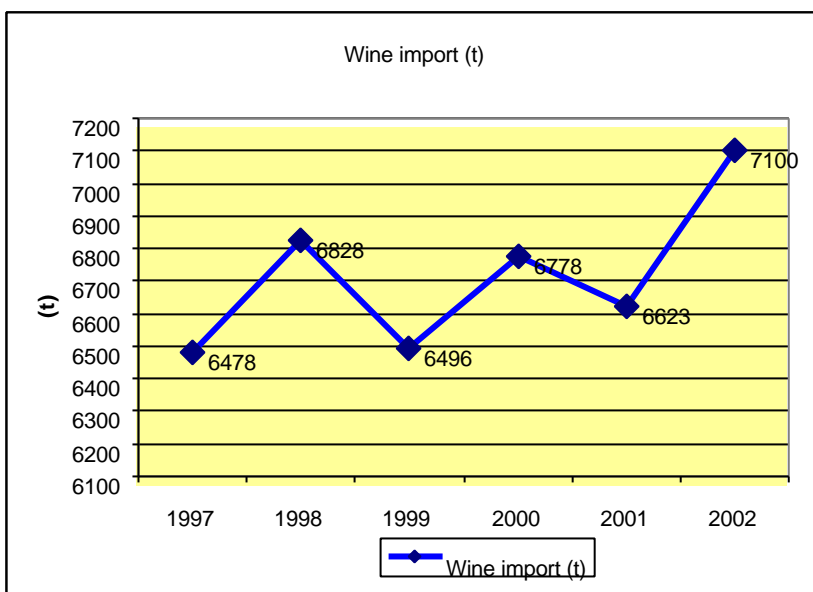
7 Estonia and Lithuania

Non significant sector for Estonia

7.1.1 Wine consumption

No statistical reliable indications about wine consumption in Estonia

7.1.2 Wine imports



Wine import is only 0.03 % of all food export.

Wine import per capita was 5.2 l. (kg) in 2002.

Wine consumption in Lithuania is low and there is no domestic wine production.

8 Hungary

Hungary is a net exporter of wine, being the world's 15th largest wine producer according to FAOSTAT (in total production). Wine consumption increased since 1990 and was 26.3 litres/capita in 1995. Between 2000 and 2002 wine consumption increased further and in 2003 stayed at 32.2 litres/capita. At the same time, beer consumption fell by third. A wider range of types and qualities of wine over recent years has had a positive impact with consumption of quality winegrowing although table wines are still dominant. Unfortunately there is a relatively high proportion of illegal, falsified wines consumed (not made of grapes, but sold as grapes vine) but the proportion has decreased since 2000. Last year falsified wine was estimated as 600,000 hl, some 20% of total wine trade.²

Consumer habits show that preferred wines in Hungary are the dry and white ones. Hungarian people choose domestic wines instead of foreign ones³. Traditionally Hungarian wine consumers were the elder people but last years youngsters also preferred wine (due to the marketing activities, like "wine tourism", wine festivals, and wine supply of premium HoReCa outlets).

8.1.1 Wine imports

Although wine imports have been increasing continuously, they remain a low proportion of consumption. Import is realized mainly because of widening the assortment in Hungary, what also means that the import of bottled wines increased, while barrelled ones decreased. The major partners are from the EU, mainly Italy and Spain. Import is not significant, but in the supply Californian, Chilean and Australian, etc. wines also take place.

8.1.2 Wine production

The leading white quality wine grape variety is Italian Riesling (grown on about 10% of the total crop area) followed by Rizlingszilváni (about 4%), then Chardonnay, Ottonel Muscat, Hárslevelu, Furmint, Rhine Riesling, and Leányka. For quality red wines Kékfrankos is the most popular variety (grown on about 5% of the crop land), followed by Zweigelt, Kékoportó, Merlot, Cabernet Franc, Cabernet Sauvignon and Pinot Noir. Almost half of the most important 25 varieties are Hungarian and international ones. Some new planting intentions are expected to aim at growing traditional Hungarian varieties.

8.1.3 Vineyard area

The vineyard area been 93,000 ha in Hungary since 2001 but the area has been decreasing slowly over the last twenty years. As the location of vineyard areas often determines the wine quality, a vineyard cadastre system is being implemented in Hungary under a new Wine law of 2004. The cadastres are class1, with outstanding opportunities and class 2 with favourable opportunities. There are other areas, which are suitable for grape growing with given conditions. VINGIS is the information technological

² Hungarian Government Portal, <http://www.magyarorszag.hu/hirek/gazdasag/boraszat20040924.html?h=1>

³ <http://www.date.hu/acta-agraria/2005-16/szakal.pdf>

background of cadastre system and the base of subsidy controls. There are 22 different wine regions in the country. Each of them has its typical geographical, climatic and other attributes and their typical kind of wines. The Tokaj wine region has its own regulation in the law.

8.1.4 Structure of production

There were 36,606 Hungarian farms in 2000 specialising in growing wine grapes and this number almost doubled by 2003 (63,890 farms). Most of the farms are individuals (more than 99%) and a lower proportion of them are enterprises.⁴ . Number of enterprises was more than double in 2003, compared to 2000 (344 vs. 136). The number of individual farms increased between these years by 74% (63,546 vs. 36,470).

According to the size category, measured in ESU, 90% of total number of specialist vine grower farms are under 2 ESU and almost 10% is between 2-12 ESU, while less than 1% is bigger than 12 ESU. In case of agricultural enterprises, more than the half of total number is above 8 ESU (55%), almost a quarter of the total is between 1.5 and 8 ESU and the remaining 20% is under 1.5 ESU. Agricultural enterprises are responsible only 12-13% of total grape wines SGM (Standard Gross Margin in million HUF) so the importance of individual farms is dominant in Hungarian production⁵.

8.1.5 Wine yields

Wine yield showed a range in the relevant years between 5.19 and 9.39 tonnes/ha. The standard deviation of the yield is 1.6 t/ha. Yield is impacted by weather, diseases of grapes and insects. Additionally the age, the structure, the technology and vine per hectare has effects on the yield. General experience, that the quality of wine improves at lower yield (under 6-7 tonnes/ha) and worsens above high yield (above 11 t/ha). Special quality wines are made of grapes, which has a yield lower than 6 t/ha⁶. The yield is the highest in Northern Hungary and Southern Great Plain. It is the lowest in Northern Great Plain and Central Hungary. Other regions' yield is about the country average (Central Transdanubia, Western Transdanubia, and Southern Transdanubia).⁷.

8.1.6 Wine production

Wine production in Hungary presented a level between 3,300-5,400 hl a year in the last six years. The standard deviation is 916 hl in these periods. There were two peaks, one in 2001 and the other is in 2004, while the lowest year was 2002. Year 2001 was the most productive one since 1990. The grapes are harvested mainly in private farms: 91% and this rate was stable in the last decade. Only a very few percent of grapes are table grapes, while the highest part of grapes are harvested for the wine sector (94-97%). The proportion of table grapes has decreased continuously in the last ten years. The bottled wines give 1/3 part of the total wine production. Only 40% of this part is quality wine,

⁴ Agricultural enterprises are partly originated from collective farms before transition (after a privatisation process) and partly newly funded organisations.

⁵ www.ksh.hu

⁶ www.akii.hu

⁷ www.ksh.hu

while in the case of barrelled wine it is 45%. It means that table wines are dominant but over recent years the ratio of quality wines has begun to increase. This has been due to changing local consumer habits, which is gradually tending towards quality wine; and the collapse of eastern markets (as Russia).

8.1.7 Production cost and competitiveness

The income of wine production is determined by production costs, yield and selling price. Based on a study by AKI, the cost of wine production on private farms increased continuously in the last four years. Since 2001, the costs have been very high compared to the value of production, about 88-94%. The lowest production year was 2002, when output prices fell below costs of production. That year the market price and subsidies together did not exceed production costs. The income of small farms was negative in the beginning of the '90s but in the middle of the decade income became positive and increasing till 1996. Since then cost/income worsened again. Above mentioned mean, that wine sector is neither cost-effective, nor competitive in the economy. The SGM of farms in Hungary is equal to the unit production value of products and services net of variable costs. SGM increased from 2000 to 2003 by 57%. SGM per enterprise is lower in case of individual farms, than agricultural enterprises⁸. Wine production has very strong traditions in Hungary, and this can cause, that the farmers take higher risks, than they would be reasoned. Many producers assumed that after Accession the sector will be in a better position and they were aware of the difficulty to enter to this business later.

8.1.8 Wine exports

About 20% of total wine production is exported, mainly to the EU-15 (80-90% of total exports) and to the new Member States. The weakest year was 2001 in the near past (in volume and value as well) and since then the export level is hectic. The decrease began in 1998, after the economic crisis in Russia.

There is not much hope to expand exports to other member states. Potential but existing markets are Russia, Canada, USA and Japan.

It is thought that there could be opportunities for increasing exports of white wines, but weak marketing effort has been blamed for not exploiting these possibilities

8.1.9 Policy issues

On the day of accession, the new EU conform Wine Act (XVIII/2004) was introduced. After the accession Hungary lost the possibility of new wine grape plantations. According to the regulations, we have the right for replant at a quantity of 12,500 ha till 2010, after the cut-out plantations, but new plantations are not allowed. This can cause social tensions and ecological problems. There are subsidies for plant cut-outs but using these subsidies cause social tensions, ecological problems and losing of the right of replanting. Implementing cadastre system.

Hungary received restructuring subsidies of 10 million euro from the EU 8,000 EUR/ha) for replanting and modernising 1,261 hectares of vineyards in 2004/2005.

⁸ www.ksh.hu

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Generally, there were not any major problems or changes during implementing the EU regulations, because the previous Wine Act (in 1997) was created by taking into consideration these regulations of the European Union. The changes were only in the details.

A current market disorder has other negative effects. Wine production was very good last year, and high stock levels are taking place, resulting in lower prices. In contrast to the recommendation of professional organisations ('vine-growing communities'), a growing number of farmers accept lower prices than contracted, because they have no more capacity to store. The price in this autumn can be only two third of the production cost.

In order to ease the market disorder in Hungary, a crisis distillation was approved for 500,000 hectolitres; however offered production for intervention will be certainly lower as the decision was made after normal distillation has started and estimation has indicated much less production than previously expected.

9 Poland

Poland does not produce grapes for marketed wine production. Consumption of wine represents only a relatively small share of the consumption of alcoholic beverages accounting for some 3.3% of “pure” alcohol consumed, compared with 15.4% for other fermented beverages (other than table wine), 49.5% for beer and 31.8% for spirits. Nevertheless, the consumption of wine has been steadily increasing in recent years. The import of wine (CN 2204) amounted 648000 hl in 2004. The supply of wine is composed of imports from EU and non-EU countries of bottled wine and young wine for further processing and bottling. The Act of Accession enables the production of “Polish wine” from imported grape juice and concentrated grape juice. Given the tradition of grape production in certain regions, Poland has applied to be classified in the zone A producing member states which should enable production up to 25000 hectolitres per year.

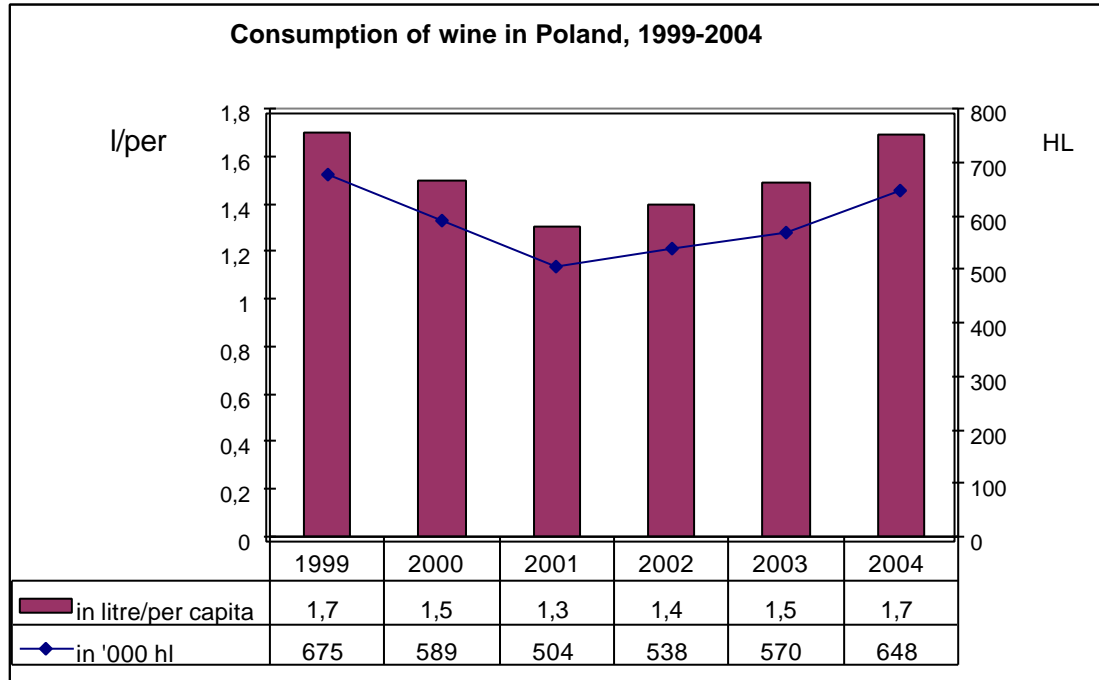
There is a lack of consistent statistics on this sector in Poland because from 2003, mainly due to EU Accession, the terminology and statistics have been adjusted to those applied in the UE. Before 2003 the notion of “wine” was applied to a much broader group of products including wine itself and “wine” produced from fruits and meads. Consequently, in the present report the statistics on consumption, production (only available for 2003 and 2004) and trade (only available for 2002, 2003 and 2004) have been complemented by the data published by the International Organisation of Vine and Wine (O.I.V.) and experts’ estimations.

9.1.1 Wine consumption

Wine popularity is growing in Poland. Poles believe that wine represents a healthy lifestyle. According to the Central Statistical Office (CSO) per capita consumption of wine in Poland in 2004 amounted to 2.7 litres⁹. Such statistics do not exist for previous years since only total consumption of the broader category including wine and “wine” produced from fruits and meads have been recorded. According to the estimates of the International Organisation of Vine and Wine (O.I.V) which considered total imports of wine (CN 2204) as the total consumption, per capita consumption of wine in Poland in 1999 equalled 1.7 litres and declined to 1.3 in 2002 and was 1.4 litres in 2003. Following the O.I.V. approach of calculating the consumption of wine in 2003 and 2004 a steady growth can be seen in total and per capita wine consumption to 648000 hl and 1.7 litres respectively in 2004.

⁹ However taking into account the level of import of wine this figure covers also the Polish Wine consumption (see footnote 2).

Figure 1.



Source: International Organisation of Vine and Wine and own calculations

According to the Demoskop poll (Poradnik handlowca, 2005) half the adult Poles declare themselves regular consumers of wine, however, only 5% consume wine at least once a week, the remaining consume wine less regularly: 17% once a month, 20% several times a year and 10% even less frequently. The same poll indicates also that sales are dominated by cheaper categories of wine; in particular wine with prices below 2.5 euro per bottle account for about 50% of retail wine sales, wine priced between 2.5 and 5 euro a bottle for 40% and wine above 5 euro for only for 10%.

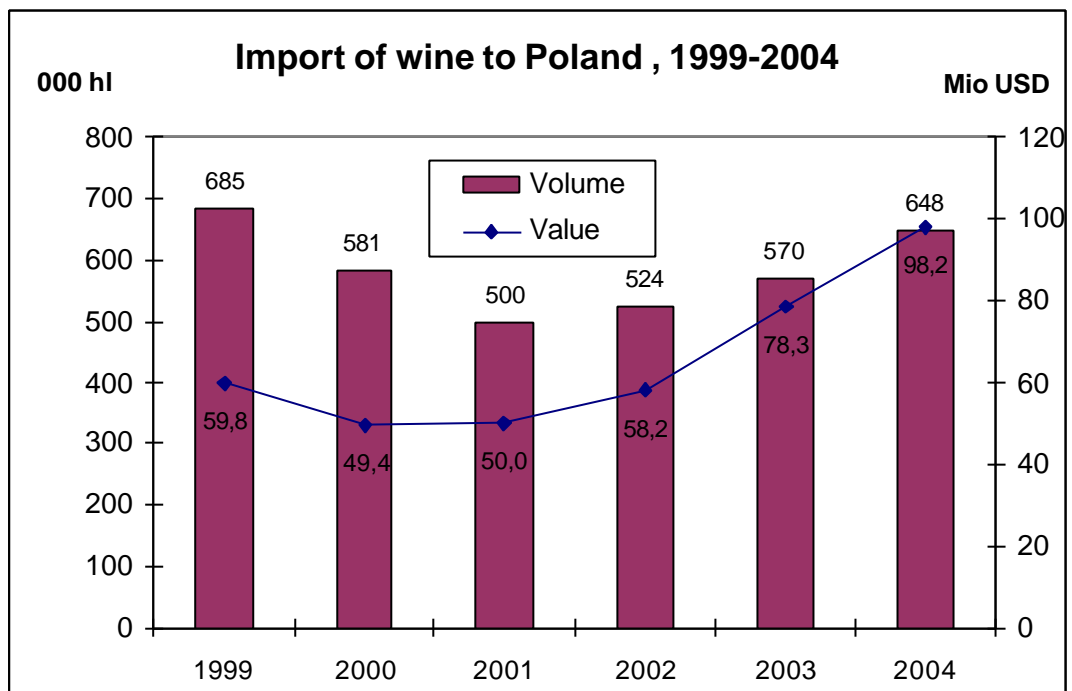
When considering wider category of “wines” the largest share by volume of consumption is dessert wines and vermouths at 40% followed by table wines 32% and sparkling wines and champagne 28%. However, table wines constitute the most dynamic market segment with an 8% increase in sales in 2004.

Within the table wine category the most popular wine is Bulgarian Sophia – white (bought by 35% of table wine consumers) and red (17.7%), followed by Tokaj (10.1%), Bordeaux (8.5%), Cambras (7.6%), Hungarian wine Egri Bikaver (7.3%), Fresco (6.3%), Balzac (5.4%) and Chianti (4.4%).

9.1.2 Wine imports

Imports of wine (CN 2204) in 1999 amounted to 685,000 hectolitres. The volume declined to 500,000 hl in 2001 and since then has steadily increased to 648,000 hl in 2004.

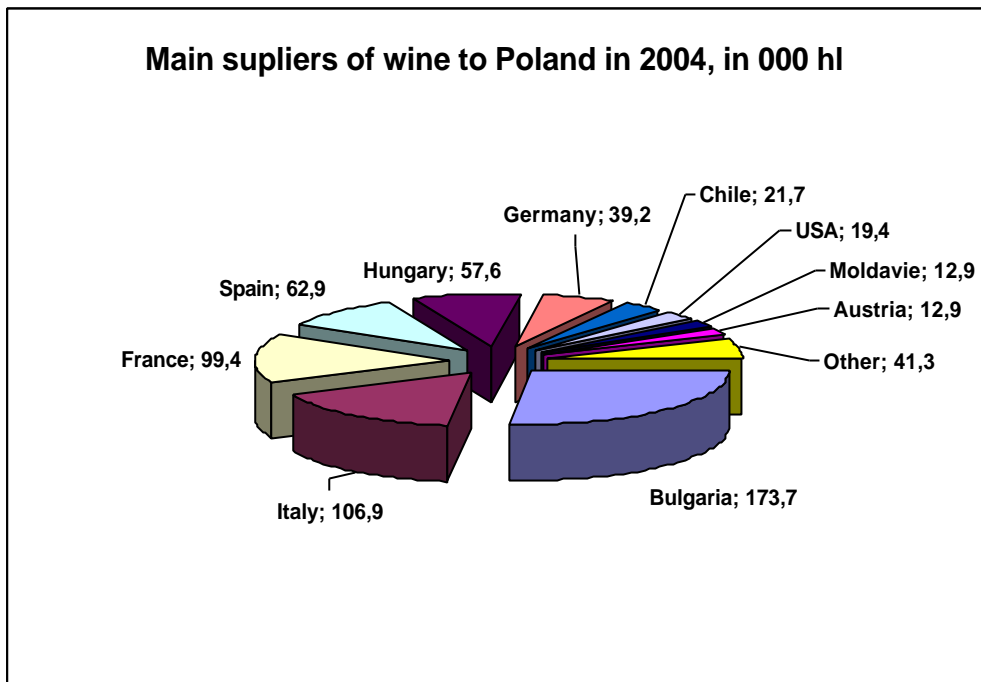
Figure 2.



Source: Own calculations based on CIHZ data

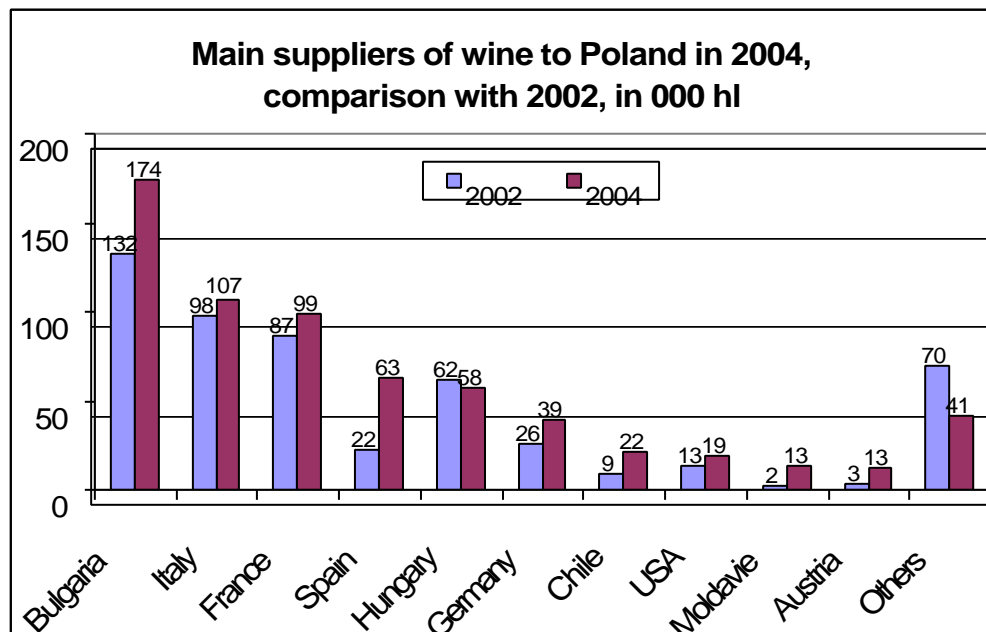
The main suppliers of wine are Bulgaria, Italy, France and Spain, which together accounted for more than 440,000 hl in 2004.

Figure 3.



Source: Own calculations based on CIHZ data

Figure 4.



Source: Own calculations based on CIHZ data

In the recent years the greatest increase of wine imports has been from Bulgaria (+31%) and the EU countries – France (+14%), Spain (+180%) and Germany (+51%). There was also significant rise in imports of wine from Chile, USA and Australia but starting from a

very low level. Poland's accession to the EU in May 2004 has increased the competitive advantage of European wine in the Polish market due to the internal duty free trade. However, Poland's membership in the EU and adoption of the common external tariff also significantly reduced import duties on non-EU wines.

9.1.3 Wine production

Although there are several hundreds of wine processors and importers in Poland, the wine market is characterised by a high degree of concentration since more than 60% of sales are in the hands of the three market leaders: AMBRA, Bartex and Vinpol.

The table 1 presents official statistics on domestic wine production which includes the marketing activity only (distribution of bottled wine), bottling of wine imported in bulk and processing and bottling of young wine.

Table 1. Production of grape wine in Poland in 000 hl

	2000	2001	2002	2003	2004
Production of wine	396,34	302,91	267,6	247,8	199,6

Source: Central Statistical Office, 2005

It is important to mention however, that the official statistics in the table 1 concern only enterprises employing at least 10 people. There are a large number of smaller firms that account for a considerable volume of production. When analysing the data on wine production in Poland it should also be taken into account that up to 2003 these figures included also "Polish Wine"¹⁰ – product which is not comparable with the EU definition of wine - it was allowed to be marketed according to the Act of Accession. This Polish Wine is mainly produced from grape juice and concentrated grape juice.

Production of wine in Poland is based on imported by-products. Expert estimates indicate that around 70% of wine is imported in bottles and 30% in bulk. The latter is imported either in the form of young wine for further processing. 20% (Polish Wine, liquor grape wines or others) or is ready for bottling. 10%.

The wine sector, despite the small volume and value of sales (in comparison with beer and spirits), is one of the fastest developing parts of the alcoholic beverages sector. This is driven by the overall trend of changing the consumer preferences as well as an increasing role of super and hypermarkets in sales of alcoholic beverages. It should be stated however, that the sale of table wine is mostly concentrated in big cities.

¹⁰ The Polskie Wino/Polish Wine" base – is a mixture prepared with the use of at least one of the following ingredients: grapes, grape must, grape juice, concentrated grape juice whether or not with added water, sucrose, in form of semi-white sugar, white sugar, refined white sugar, invert liquid sugar, glucose, glucose syrup, fructose, fructose syrup or yeasts, fermentation nutrients, or food-industry acids.

9.1.4 Policy issues

According to the agricultural census carried out by the Central Statistical Office in 2002, 155 hectares of grapes were grown on a total of 1933 agricultural holdings. Thus, Poland is not yet a wine producing country within the meaning of the EU regulations since during the Accession negotiating process there no reliable statistics were available to prove the grape production. The Act of Accession provides for the possibility of the EU deciding to include Poland in the zone A producing Member States. In April 2004 Poland applied to the European Commission for inclusion in zone A producing countries and acceptance would enable wine production from domestic grapes (in accordance with the rules applicable to that producing zone) of up to 25,000 hectolitres per year. This would correspond to about 3% of current domestic consumption and have only a marginal impact on market equilibrium. The economic value of marketed wine production would mainly come from its contribution to the enhancement of the attractiveness of rural areas, e.g. in the context agritourism development.

10 Romania

As a net exporting country, winegrowing represents a traditional Romanian activity of great economic importance. Romania is for wine on the international market.

10.1.1 Wine consumption

Wine consumption has grown steadily in recent years to some 26.6 litres/ head/year, in 2004. Consumption still mainly comprises table wine, with white wine accounting for 67% sales, red wine 26% and rose wine only 7%. Producers' own-consumption represents an important proportion of total wine consumption, especially in the rural areas.

10.1.2 Wine imports

The volume of wine imported fluctuates from year to year and in 2004 was 10000 HL at a value of €2.7 million. Romania imports small quantities of wine mainly from Italy, France and Germany, but imports are made from Spain, Austria and Hungary too.

10.1.3 Vine production

Among the wine grape varieties produced are: Pinot Noir, Cabernet Sauvignon, Chardonnay, Sauvignon Blanc, Muscat Ottonel, Traminer, Pinot Gris, Oporto, Sylvaner, Ezerfrut which are cultivated on a limited area; Feteasca regala and Italian Riesling are cultivated on the more extensive areas; and among the hybrid varieties, which constitute almost 50% of the total vine area, are Noah, Othello, Isabelle. The total area of producing vineyards in 2004 was 191800 hectares out of which noble varieties accounted for 89430 hectares, hybrids 89020 hectares and the remaining 13360 hectares were tablegrape varieties.

10.1.4 Vineyard area

The Romanian vineyard area covers about 215000 ha (around 190000 producing vineyards) being the 9th largest in the world. In Europe, in terms of area, Romania is in 5th place. Over 90% of the vineyard area belongs to the private sector. The area under vine shares 1.6% out of the utilized agricultural area and 2.4% out of the arable area of Romania. Wine-growing represent 14% out of the vegetal production value. The area under vine intended for wine production fell from 232500 hectares in 1999 to 178400 hectares in 2004. A similar decline occurred in the tablegrape area which fell from 18600 hectares (1999) to 13300 hectares (2004).

There is made a differentiation between vineyard for quality wine and for table wine production. Area under producing noble vines intended to wine making in 2004 had a total area of 89400 hectares, out of which for table wine production 48300 hectares, for quality wine production with geographical indication 27400 hectares and for quality wine produced in specified regions (QWPSR) 13600 hectares.

10.1.5 Structure of production

According to the general agricultural census from 2002 the total number of individual farms, cooperatives and trading companies growing wine grapes and producing wine was 1,125,324. Of this the number of farms growing wine grapes was 1,124,494 and the number of farms, cooperatives and Agrokombinat producing wine was of 830.

334 cooperatives and trading companies who have the average size of the holdings over 100 hectares are totalising 43046.41 hectares of vineyards. This means that 25% of the cultivated area is owned by bigger companies and the rest of the cultivated area by small and medium sized producers. Among this 25% there are 5-6 big producers, such as Murfatlar with more than 2 000 hectares, Jidvei with about 1 000 hectares. The others have around 500 hectares or above.

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Table 1. Number of individual agricultural holdings and cultivated area by size classes of utilised agricultural area, by categories of vineyards

	0.1ha	0.1-0.3ha	0.3-0.5ha	0.5-1ha	1ha - 2ha	2ha-5ha	5ha-10ha	10ha-20ha	20-30ha	30-50ha	50-100ha	over 100ha	total
Noble vineyards	4531	16496	12851	29639	44313	50722	9708	1244	177	133	93	98	170005
Hybrid vineyards	38978	117170	64790	137826	222408	302942	60730	6927	1003	711	511	493	954489
Total number of farms	43509	133666	77641	167465	266721	353664	70438	8171	1180	844	604	591	1124494

Source: General Agricultural Census, 2002

Table 2. Number of legal units and cultivated area by size classes of utilised agricultural area, by categories of vineyards

	0.1ha	0.1-0.3ha	0.3-0.5ha	0.5-1ha	1ha - 2ha	2ha-5ha	5ha-10ha	10ha-20ha	20-30ha	30-50ha	50-100ha	over 100ha	total
Noble vineyards	1	3	8	18	18	62	51	25	13	19	37	237	492
Hybrid vineyards	4	16	13	14	20	63	63	26	4	8	10	97	338
Total cooperatives and trading companies	5	19	21	32	38	125	114	51	17	27	47	334	830

Source: General Agricultural Census, 2002

Table 3. Number of individual agricultural holdings and of legal units, and cultivated area by size classes of utilised agricultural area, by categories of vineyards (Table 1. + Table 2.)

	0.1ha	0.1-0.3ha	0.3-0.5ha	0.5-1ha	1ha - 2ha	2ha-5ha	5ha-10ha	10ha-20ha	20-30ha	30-50ha	50-100ha	over 100ha	total
Noble vineyards	4532	16499	12859	29657	44331	50784	9759	1269	190	152	130	335	170497
Hybrid vineyards	38982	117186	64803	137840	222428	303005	60793	6953	1007	719	521	590	954827
TOTAL	43514	133685	77662	167497	266759	353789	70552	8222	1197	871	651	925	1125324

Source: General Agricultural Census, 2002

10.1.6 Wine yields

Average yields have fluctuated according to the weather conditions. Recent years have seen a low of 4.32 tonnes per hectare in 2000 and a high of 5.39 tonnes per hectare in 2004. In 2004 the average yield in tonnes of grapes for table wine per hectare was 5.00 tonnes per hectare and 7.41 tonnes per hectare for QWPSR.

The HL of wine per hectare for QWPSR was rather changing for 2000-2004. After a growth in 2001 the production fell to 25.15 HL per hectare in 2002 after which started to grow again continuously to 41.07 HL per hectare 2004.

Table grapes yield more per hectare than quality wine grapes. In the period 2000-2004 the HL per hectare for table wine decreased to 75.35 in 2001. Starting with 2002 there was a continuous growth reaching 97.90 HL per hectare in 2004.

The yields for wines with geographical indication continuously fell in 2000-2004 from 42.56 HL per hectare (2000) to 31.76 HL per hectare (2003).

10.1.7 Wine production

Within Europe, Romania is the 6th largest producer of grapes and wine. Total wine production decreased from 1999 until 2002, but then grew to 5.65million HL in 2003 and 6.2 million HL in 2004.

The production of QWPSR wine shows a slight growth for 1999-2004 varying between 343.1 000 HL (2002) and 560.2 000 HL (2004). In 2000 and 2001 the production was higher than in 2002. Then for 2003 and 2004 the level of production started to grow again.

The production of table wine had a rising tendency with a slight decrease for 2001 varying between 3644 000 HL (2001) and 4734.5 000 HL (2004).

The production of quality wines bearing a GI was very changing having a yearly up and down fluctuation. After all the 871.6 000 HL for 2004 are far behind the level of production realised in 2000 of 1168 000 HL which was the highest for 2000-2004.

10.1.8 Production cost and competitiveness

For 2003 the planting costs per hectare were around 10 000 euro. The exploitation costs per hectare for one year were about 1200 euro. The profit realised from the exploitation of one hectare of vineyard was estimated to 1200 euro which is six times lower than in EU countries (which is approx. 8000 euro).

Table 4. Cost and Price examples at a company from Buzau (2003)

Wine varieties	Unitary cost/750 ml (RON)	Unitary price (RON)	Unitary profit (RON)
Feteasca Regala	4,14	4,97	0,82

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Tamâioasa Româneasca	7,28	8,65	1,37
Muscat Ottonel	5,50	6,47	0,97
Italian Riesling	4,85	5,94	1,08

Note: According to the Romanian National Bank the annual average value of the exchange rate for 2003 was: 1 EUR = 3.7555 RON

The price for 2005 for a grapevine was between 0.82-1.10 euro, while the acquisition price of wine grapes was between 0.33-0.35 euro per kilogram. The production costs for a 750 millilitre bottle of wine varied between 1.52 and 4.14 euro. There are wines for which the costs of production reaches 13.82 euro as well.

10.1.9 Wine exports

Romania is a net wine exporting country. Both the volume and value of exports vary considerably from year to year. The figures for 2004 show a quantity of 375800 HL exported, valued at €21.1 million. The main countries where Romania exports wine are Rep. Moldova and Germany.

10.1.10 Policy issues

EU Accession requires changes and improvements within the Romanian wine growing sector particularly over quality wines in order to face the challenges from European and international competitors. One of the major problems is the low share of QWPSR wines in the total production, which is below 10%. The main objectives are to improve the vineyards structure through planting superior quality vines, to improve vine-growing technology to increase productivity and to improve wine-making techniques in order to increase the quality of wines produced in specified regions and wines bearing a geographical indication. Other important objectives are to increase the share of quality wine production against table wines, as well to support the establishment of associations, co-operatives and producers groups.

Romania has requested a transition period of 8 years, until December 31st 2014, for the removal of hybrid vineyards from the actual 15 000 hectares to minimum 30 000 hectares. The vineyards inventory and register has already been implemented. Nevertheless the register is not obligatory.

11 Serbia Montenegro

Note: Due to so-called "two tracks" for Serbia and Montenegro's negotiations with the EU, the tables show data only for Serbia (1999 to 2004), without data for the Autonomous Province of Kosovo & Metohija that is under UN jurisdiction.

Although Serbia is one of the most important regional producers and consumers of grapes and wine, viticulture's share of the total value of Serbian agricultural production is rather small, ranging between 2.9% and 5.5% in recent years. Excluding 1999 when Serbia had a modest surplus in foreign trade in wine, there has been a permanent deficit in foreign trade in wine which has varied between 24 and 157 thousand HL. Deficit is result of permanent increasing trend of wine consumption in Serbia on one side and insufficient wine production (particularly the red wine and high-quality ones) on the other side.

11.1.1 Wine consumption

The "Survey on the Households' Consumption in Serbia" (Republic Bureau of Statistics – Belgrade), estimates annual wine consumption at between 3.1 and 3.3 lit/per capita which gives an unrealistic low annual consumption. The Survey has been done on sample of 4,328 households (0.16% of total household number in Serbia without Autonomous Province of Kosovo & Metohija – 2,614,847). A study by FAO puts it at 8.8 to 10.9 litres per head. Hence in the absence of an official wine balance sheet, the accompanying table has been estimated by the authors.

There is absence of appropriate statistical data on wine consumption in Serbia. Republic Bureau of Statistics – Belgrade has finally started to harmonize local statistics on wine consumption with international statistical methodology not earlier than 2003. In addition, there was recently present a lack of legislative concerning records on wine sales. In order to avoid tax obligation, many producers and enterprises dealing with wine sales did not want to make records on the wine sales.

11.1.2 Wine imports

The volume and value of wine imports has varied significantly from year to year between a low of 8 million litres and a high of 21 million litres since the war year (1999), with nearly 80% coming from Macedonia (FYROM) and being mostly table wines. The next largest suppliers are Italy (4.4%), and France (3.9%), which supply high-quality wines

11.1.3 Vine production

The most common varieties of grapes used for wine production are as follows:

- High-quality red wines: Kaberne sovinjon, Burgundac black, Merlow, Vranac (indigenous variety), Jagodinka varieties
- Quality red wines: Game black, Prokupac (indigenous variety), Frankofka, Black portugizac, Skadarka black, Srpski rubin varieties

- High-quality white wines: Sovinjon, Shardone, Semijon, White burgundac, Yellow muskat, Muskat otonel, Rajnski rizling, Italijanski rizlinga, Green silvanac, Bagrina, Tamjanika varieties
- Quality white wines: Smederevka, Rkaciteli, Buvije, Neoplanta, Sirmijum
- Table wines: Zupljanka, Slankamenka, Bela sasla, Crvena sasla, Kreaca, Red ruzica.

Official statistics do not distinguish between table grapes and wine grapes, expert opinion is that 90% of grape production is processed into wine or other alcoholic beverages. Again, expert opinion is that the area under table wine varieties is declining and that used for quality and high-quality wines as well as the table grapes is rising. In new plantations, an increasing proportion of hybrid varieties are being planted.

11.1.4 Vineyard area

In the period 1999 to 2004 Serbia's total vineyard area (excluding the Autonomous Province of Kosovo and Metohija which is under UN jurisdiction) declined from 71700 hectares to 65900 (8.3%) 83% of Serbia's vineyard area is within Central Serbia and 17% in the Autonomous Province of Vojvodina. Family farms account for 91.4% of the total vineyard area. Areas under vineyards in agricultural enterprises (being privatised already or in the process of privatisation) have been reduced by 10%.

During the 1980s some 120000 hectares in 8 regions (mostly beside three rivers West Morava, South Morava and Big Morava, as well as beside Sava and Danube rivers), together with 19 sub-regions and 51 vineyard districts were designated as suitable for vine growing. However, according to the Ministry of Agriculture's Activity Programme, completion of the vineyard cadastre is not expected until the end of 2009.

Within each vineyard district vineyards are differentiated according to high-quality wines, quality wines and table wines varieties (red or white), but this is not recorded in the vineyard cadastre.

11.1.5 Structure of production

88% of the vineyard area is planted with grafted vine on American stock-vine and a further 7% with domestic vine stocks, the remaining 5% are hybrids. The latter are mostly newly planted hybrids on high-yielding plantations.

The last complete *Census of Agriculture* covering vineyards was in 1969 hence there is no reliable official statistical data on the number of grape producers. Experts estimate that more than 120000 households (out of 750000 farm households) have vineyards, so their average area under vineyards is estimated at 0.5 ha. However, the vast majority are small producers with 0.1 to 0.3 ha of vineyards, whose production is mostly for their own consumption and so-called inter-farmers' trade. There are a small number of vineyards with areas of 1 to 3 ha and a very small number of farms with 3 to 8 ha of modern vineyard plantations.

A second group of grape producers is made up of small agricultural enterprises and farmers' cooperatives having up to 30 ha of vineyards, then the medium-size enterprises with 30-100 ha of vineyards and finally big enterprises with more than 100 ha (up to 1700 ha, possessed by the greatest plantation in Vrsac).

11.1.6 Wine yields

The yields of grape are relatively low and significantly vary between 0.45 and 1.23 kg per vine-tree. That is the consequence of small plantations, obsolete varieties, the long-term absence of investments in new vineyards or the renewal of existing ones, the low level of agro-technical measures, together with the absence of hail defence and/or of irrigation systems in some vineyard districts.

Average grape yields are much higher in Vojvodina (1.14 to 1.75 kg/vine) than the ones in Central Serbia (0.34 to 1.15 kg/vine).

Table wines are dominant in production and consumption, while the wines with geographically controlled origin are being produced in industrial wine facilities (e.g. "Rubin" – Krusevac, "NAVIP" – Beograd) or in small number or registered cellars at family farms.

11.1.7 Wine production

Serbia's annual wine production in Serbia has averaged 1.85 million HL over the past five years with fluctuations due to weather conditions. The dominant share of total wine production has been produced on family farms though their share varies greatly from year to year (62% to 88%).

The volume of grape processing and wine production in large socially-owned agricultural enterprises has declined by more than 40% since the 1999 war due to a combination of factors including the devastation of some vineyards and wine cooperatives and loss of confidence among grape farmers because of low prices and/ or long waiting periods for payment.

Table wines form some 60% of overall production, with quality wines another 30% while the high-quality ones amount to less than 10%. High-quality wines have a larger share of total red wine production than of white. The high-quality wines and quality wines with geographically controlled designations of origin are mostly produced by agricultural enterprises/cellars (e.g. "Rubin" – Krusevac, "NAVIP" – Beograd,) as well as a small number or registered cellars - wine-producers on family farms.

11.1.8 Production cost and competitiveness

Both grape growers and wine processors complain of being squeezed through disparities between their input prices for vineyard and wine production and the output prices of

grapes and wine. In the context of global market competition these problems could be improved by mechanisation of production processes in viticulture, the introduction of modern technology in grape processing and wine production, improving grape and wine quality and through reducing unit production costs.

There are particular problems of high overhead and/or labour costs in the former socially-owned enterprises which are still in the process of privatisation or that have not been yet privatised and which usually have too many employees.

In addition too little attention has been paid to the marketing of Serbian wine. Hence, despite the very good quality of Serbian wine and the long tradition of grape and wine production, Serbian producers have much to do to improve their efficiency and competitiveness.

11.1.9 Wine exports

The volume and value of Serbian wine exports varies significantly from year to year depending on grape yields and quality. This does not provide a long-term continual and stable volume of supplies for export markets. The main export market is Bosnia and Herzegovina which takes some 65 % by volume, predominantly table wine, and the other two major markets are Germany (12%) and Austria (11%), where most exports consist of quality and high-quality wines. However, by both volume and value, imports continue to be greater than exports.

2.1.10. Policy issues

Serbia's policy for the wine sector is to seek to modernise and improve the efficiency of wine production through the following activities:

- Negotiations on accession of Serbia to international integrations (accession to WTO and EU plus regional free trade agreements);
- Fulfilment of conditions for utilisation of resources from EU pre-Accession funds for potential candidate countries;
- Completion of the privatisation of agricultural enterprises having significant areas under modern vine plantations as well as wine facilities that have industrial capacities for grape processing, wine production as well as other products based on wine;
- Harmonisation of Serbian viticultural and wine production legislation with that of the EU's wine CMO;
- The development of associations of small grape and wine producers linked with industrial capacities for grape processing and wine production.

The greatest challenges lie in the urgent completion of the vineyard cadastre (planned to be achieved by the end of 2009), the introduction of the wine producers' register, as well as of geographical origin control marks and more complete control of the seedling material quality, grape and wine quality.

Serbia has adopted a new *Law on Seedling Material (2005)* and has prepared a draft *Law on Wine and Other Products Made of Grape and Wine*, which is harmonised with the appropriate EU legislative. It is also in the course of drafting some implementing documentation on the new laws.

The Serbian Ministry of Agriculture financially supports from the Agrarian Budget funds the following activities:

- Establishment of new vineyard plantations (50 dinars or 0.63 € per standard category graft i.e. 100 dinars or 1.25 € per certificated graft, for new plantation between 0.5 and 50 ha and minimum 3,000 grafts per hectare, only for registered farms or agricultural enterprises); There are 130,000 registered farms in Serbia (16.9% out of 770,000);
- Support for export of grapes and wines produced in Serbia amounting to 10% of export price, for the products exported and paid in 2005;
- Introduction and certification of HACCP system into 300 food processing firms in the food sector in 2005 (up to 8,000 EURO per firm), among which the wine producers are as well;
- Promotion of exports as well as the exhibition activities of our wine producers (e.g. at the Dusseldorf Wine Fair).

12 Slovakia

According to preliminary figures, the area of vineyards in production in 2004 exceeded 12000 hectares and produced almost 61000 tonnes of grapes. Imports of wine in 2003 amounted to some 139000 hectolitres whilst 128000 hectolitres were exported. In spite of having a higher volume of wine imports than wine exports, the Slovak republic had a positive trade balance expressed in value. The major grape varieties are Gruner veltliner, Riesling vlassky, Muller – Thurgau, Frankovka blue, Saint vavrinecke and Rulandske white.

12.1.1 Wine consumption

Average consumption of wine per capita is 10,3 litres. The average household spends less than 3 % of its income on alcoholic drinks. Total wine and must consumption reached 554000 hectolitres. Some experts predicate that in the near future consumption of light wines with low alcohol content will rise.

12.1.2 Wine imports

Imports totalled 139400 hectolitres in 2003 of which 63,9 % fall to wine in casks. The main sources of wine in casks were Hungary (39 % of total quantity) and Italy (28 %). Imports of wine in bottles amounted to 49000 hl valued at 209 million SKK, of which white wine comprised 23500 hl valued at 42 million SKK. The main exporters of bottled wine to Slovakia were Hungary, Czech Republic, Spain, France, Italy and Austria. The Czech Republic remains the most important trading partner for champagne wines, imports of which increased.

Import of wines for the year 2004 was higher by 15,8 % compared to 2003 and achieved 161500 tonnes, hereof sparkling wine rose from 1 100 hl to 3 200 hl. On the other hand import of vermouths decreased from 11900 hl in 2003 year to 6000 hl. By contrast import of grape juice (stum) rose from 30 to 82 tonnes.

12.1.3 Vine production

As regards variety composition, in 2003, 14400 ha of grapes were grown for white must, 4600 ha for blue must, 290 ha for table wines and 550 ha for Tokay wines. The major varieties are Gruner veltliner, Riesling vlassky and Muller–Thurgau in total 8800 ha. In the Tokay wines subgroup almost 500 ha were of Furmint and Lipovina species. Hybrid varieties are grown on just 100 ha.

12.1.4 Vineyard area

According to the Central Control and Experimental Agricultural Institute of Slovakia, the total area of currently producing vineyards is 12200 ha of which 92 % comprise of must varieties and rest are dessert varieties of wine. The most important wine producing regions are Malokarpatská, South Slovakia and Nitra. Only about 1 % of total grape production is table grapes for direct human consumption.

12.1.5 Structure of production

There are 439 legal entities (limited companies, joint-stock companies, partnerships, co-operatives and farms, including small growers) involved in growing wine grapes on the 12200 ha of vineyards in production. At present, 17 plants with more than 20 employees each, are engaged in processing wine grapes into wine.

12.1.6 Wine yields maximum

The average grape yield was 5.2 tonnes per hectare in 2003 and 4.9 tonnes in 2004. In the past decade, annual yields have ranged from 2.6 to 5.4 tonnes per hectare.

12.1.7 Wine production

Production of wine grapes decreased from 100600 tonnes in 1994 to 60900 tonnes in 2003. The 2003 crop resulted in domestic wine production of 532000 hectolitres which was a 57 % increase compared to 2002. According to results of testing of 16 million litres of white wine in 2003 85,4 % were classified as quality wines and 86,4 % of 8 million litres of red wine were also classified as quality wines.

12.1.8 Production cost and competitiveness

Total costs per hectare are around 1850 EUR and the gross margin is approximately 260 EUR. Costs per tonne of producing wine grapes are 361 EUR. Average farmer's prices of must and table grapes slightly increased in 2004 as did average retail prices. Last year farmgate grape prices fell in some cases to around 5 SKK (0.13 euro) per kilogram.

12.1.9 Wine exports

Total exports of wine in 2004 amounted to 55400 hectolitres, which was only 42% of the volume exported in 2003, though in value terms the reduction was not so great, receipts being 61% of the level in 2003. Virtually all the wine was exported to the Czech Republic.

12.1.10 Policy issues

After EU-Accession Slovak vineyards and viticulture became subject to the EU's wine CMO. However there are some exemptions, e.g. the producers can't receive the payment for permanent abandonment of vine growing on specific areas. In March the Slovak parliament passed a new law on viniculture and vineyards that established conditions for growing vines on registered areas and the production, disposal and marketing of wines. Following this law the Ministry of Agriculture of Slovakia issued regulation with detailed instructions regarding registration of wines, technological methods, admissible losses, verification, classification of wines, quality standards etc.

13 Slovenia

Slovenia is a traditional wine-producing country and since 1997 also a net exporter of wine. The volume of trade in wine has been on the decline, dropping for the first time to below 10 million litres in 2004. Slovenia largely exports quality wines and imports table wines.

13.1.1 Wine consumption

As a result of a high share of small-sized grape and wine producers, there is no reliable data on wine consumption. According to estimates made using the official statistical data, the annual wine consumption in the period 1999-2004 amounted on average to 36 litres per head. These estimates do not include wine production and consumption for very small grape and wine growers (outside the definition of agricultural holdings). Own-wine consumption is widespread and is estimated to represent around 1/3 of the annual consumption of wine.

The larger producers reported that there has been a significant downward trend in wine consumption in the past decade. Additionally, there have been structural changes in the wine consumption pattern: decreasing consumption of table wine to the advantage of the quality wine and the increasing preference for red instead of white wine. So far, consumption remains predominantly of Slovene wine although there are small volume imports of foreign, in particular European, wines.

13.1.2 Wine imports

Over the last years, imports of wine to Slovenia have decreased and also the structure of imports has changed. Imports of table wine dropped the most, in particular white table wine. At the same time, imports of quality red wine rose. In 2004, 4 million litres of wine were imported, of which 62% was table wine (in 1999: 89%). The proportion of quality wine rose to 33%, the highest so far (in 1999: 6%). Most wines come from FYR of Macedonia (table wine) and EU member states (Italy, France, Austria and Spain).

13.1.3 Vine production

Slovenia produces mostly wine grape varieties. The production of table grape varieties is negligible and is therefore not registered by official statistical sources.

13.1.4 Vineyard area

There is no reliable data about total vineyard area in Slovenia. According to the available official statistical data, vineyards total 16.6 thousand ha. (Very small grape and wine

producers producing only for their own consumption are not included.) A Register of grape and wine producers was established in 1999 but it registers only market production.

Slovenia's wine-growing area is divided into three regions: 44% of vineyards lie in the Podravska (along the Drava river) region, 17% in Posavska (along the Sava river), and 39% in Primorska (Littoral area) wine-growing region. All three wine-growing regions are suitable for quality wine production. Only growing of *Vitis vinifera* is allowed. There are no interspecific varieties.

13.1.5 Structure of production

More than a third of farms in Slovenia have vineyards (in 2003: 37%). Small producers prevail in the structure of production. According to the structural survey of 2003, 28.705 farms were engaged in grape production (in 2000: 35.129), cultivating on average 0.58 ha of vineyards (in 2000: 0.47 ha).

According to the register of grape and wine producers, there are around 15 larger enterprises producing wine from their own grape production and partly from contractual purchase of grapes. There are also 5 larger wine-cooperatives. The rest are small producers (more than 1000), producing wine from their own grape production and selling the wine. They contribute almost 50% to total wine production.

13.1.6 Wine yields

According to the statistical data, the average yields in Slovenia have varied between 5.9 and 8.1 tonnes of grapes or from 41 to 57 hl of wine per ha in the last few years. They largely depend on weather conditions. The average yields on the vineyards intended for wine production for sale are lower and less variable. They are generally higher in the Primorska region and the lowest in Posavska region. The yields for production of quality wine are legally limited to 80 hl/ha and for table wine to 120 hl/ha.

13.1.7 Wine production

Because of only small changes in areas, the total wine production depends largely on the yield. In 2004, yield was again abundant after a more modest one in 2003. Quality wines prevail in the structure of production, on average representing more than 70% of production in all three wine-growing regions.

13.1.8 Production cost and competitiveness

Recently, the purchase prices of grapes have been relatively stable (around 0.40 EUR/kg), whereas the prices of wine show a downward trend. The import and export

prices of wine have been on average considerably lower than the average prices on the domestic market. After the EU Accession, the grape and wine producers have been faced with the increasing competitive pressures which as for the all food industry is coming mainly from retailing channels.

13.1.9 Wine exports

Since 1999 the exports of wine have been decreasing. In 2004 they dropped to below 5 million litres. All the time quality wines have represented more than 90% in the structure of exports, in particular white wines. The main export markets are Bosnia and Herzegovina, USA, Croatia, Serbia and Montenegro and Germany.

13.1.10 Policy issues

The most significant change in the market after Accession is abolishing of direct supports for promotion on foreign markets aimed at increasing the exports of quality wine and better recognition of Slovenian wines on foreign markets. The new rules will only allow limited co-financing of promotion activities through programmes operated by producers' organisations. The consequences of this measure have already been seen in reduced wine exports in 2004.

Regarding the reform of the wine CMO, there is no public discussion for the moment on this issue. According to the available information, the representatives of the Slovene Government support abolition of the measures of compulsory distillation of by-products, strengthening of the role of producer organisations and the measures for vineyard restructuring. These measures have proved to be the most reasonable. The Government also favours introducing restructuring and modernisation of wine production capacities. Both restructuring measures should be directed at meeting the demands of the market, which implies as a precondition establishing effective producer organisations. This position seems to be in line with producer's interests and expectations.

14 Turkey

14.1.1 Wine consumption

Turkey is not a wine consuming country. While the wine consumption in Europe is approximately 50-60 litre per person, according to TEKEL General Directorate "year 2000 data", Turkey's wine consumption is a little less than 0,9 litre per person^{11 12}. Although data are not available on quality and table wine, it is expected that quality wine consumption is very low compared to table wine. Since Turks consume raki (a national alcoholic beverage), wine consumption is not expected to increase much in the near future.

14.1.2 Wine imports

Wine imports were unexpectedly high in 2004 suddenly rising to 850000 litres. wine import after having been below 200000 litres in each of the previous five years except for 2000., The value of wine imports was 494000 US\$ in 1999 but rose to above 1.5 million US\$ in 2004. This leap in wine imports came in a year of high economic growth (9.9%) and it is expected that wine imports will further increase in the future as the economy expands.

14.1.3 Vineyard area

Turkey has the world's 4th largest grape-growing area (565000 ha) after Spain, Italy and France. However, Turkey is in 5th place in terms of grapes production after Italy, France, Spain and USA, with 3850000 tonnes of grapes. According to SIS (2003) 2.14% of Turkey's agricultural land is devoted to vineyards, and production of grapes amount to approximately 30 % of total fruit production.

The State Institute of Statistics only started reporting vineyards for table grapes and wine production separately in 2004 when the vineyard area for table grapes was 300000 hectares with approximately 2 million tonnes of production. Vineyards for wine production totaled 270000 hectares and production was 370000 tonnes in the same year. Approximately 50 % of the total production of grapes comes from the Aegean Region which has about a third of Turkey's vineyards. This region is followed by the South East Anatolia Region with 17 % of total production. Twenty two % of the grape production is used for wine. The rest is table grapes and dried grapes.

A vineyard cadastre has been established in 70 % of Turkey and the Ministry of Agriculture has implemented a reform program, under which there is a Farm Registry component for soils and climate. There are several varieties from which quality wine is produced. These are Papazkarasi, Gamay, and Karasakiz in the Marmara region,

¹¹ Bağcılık ve alkollü içkiler Arastırma Komisyonu Raporu, TBMM Cumhuriyet Halk Partisi Grup Başkanlığı, Mart 2005 Ankara

¹² ÖZAY A, AKYOL A, AZABAGAOĞLU, M.Ö. "Türkiye Sarap Sektörü'nün Pazarlama Karması Elemanları Açısından İncelenmesi ve Sektörün Rekabet Performansının Artırılması için Öneriler" Sarap Sanayicileri Derneği Yayınları No.1, İstanbul 2005

Çalkarasi and Sultaniye in the Aegean region, Narince in the Blacksea region, Kalecik Karasi and Emir in Central Anatolia, Öküzgözü, Bogazkere in the East Antolia, Dökülgen in the Mediterranean region.

14.1.4 Structure of production

With 59 firms producing wine in 61 plants, all private, the wine sector is growing steadily. Nevertheless, currently the Turkish wine sector is not competitive on the world market. 37 of the wine producing firms have formed an Association of Wine Producers which is carrying out studies in various areas. The wine producing firms are mostly situated in Marmara-Thrace and Aegean Regions where most of the wine grapes are produced.

Unfortunately, is it difficult to gain information on firms' capacities and on the sector's concentration ratio.

14.1.5 Wine yields maximum

The average grape yield in Turkey six tonnes per hectare. Separate yields for table grapes and vineyards only began to be reported in 2004 when the averages were 6.33 tonnes per hectares for table grapes and 5.28 tonnes for wine grapes.

14.1.6 Wine production

Different sources report different statistics on the wine production. UHT data indicates that more than 50 million litres of wine was produced in Turkey in 2003, while State Institute of Statistics reported only less than half of this figure for the same year. FAO, on the other hand reported 35 million litres of wine. According to the first two data sources, there is an increasing trend in the wine production. Contrary to these sources, FAO indicate rather decreasing wine production. There is no information, at least known by the researcher, about the different categories of wine

14.1.7 Production cost and competitiveness

Published data for wine production costs is available only up to 1998. A state monopoly used to produce wine and its cost data per bottle were reported at 1998 prices. It is difficult or maybe not relevant to judge the competitiveness of the sector based on the data available.

14.1.8 Wine exports

Turkey's wine exports have varied from around 4 million litres to some 6 million litres in the period 1999 to 2004 except for the year 2002, the recovery period of the economy, when exports were more than 8.2 million litres. However, the value of wine exports had not changed much. The export value increased up to as high as 7.9 million US dollar in

2004. It was 5.2 million us dollars in 2001, in the year of recession. Germany is the leading destination Turkey's wine exports with 30% of total exports. Belgium, Luxembourg and France together accounted for another 40% of exports

14.1.9 Policy issues

Wine production is now exposed to free market conditions. Although there are also state enterprises in wine production, there is not much government involvement in the sector. Various laws are related with wine production in Turkey. These laws are related with beverages, food, special tax, and technical regulations. A number of government decisions, decree, and bylaw have also been issued.