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## France

## Wine

## Annual

## 2003

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**Report Highlights:**

French 2003 wine crop is estimated to 48 million hectoliters, down eight percent from the 2002 vintage. Domestic wine consumption has continued to decline except for quality wines. French wine exports increased 5.6 percent in value in 2002 with an exported volume of 15.3 million hectoliters; however, exports for the first six months of calendar year 2003 have increased to Italy, the United Kingdom and Switzerland and decreased to Germany, Belgium, the Netherlands, the United States and Japan. The wine industry faces challenges in boosting both domestic and exports markets. Negotiations on a wine agreement between the U.S. and the EU are ongoing; France favors a comprehensive agreement that protects the names of its geographic production areas.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
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**Note: Official Exchange Rates used in this report:**

Average exchange rates:

Calendar Year 2001: USD 1.00 = FF 7.32 = 1.116 Euros

Calendar Year 2002: USD 1.00 = 1.057 Euros

Average Jan-October 2003: USD 1.00 = 0.8964 Euros

(Source: Paris Stock Exchange/European Central Bank)

**EXECUTIVE SUMMARY**

France is world number one wine producer with 51.9 million hectoliters (MHL) in 2002 and a 2003 vintage currently estimated at 48 million hectoliters (MHL), a decrease of 8 percent over the 2002 crop and minus 15 percent compared to the average 1998-2002. Last summer's heat wave reduced harvest size but enhanced quality. One third of French wine production is exported mainly to the European Union (the United Kingdom, Germany, Belgium and the Netherlands). Outside the EU, France's major clients are the United States, Canada, Denmark and Japan.

The long-lasting trend toward declining wine consumption continued last year. Based on a recent study conducted by a renowned French consumer panel, this trend will continue in coming years. Total bottled wine sales in hyper/supermarkets in 2002 dropped 2.5 percent, compared to 2001 to reach 9.9 HHL. The consumer-panel also reported that volumes purchased by the food service sector (traditional restaurants, cafeterias and company restaurants) decreased 2 percent in 2002. The decline is largely due to shrinking use of cheaper "table" wines, while consumption of quality wines continues to grow slowly.

French wine exports in CY 2002 dropped 2.7 percent, compared to CY 2001, at about 15.3 MHL for a value of 5.7 billion Euros (\$5.4 billion). However, even if France's exports remain at a high level, France continues to lose market share among its major clients to the advantage of "new world wines". French wine exports for the first six months of 2003 decreased three percent in volume and 0.7 percent in value to 2.6 billion Euros (\$2.9 billion). During this period, volume exported to the United States decreased 14 percent, and 19 percent to Japan.

Total Wine imports in CY 2002 decreased 11.6 percent in volume to reach 4.5 MHL worth at 460 million Euros (\$435 million). Although the United States represents only 2 percent of total French wine imports, French imports of U.S. wines have been growing steadily from 15,000 HL in 1994 to 96,000 HL in 2002. In 2002, French imports from the United States increased 32 percent in volume and 19 percent in value to reach 17 million Euros (\$16 million).

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

The budget for financing international promotional campaigns for wines in 2002 amounted to 10.4 million Euros (about \$9.8 million).

On December 17, 2003, the EU Agriculture Council approved a two-year extension to the U.S. derogation on wine-making practices. Two additional derogations on labeling and documentation were also extended by the Wine Management Committee on December 10<sup>th</sup>.

The negotiations for the renewal of the United States-EU wine accord have intensified lately since the current EU derogation for the U.S. wine making practices expires on December 31, 2003. Since important differences still exist, such as protection of geographic names, winemaking practices and registered trademarks, it is likely that a minimum temporary accord aimed at preventing trade disruption will be reached. France, however, is seeking a broader accord that includes effective protection to its semi-generic wine names such as "Champagne."

## **DEFINITIONS AND PRODUCTION RULES:**

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

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

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

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

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

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

## SECTION I. SITUATION AND OUTLOOK

The 2002 wine crop (MY 2002/2003) amounted to 51.97 million hectoliters (MHL), 6 percent less than the 2001 level (MY 2001/2002). Of total production, 24.4 MHL were VQPRD wines, 18.9 MHL table wines, and 8.6 MHL wines for cognac production. Cold and humid weather in early spring 2002 proved unfavorable for vine flowering. Floods in certain regions followed this and subsequently resulted in a significant crop decrease. French production of VQPRD wines remained the same as in 2001, while the table wine production went down from the 2001 crop due to the continued vineyard improvement efforts (conversion of table wine into country wine and AOC wine).

During MY 2002/2003, ending stocks decreased 8.3 percent, compared to the previous MY, to reach 3.1 MHL. A Crisis distillation support program for a total of 4 MHL of table wines was implemented by the Government to balance the market. Experts forecast the 2003/2004 wine crop to reach 48 MHL (down 8 percent compared to the 2002/2003 crop and 15 percent compared to the average of 1997/98-2001/02).

During CY 2002, total French wine and spirits exports increased by 5.6 percent in value to 7.8 billion Euros (\$7.4 billion) compared to CY 2001. Wine exports increased by 5.6 percent in value, from the 2001 level, to reach 5.7 billion Euros (\$5.4 billion), with an exported volume of 15.3 million hectoliters. The value increase is mainly due to champagne and AOC sparkling wine exports. However, even if French exports remain at a high level, France continues to lose market share among its major clients to the advantage of new world wines. France's traditional export markets remain the United Kingdom, the United States, and Germany in value and the United Kingdom, Germany, Belgium, the Netherlands and the United States in volume. One third of the French wine production is exported to the European Union (more than 72 percent of wine exports in volume and 60 percent in value). Of the total French export volume, the United States represents 7.3 percent.

Total French wine imports during calendar year 2002 decreased 11.6 percent in volume to reach 4.5 million hectoliters, valued at 460 million Euros (\$435 million). Table wines represented 79 percent of total French wine imports in volume, mostly from EU countries. Italy and Spain remain France's leading suppliers. In 2002, imports of U.S. wine into France increased by 32 percent in volume and 19 percent in value compared to the previous year. Although the total U.S. market share is only 2 percent in volume, for a value of 17 million Euros (\$16 million), it is interesting to note that French imports of U.S. wines have been growing steadily from 15,000 HL in 1994 to 96,000 HL in 2002.

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

MY 2001/2002 was the second marketing year where the new Common Organization of the Wine Market (COM) (as defined by the European Commission regulation 1493/1999) was applied. In Spring of 2002, the European Union adopted the last text of application in regard to designation, denomination, presentation and protection of wines, as well as financial support to wine growers to adapt their vineyards to new market conditions, uprooting of vines, distillation process for certain vineyards, etc. The new COM will continue to focus on wine quality, production management and maintaining traditional outlets, principally alcohol distillation.

In Calendar Year 2002, France (ONIVINS and SOPEXA) had a total budget of 10.4 million

Euros (\$9.8 million) for export promotions of French wines in different countries, including the United States. Domestic advertising focuses on regional wines, while international advertising promotes VQPRD wines.

The French Ministry of Agriculture forecasts the 2003 wine crop to be 48 MHL, down eight percent from the 2002 wine crop and to be of excellent quality with a high alcohol percentage. French customs officials indicated that during the period January-June 2003, total French wine exports decreased 3 percent in volume and increased 0.7 percent in value, compared to the same period in 2002. For Jan-June 2003, total French wine exports amounted to 2.6 billion Euros (\$2.9 billion). The increase in value is due to Champagne exports, which after two years of crisis, benefited from an increase in demand. Exports of VQPRD still wines and table wine decreased both in volume and value; only exports of red Bordeaux wines in bottles increased 20.3 percent in value.

During the first six months of 2003, France's major clients remained the United Kingdom, Germany, Belgium, the Netherlands and the United States, representing 69 percent of the total export volume; however, export volumes of wine to the United States and Japan decreased 14 and 19 percent respectively.

## SECTION II. STATISTICAL TABLES

### PSD Table

Country	France				(1000 MT)(1000 HL)		Forecast Post Estimate [New]
	Commodity	Wine		2002	Estimate	2003	
2001		Revised	USDA Official [Old]				Post Estimate [New]
Market Year Begin	08/2001		08/2002		08/2003		
TOTAL Grape Crush	7766	7194	7194	6756	6756	6240	
Begin Stock (Ctrl App)	22134	25227	25227	26219	26219	26219	
Begin Stock (Other)	9433	12639	12639	8520	8520	8520	
TOTAL Beginning Stocks	58166	37866	75545	48102	85781	55924	
Prod. from Wine Grapes	59741	55339	55339	51966	51966	48000	
Prod. from Tabl Grapes	0	0	0	0	0	0	
TOTAL PRODUCTION	59741	55339	55339	51966	51966	48000	
Intra-EU Imports	4859	4130	4130	3872	3872	3750	
Other Imports	565	590	590	628	628	615	
TOTAL Imports	5424	4720	4720	4500	4500	4365	
TOTAL SUPPLY	123331	97925	135604	104568	142247	108289	
Intra-EU Exports	11447	11062	11062	10922	10922	10850	
Other Exports	4255	4441	4441	4161	4161	4100	
TOTAL Exports	15702	15503	15503	15083	15083	14950	
Dom.Consump(Cntrl App)	16433	16834	16834	16144	16144	16100	
Dom.Consump(Other)	15651	17486	17486	17417	17417	17300	
TOTAL Dom.Consumption	32084	34320	34320	33561	33561	33400	
End Stocks (Cntrl App)	40970	41104	54732	48544	48544	52199	
End Stocks (Other)	34575	6998	31049	7380	7380	7740	
TOTAL Ending Stocks	75545	48102	85781	55924	55924	59939	
TOTAL DISTRIBUTION	123331	97925	135604	104568	104568	108289	

Source: French Customs/French Center for External Trade (CFCE)

2. Trade Matrices

**Import Trade Matrix**

<b>Country</b>	France	
<b>Commodity</b>	Wine	
Time Period	Jan-Dec.	Units: 1,000 HL
Imports for:	2001	2002
U.S.	73	96
Others	Others	
Italy	2428	Italy 1800
Spain	1515	Spain 1411
Portugal	359	Portugal 565
Chile	105	Chile 154
United Kingdom	83	Germany 98
South Africa	72	Australia 72
Australia	72	South Africa 69
Germany	80	Morocco 69
Tunisia	62	United Kingdom 46
Morocco	61	Tunisia 32
Total for Others	4837	4316
Others not Listed	231	169
<b>Grand Total</b>	<b>5141</b>	<b>4581</b>

**Export Trade Matrix**

<b>Country</b>	France	
<b>Commodity</b>	Wine	
Time Period	Jan-Dec.	Units: 1,000 HL
Exports for:	2001	2002
U.S.	1049	1116
Others	Others	
Germany	2977	United Kingdom 3242
United Kingdom	3204	Germany 2947
Belgium/Lux.	1702	Belgium/Lux. 1772
Netherlands	1530	Netherlands 1559
Denmark	696	Japan 636
Canada	636	Denmark 621
Japan	616	Switzerland 603
Switzerland	658	Canada 596
Total for Others	12019	11976
Others not Listed	2121	2384
<b>Grand Total</b>	<b>15189</b>	<b>15476</b>

Source: French Customs/CFCE

## 3. Price Table:

**Wine Price Evolution and Retail Sale Prices  
From 1998 to 2002**

USD/liter	Wholesale Prices Index				Retail Price in		
	Years	Table Wines	VQPRD Wines	Sparkling Wines	Total	Alcoholic content of 11% by volume	Alcoholic Content of 12% by volume
	1998	100.6	102.7	102.1	102.1	1.32	N/A
	1999	105.9	109.6	98.8	114.5	1.30	N/A
	2000	104.2	100.8	110.4	102.2	1.13	N/A
	2001	105.6	102.3	112.0	103.9	1.25	N/A
	2002	N/A	N/A	101.3	101.2	N/A	N/A

Note: All above indices are current

N/A = Not Available

Source: French Institute for Statistics (INSEE)



**4. Tariff Table:**

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

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

Footnotes: (\*) Harmonized Tariff Schedule

HL = Hectoliters

EU customs duties are calculated as a percentage of the ad valorem value of the product. The current duty rates are 32 Euros per hectoliters for sparkling wines, and between 9.90-13.10 Euros per hectoliters for still wines under 13 percent alcohol content, and 12.10-15.40 Euros per hectoliters for still wines over 13 percent alcohol content, depending on how the product is bottled.

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

Based on most recent data published by the French Ministry of Agriculture's census (CY 2000), France has 144,000 wine growers cultivating a total area of 858,400 hectares of vineyards for wine production. About 42 percent of French vineyards are devoted to VQPRD wines. France represents 26 percent of the European Union's vineyard area and 12 percent of the world's vineyard area. In the European Union, Spain has the largest area under vines, followed by France and Italy.

In 2002, France was the largest European producer immediately followed by Italy and Spain. France's share of total world wine production is about 20 percent while the United States represents about 8 percent of the total world production.

The three largest French wine producing regions--Languedoc-Roussillon, Aquitaine, and Provence/Alpes/Cote d'Azur--accounted for 62 percent of total French wine production in 2002. French vineyards made up 17 percent of all harvested agricultural areas, compared to 15.8 percent in Spain and 11.9 percent in Italy.

The 2002 wine crop (MY 2002/2003) amounted to 51.97 MHL, a volume decrease of 6 percent compared to 2001 with homogeneous quality. Despite regional flooding in tandem with cold and humid weather, a reduced crop still yielded uncompromised quality.

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

- Vine plantings (the goal being to control new vine plantings)
- Production condition for table wines (the goal being to control production and maintain quality)
- Assistance in the restructuring of vineyards including bonus for uprooting marginal vines.
- Prevention distillation (opened in a unique session: As of MY 2002/2003 the prevention distillation was from October 1 thru December 30, totaling 25 percent of wine growers production)

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

In 2002, on a total planted area of 858,400 hectares, the French average yield was 60.4 hl/ha, compared to 61.4 hl/ha in 2001, or a decrease of two percent.

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

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

Table wines and liquor wines without appellation, as well as concentrated grape, can benefit from EU export subsidies. This subsidy, however, is granted only for export to certain countries and the wines involved are subject to specific analyses and agreements. During CY 2002, the volume of French non-AOC wine exported with EU export subsidies amounted to 162,695 HL, and the amount paid by ONIVINS was 1.50 million Euros (\$1.42 million).

The EU agreements under the WTO implemented on July 1, 1995 called for a reduction in the volume of subsidized wine exported by 21 percent, and in the value of wine subsidies by 36 percent. The current duty rates are 32 Euros per hectoliters for sparkling wines, and between 9.90-13.10 Euros per hectoliters for still wines fewer than 13 percent alcohol content, and 12.10-15.40 Euros per hectoliters for still wines over 13 percent alcohol content, depending on how the product is bottled.

**Consumption**

French Wine Consumption by Category  
For Marketing Years 2000/01, 2001/02 and 2002/03  
(In 1,000 HL)

Wine Category	2000/01	2001/02	2002/03
VQPRD Wines	16,433	16,834	16,144
Table Wines	15,651	17,486	17,400
TOTAL	32,083	34,320	33,544

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

Per Capita French Wine Consumption by Category  
For Marketing Years 2000/01, 2001/02 and 2002/03  
(liters)

Category of Wines	2000/01	2001/02	2002/03
VQPRD Wines	27.7	28.3	26.9
Table Wines	26.5	29.5	29.0
TOTAL	54.2	57.8	55.9

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

French per capita wine consumption has been decreasing from 103 liters in 1980 to reach 58 liters in 2002. French consumers are moving from quantity to quality. A study commissioned by ONIVINS and conducted by the French Consumer Panel (SECODIP) indicates that among alcoholic beverages, seniors prefer wine, while younger drinkers prefer more exotic drinks.

A recent study conducted by ONIVINS and the French Institute for Agricultural Research (INRA) indicated that consumers under 35 years old (23 percent of total French households) 88 percent bought at least once a still wine and 48 percent bought at least once a sparkling wine. This age group buys less than the seniors. Consumers from 35 to 49 years old (30 percent of French households) make 25 percent of wine purchases. They purchase still white and sparkling wines (except champagne) in larger quantities than any other age group. The 50-64 years old group is the leading buyer of wine in all categories with a preference for red wines. The 65 years old and over consumer group represents with the 50-64 years olds 47 percent of the total French households and are the leading buyers of still wines consisting mostly of table wines. The 50-65 years old and over consumers are also the major consumers of champagne consuming 11 percent above the average consumption level.

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

**Trade****1. Exports**

In 2002, the total value of French wine exports increased by 5.6 percent from 2001 to reach 5.7 billion Euros (\$5.4 billion). French wine exports for 2002 reached 15.3 MHL, representing 27 percent of the total French wine production, an increase in export volume of 1.1 percent compared to the previous year. The trade surplus in wine for calendar year 2002 was 5.2 billion Euros (\$4.9 billion), an increase of 6.6 percent over the previous year. The increase in wine exports values is due to Champagne exports (+13.2 percent) as well as

most of still wines.

VQPRD wine exports in 2002 decreased in volume (-1.8 percent) and increased 1.4 percent in value, compared to 2001. Globally, 2002 French wine exports showed a slight increase of 1.1 percent in volume, while values increased 5.6 percent. After export decreases in October and November, the month of December bolstered the end of year figures although the economical and political environment was not favorable. Industry is becoming increasingly concerned about export market share.

French wine exports are very concentrated. In value, the three largest French clients represent 49 percent of the total French exports in value and 52 percent in volume. Due to one third of French wine production being exported, economic health of destination markets are very important to the well being of the French wine industry.

The EU's share of all French exports is 72 percent in volume and 60 percent in value, a decrease of two percent over the last five years. Within the EU, France's major clients are the United Kingdom, Germany, Belgium and the Netherlands. Major non-EU export markets for VQPRD wines are led by the United States followed by Japan, Denmark, Switzerland and Canada.

During the period January-June 2003, French exports of wines increased to the United Kingdom (1 percent in volume and 7.9 percent in value), Switzerland (4.1 percent in volume and 18.3 percent in value) and Italy (21 percent in volume and 19 percent in value), while exports to the United States and Japan decreased respectively 14 and 19 percent in volume. Within the EU, French wine exports also decreased to Germany, Belgium and the Netherlands (respectively 1.3 percent, 6.9 percent and 4.9 percent in volume). During this period, the wine exports to the United States decreased between 15 to 35 percent compared to the first six months of 2002.

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

## **2. Imports**

The value of French wine imports in 2002 amounted to 460 million Euros (\$435 million). In 2002, total French wine imports decreased by 11.6 percent in volume compared to the previous year (VQPRD wine imports, mostly from the EU, decreased by 20 percent and table wines by 10 percent). Most of the decrease in French wine imports is for red VQPRD wines and table wines. France's top EU suppliers remain Italy, Spain and Portugal. Outside the EU, Chile (153,000 HL imported), USA (96,000 HL) and Australia (72,000 HL) are the top suppliers.

In 2002, French imports from the United States reached 96,000 HL, an increase of 32 percent in volume over calendar year 2001. It is interesting to note that the French imports of U.S. wines have increased 54 percent in volume over the period 1999-2002. This increase can be attributed to the presence of Gallo Winery in this market since 1998. Gallo is very active and winning space on store shelves in the retail sector and restaurant menus in the food service sector.

### 3. Domestic Support and Impact on Trade

The GOF subsidizes the wine sector through the French Office for Wines and Vines (ONIVINS). ONIVINS's total budget in CY 2002 was 82.5 million Euros (\$78 million); from this amount 52.8 million Euros (\$49.9 million) went to orientation and intervention expenses; 26.5 million Euros (\$25.1 million) to operational expenses, and 3.2 million Euros (\$3 million) to working capital.

ONIVINS also administers and implements EU subsidies allocated to the French wine sector which included export refunds and assistance earmarked for vineyard restructuring, distillations, and grape juice fortification. For MY 2003/2004, a total European budget of 443 million Euros (419 million) was allocated for the restructuring of a total of 58,651 Ha throughout EU. From this amount France will receive 111.2 million Euros (\$105.2 million) for 12,745 HA. The other EU countries who benefited from this support are Spain (150.9 million Euros) and Italy 120.1 million Euros.

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

The major lines of the Wine Community Market Organization Reform (COM) were validated by the European Union Agricultural Ministers in March 1999 under "Agenda 2000" and implemented by regulation no. 1493/1999 of May 17, 1999. The COM in force was dating back to 1987, with a reform project which failed in 1994. The new COM coordinates EU wine practices and production and carries out reforms involving wine to help the EU wine industry adapt to new market conditions. This project will simplify former legislation by:

- Replacing current distillations (preventive, mandatory or support) with a more flexible system that will address such "crises" as overproduction. The preventive distillation will be replaced by a certain distillation that will supply alcohol and products made from wine (vinegars and aromatized wines).
- Modifying the EU's system of planting and uprooting vines.
- Having the EU reimburse wine growers for losses resulting from reconversion, uprooting or planting. However, purchases of new equipment will be financed both by Brussels and the producer.

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

## MARKETING

### 1. Infrastructure and Distribution

Wholesalers and importers make up France's wine distribution system. Wholesalers frequently sell to specialized wine stores, food stores, restaurants and institutions. Importers sell to supermarkets. Mail order sales are generally made directly by the producer. Supermarket wine sales in France make up 78 percent of household wine purchases (14 percent for hard discounters), while 22 percent come from specialized wine sales (wine stores, direct sales, etc.).

According to SECODIP, in 2002, total still wine sales in French supermarkets, including foreign wine sales, was estimated to 3 billion euros (\$2.8 billion), from which VQPRD wines represented sales of 2.4 billion Euros (\$2.3 billion). Total wine consumption in 2002 reached 32 MHL, of which restaurants, hotels and cafes accounted for 11 MHL, and homes 21 MHL. Of the 21 MHL of wine consumed in homes, 11 MHL were purchased in supermarkets and the rest in specialized stores or directly from wine growers.

As per SECODIP, in 2002, the volumes of wines purchased by the food service sector (traditional restaurants, cafeterias and company restaurants) decreased by two percent in volume and increased one percent in value, compared to 2001. The decrease volume purchases affected VQPRD wines (-2%) and country wines (-12%), as well as foreign wines (-3%), while purchases of table wines (including EU assembled wines) increased by 2.6 percent. The SECODIP panel also indicated that white wine purchases in 2002 in the food service sector increased by one percent in volume and 4.5 percent in value, while red wines decreased 5 percent in volume and 2 percent in value. Rose wine purchases decreased 3.5 percent in volume and one percent in value.

In 2002, total sales of foreign wines in supermarkets remained stagnant. Foreign wine market in France is a branded market representing sales in supermarkets of over 54 million Euros (\$51 million). Foreign wines selling the best are from North Africa, Spain, Italy and "new world" wines (Chile, Australia, South Africa and U.S. --California).

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

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

In 1992, the GOF instituted regulations that limited radio and TV advertisements promoting alcohol. These regulations were called Loi Evin (the name of the French Minister for Social Affairs at that time). These regulations were followed by two additional decrees in 1993 which regulate advertising at point of sale and for event sponsorship. As of to date, these regulations are still in force and the French wine industry continues to lobby for the GOF to modify the Evin law.

In addition, ONIVINS has conducted several studies to better understand the effects of moderate wine consumption on health. These studies show that moderate consumption has health benefits.

It is difficult to measure the impact of the Evin law, since the French wine consumption began to drop even before 1992.

### **-- Import Rules**

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

Commission Regulation 883/2001 lays down detailed rules for implementing Council Regulation 1493/1999 as regards trade with third countries in wine, grape juice and grape must. All U.S. wine imports must be accompanied by the certificate and analysis report or VI1-form (Annex VII to 883/2001) that certifies its origin and compliance with EU standards. Under the current regulation, the producers may issue the certification themselves if they

provide certain assurances. A list of U.S. agencies / laboratories / wine producers authorized to draw up V11-forms was published in Official Journal C 322 of December 21, 2002 or can be obtained from the Bureau of Alcohol, Tobacco and Firearms ([www.atf.treas.gov](http://www.atf.treas.gov)).

### -- Labeling Regulations

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

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

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

### -- New Labeling Rules

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

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

The new regulation was originally scheduled to enter into force on January 1, 2003, but has been postponed until February 1, 2004 to allow third country wine producers to comply with the new EU wine labeling requirements. During the transitional period, the European Commission may consider amendments to the wine labeling regulation to address WTO concerns, raised by the U.S. and other non-EU countries.

GOF is still discussing the implementation of this new regulation with the French wine industry who does not entirely agree on several points proposed by GOF for implementation of the new regulation. A decision should be made by mid-December, 2003.

### 3. France Market Development Activities

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

During CY 2002, ONIVINS had a budget for financing international promotional campaigns of

French wines of 10.4 million Euros, or about US \$9.8 million. The GOF and inter-professional organizations underwrite this budget.

Promotional activities funded by ONIVINS focused on advertising campaigns, promotional materials, in-store promotions in specialized outlets, hotels, restaurants, as well as fairs and trade shows. New promotional activities were also conducted in 2002, including qualitative studies, reinforcement of advertising campaigns, educational programs and in-store promotions, not only in the EU (35 percent of the budget), but also in North America, Japan and in emerging markets (Eastern Asia and Central and Eastern Europe countries). SOPEXA promotes the image of the "French Style of Living" and "French Cooking" through "French weeks" in foreign restaurants, including wine waiter contests.

In October 2003, the GOF launched a four year program and allocated a 22 million Euros (\$24.8 million) to promote Burgundy wines between 2004 and 2007 and develop trade as well as oenological research to fight against more and more aggressive competition from "new world" wines.

Also, the French Minister of Agriculture promised French wine exporters exporting to the United States special promotional assistance to help them regain market share lost in 2003. This support will consist of the improvement of the two largest professional trade shows in the United States (the Wine and Spirit Wholesaler Association in Las Vegas in May 2004 and VINEXPO in Chicago in June 2004).

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

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

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

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

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