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Global Challenges and Local Solutions: Wine Sector Changes in Europe and in Portugal

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Objectives

- Trace the evolution of the Wine Sector in Europe (specifically in Portugal)
- Identify the main drivers of the changes, with the major strengths and constraints in the context of worldwide competition
- Show how important local characteristics are, and how aggregating value linked with cultural values can be a key aspect for competitiveness

Procedures

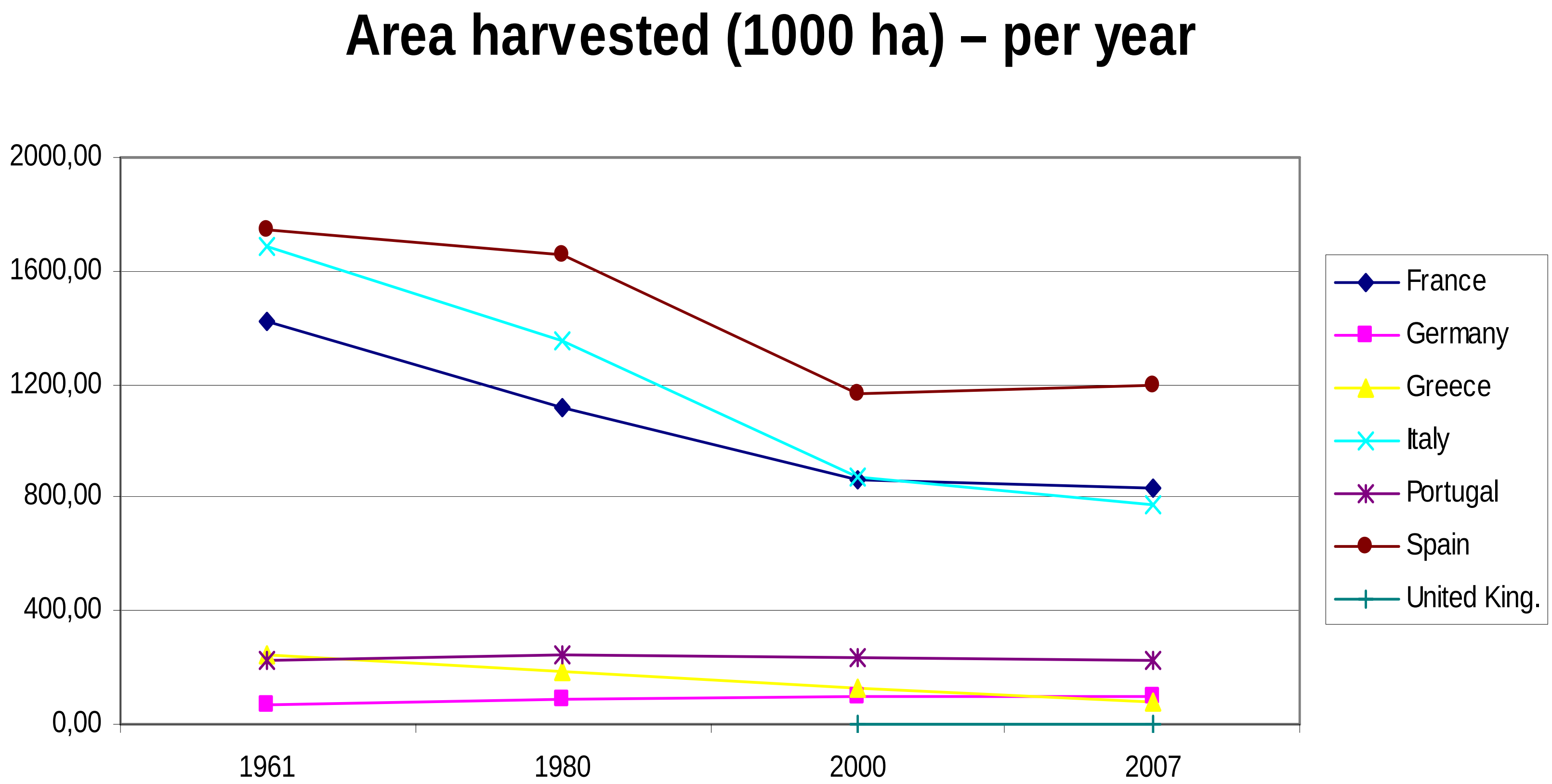
- Description of the wine sector and its evolution in Europe and specifically in Portugal using development models, based on the principle of the induced changes and innovation

- Outline the importance of consumer behavior in the context of the global challenges

- Point out how new players influence international markets (like some tropical countries) and how this creates new opportunities for the traditional producers

- Market regulation and good economic policies for good market behavior will also be explored

European Framework



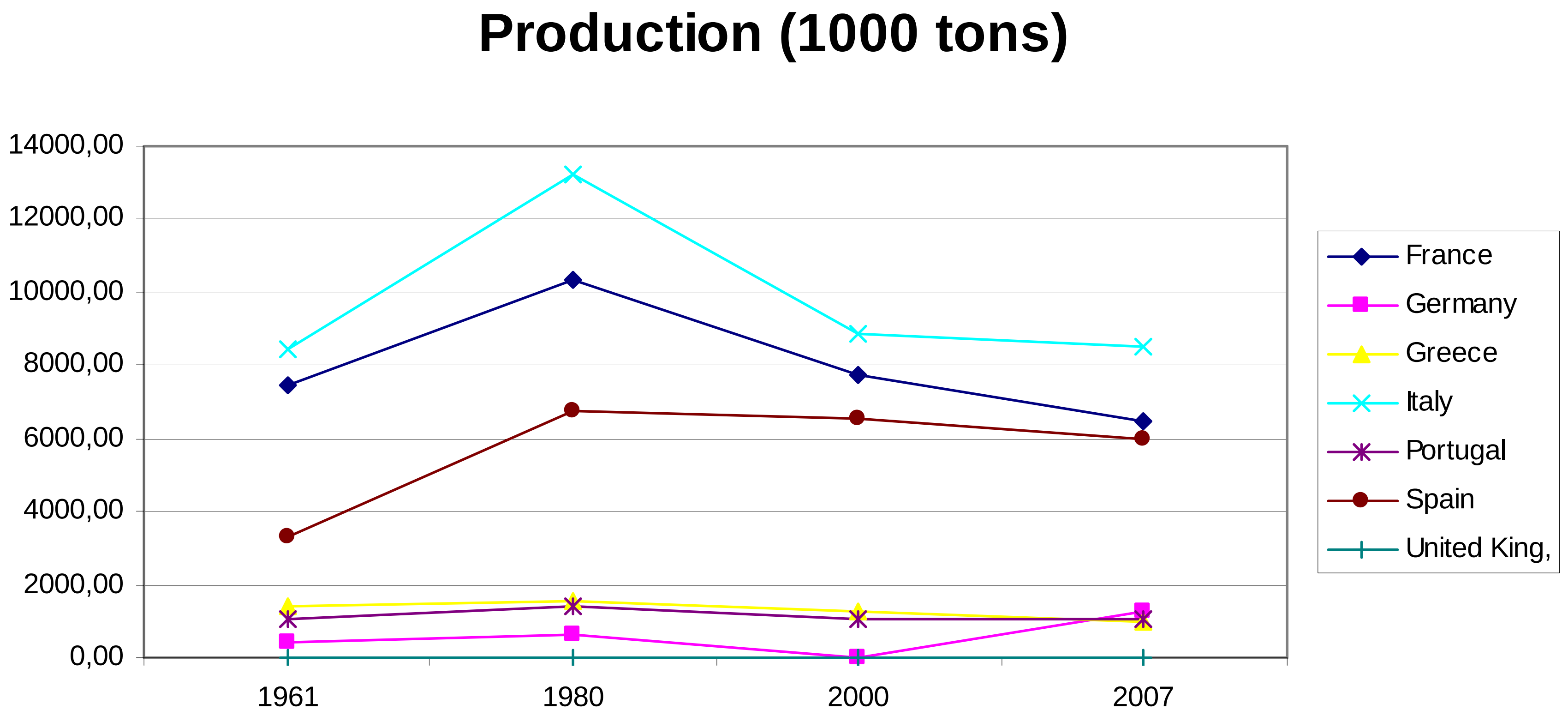
Source: FAO estimates

European Framework – Area harvested– 1000ha/per year

Country	1961	1980	2000	2007
France	1418.0	1113.8	861.0	830.0
Germany	66.2	89.5	101.5	99.5
Greece	247.1	185	124.8	80.0
Italy	1690.7	1349.0	872.7	770.0
Portugal	225.0	250.0	232.0	222.6
Spain	1742.0	1657.4	1167.7	1200.0
United King.			0.8	0.7

Source: FAO estimates

European Framework



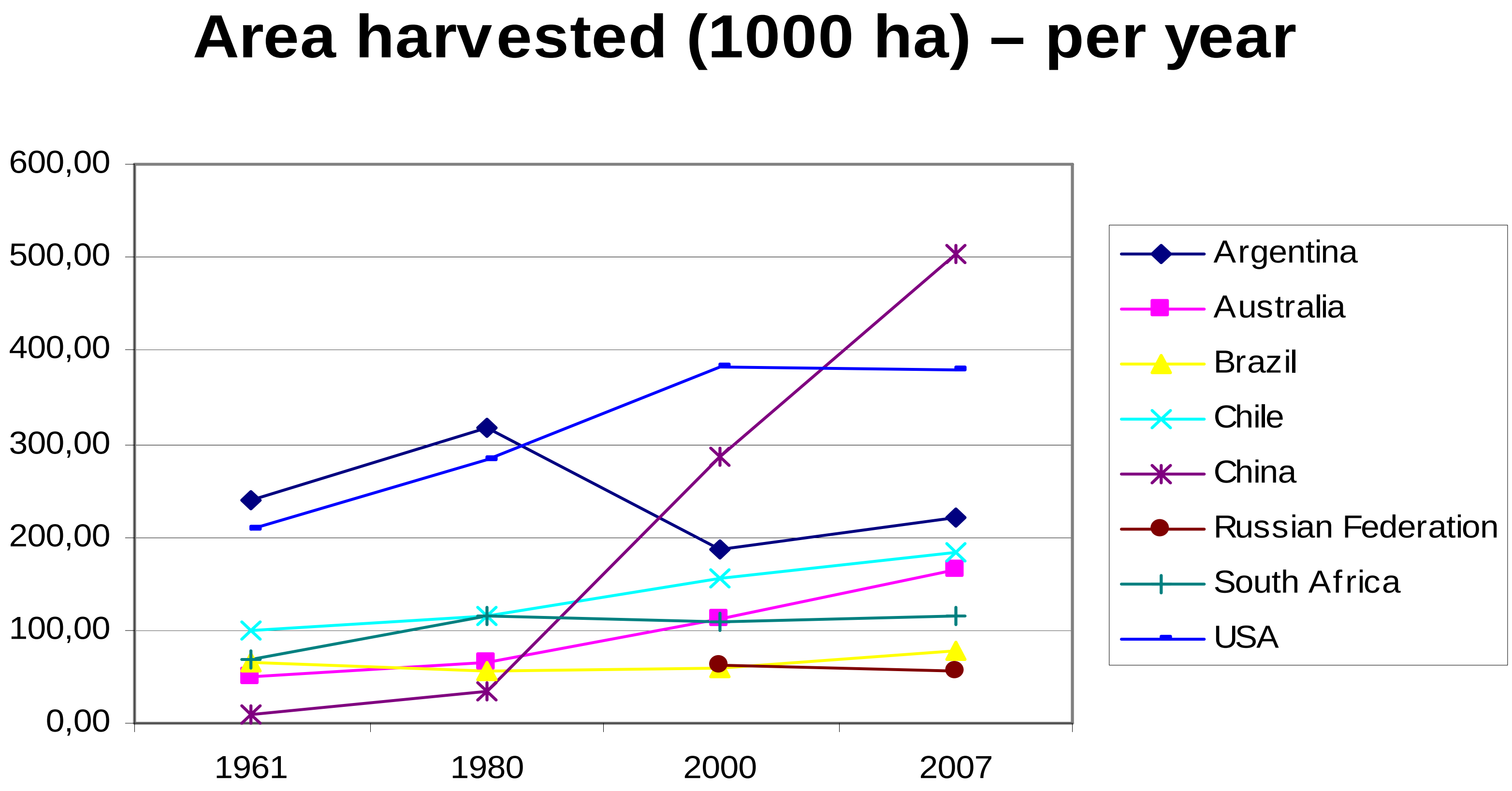
Source: FAO estimates

European Framework

Country	1961	1980	2000	2007
France	7 491.0	10 321.0	7 762.6	6 500.0
Germany	428.5	625.7	1 360.9	1 300.0
Greece	1 420.1	1 521.0	1 251.5	950.0
Italy	8 447.0	13 244.5	8 869.5	8 519.4
Portugal	1 063.0	1 440.0	1.045.9	1050.0
Spain	3 298.0	6 721.4	6.539.8	6013.0
United King.	0	0	2	1

Source: FAO estimates

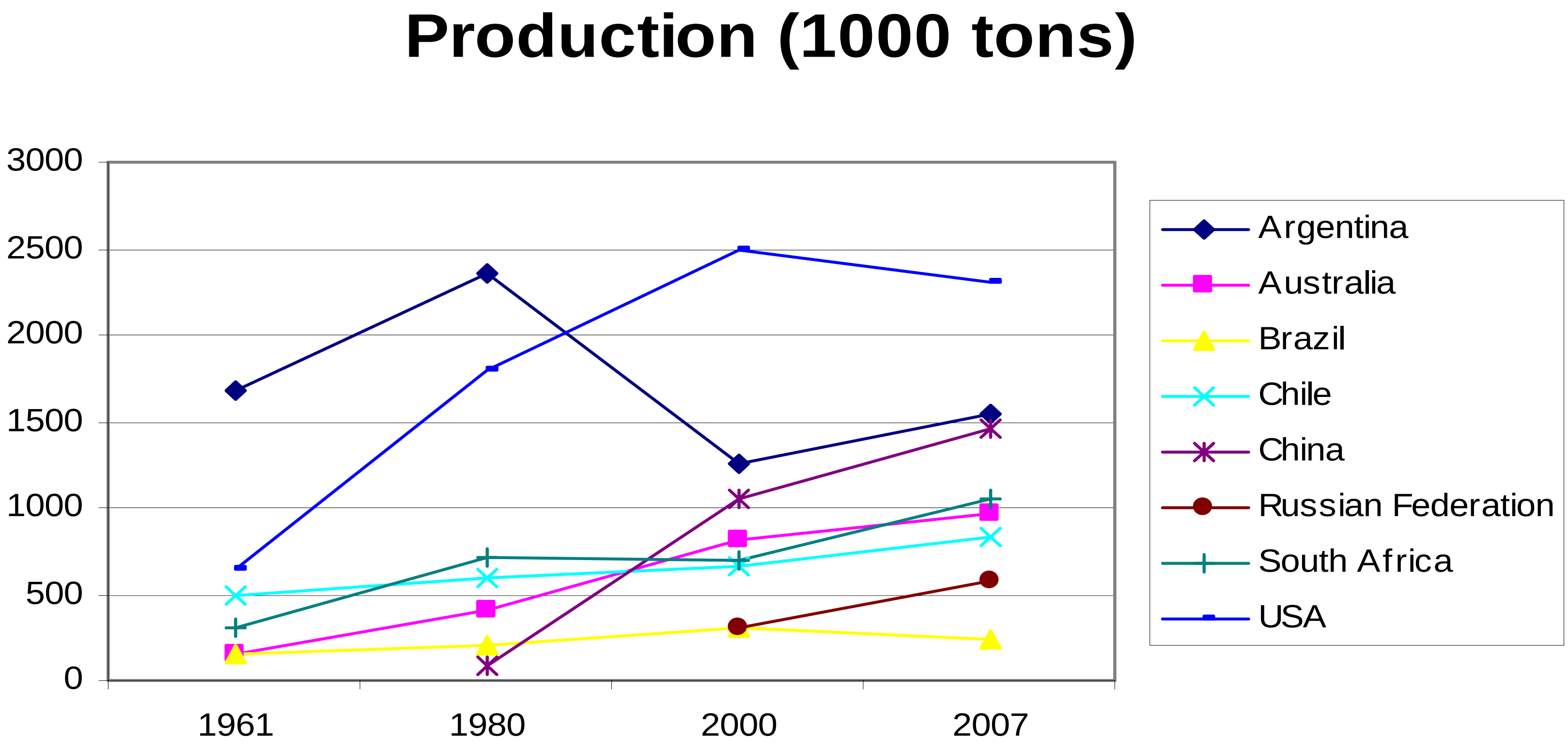
The Rest of the World



The Rest of the World

Country	1961	1980	2000	2007
Argentina	239.0	318.5	187.7	220.0
Australia	49.3	65.2	110.6	163.9
Brazil	64.9	57.3	59.7	76.4
Chile	101.0	115.0	156.9	182.0
China	10.2	34.7	286.1	503.5
Russian Federation			61.4	55.0
South Africa	67.0	115.0	108.4	115.0
USA	206.9	281.9	383.0	380.0

The Rest of the World



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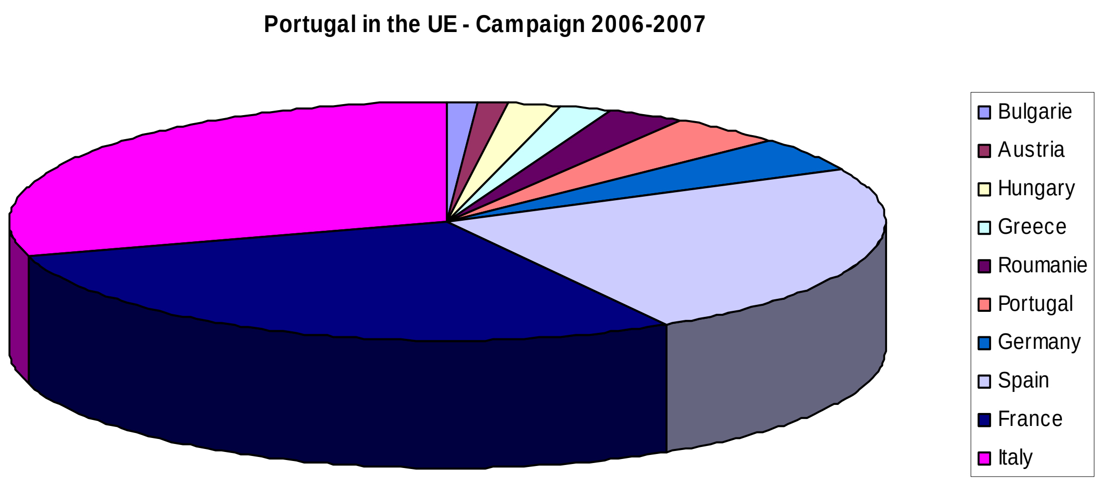
The Rest of the World

Portugal in the UE - Campaign 2006-2007
Evolution of Wine Production (in Volume – 1000 Hl)

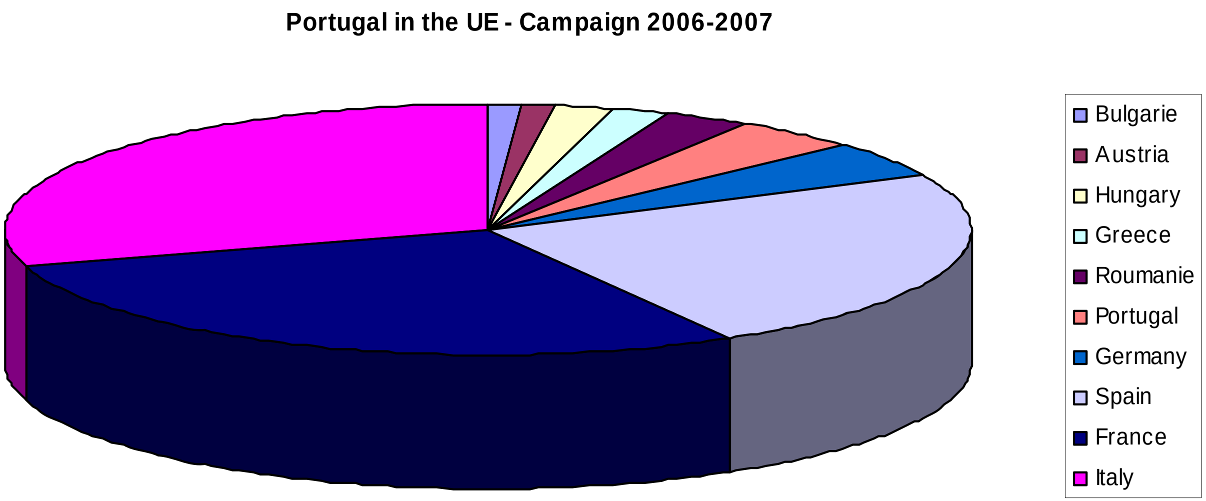
Bulgaria	1 900
Austria	2 256
Hungary	3 271
Greece	3 947
Romaine	5 014
Portugal	7 543
Germany	8 995
Spain	43 679
France	53 025
Italy	54 600
Total UE (27)	**186 244**



The Rest of the World

Portugal in the UE - Campaign 2005-2006
Evolution of Wine Production (in Volume – 1000 Hl)

Portugal	7 266
Chile	7 886
South Africa	8 406
Germany	9 153
China	12 000
Australia	14 301
Argentina	15 222
USA	15 222
Spain	36 158
France	52 105
Italy	54 021
Total World	**282 276**



Portugal

Inventory of wine-growing areas per region

	Area (Ha)	
Region	**VQPRD**	**TOTAL**
Minho	31.245	31.816
Tras-os-Montes	39.534	68.899
Beiras	11.813	57.321
Ribatejo	1.519	19.518
Estremadura	1.395	25.198
Setúbal	1.590	9.282
Alentejo	10.425	23.491
Algarve	380	2.063
Total	97.901	237.588

Production potential

	Area (Ha)
Existing Area (09/2007)	237.588
Available planting rights	15.459
Reserved planting rights	608

European Union funding available

(million Euros)

2009	**2010**	**2 011**	**2012**	**2 013**
37.802	51.627	53.457	65.989	65.160

Source: Ministério da Agricultura e Pescas, Anuário 2008

Portugal

Main Markets of Destination of total wine products in value- 2007

	Prepackaged		Bulk		Total	
Destination Market	**1000 euro**	**%**	**1000 euro**	**%**	**1000 euro**	**%**
Angola	39.539	83	8.226	17	47.764	18
United Kingdom	21.890	99	218	1	22.108	9
France	12.166	60	8.260	40	20.426	8
U.S.A	18.364	97	504	3	18.868	7
Spain	7.265	48	7.999	52	15.264	6
Brazil	14.038	99	125	1	14.163	5
Germany	10.778	78	3.032	22	13.810	5
Canada	13.487	100	59	0	13.546	5
Italy	4.646	38	7.586	62	12.232	5
Switzerland	10.365	90	1.208	10	11.573	4
Sweden	6.673	98	124	2	6.797	3
Belgium	5.902	98	99	2	6.001	2
Others	45.837	82	10.351	18	56.187	22
Total	**210.949**	**1,069**	**47.790**	**231**	**258.739**	**100**

Source: Ministério da Agricultura e Pescas, Anuário 2008

Portugal

Exports Evolution in value (10 000 Euros)

Country	2002	2003	2004	2005	2006	2007	∆ % 2007/2006
Angola	15.714	24.937	29.396	33.376	40.900	47.764	16,8
U.K.	18.715	16.563	17.355	21.105	18.880	22.108	17,1
France	17.259	30.955	26.854	18.996	18.723	20.426	9,1
U.S.A	17.608	13.288	14.018	15.520	16.626	18.868	13,5
Spain	8.211	10.318	8.230	7.093	10.805	15.264	41,3
Brazil	7.128	7.751	7.931	10.051	12.928	14.163	9,5
Germany	10.490	11.620	15.134	12.108	13.788	13.810	0,2
Canada	6.984	7.338	8.362	9.834	11.763	13.546	15,2
Italy	7.726	15.424	18.886	6.535	6.728	12.232	81,8
Switzerland	6.381	6.582	7.739	7.322	9.390	11.573	23,2
Sweden	4.998	4.937	6.690	7.126	7.451	6.797	-8,8
Belgium	4.943	5.581	5.117	7.354	6.342	6.001	-5,4
Norway	3.993	4.508	4.996	4.170	6.056	5.978	-1,3
Russian Fed.	20	133	173	283	2.509	5.779	130,3
Others	31.052	31.999	35.736	35.738	38.891	44.430	14,2
Total	**161.222**	**191.936**	**206.615**	**196.612**	**221.782**	**258.739**	**16,7**

Source: Ministério da Agricultura e Pescas, Anuário 2008

Portugal

Production and Consumption of Wine in Portugal

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Produção/*Production* (1.000hl)	6.709	7.790	6.677	7.340	7.481	7.267	7.543
Consumo /*Consumption* (1.000hl)	4.709	4.652	5.315	4.911	4.901	4.700	4.611
Capitação (Litros/Hab/Ano)	47,0	46,4	52,9	48,9	48,8	46,7	45,8

Annual Average Prices of Bulk Table Wine in the 2007 Production year 2007

	Minho	Tras-os-Montes	Beiras	Ribatejo	Extremadura	Setubal	Alentejo	Algarve
Red Wine	0,58	0,29	0,31	0,32	0,33	0,43	0,97	0,5
White Wine	0,62	0,28	0,33	0,3	0,32	0,41	0,92	0,46

Source: Ministério da Agricultura e Pescas, Anuário 2008

Portugal

Evolution of Production (in Volume) by Vitivinicultural Region (in Volume) - Production Statement

Wine Region	2007/2008	2006/2007	2005/2006	2004/2005	2003/2004	2002/2003	2001/2002
Minho	697 176	937 605	939 564	987 715	843 175	835 745	1 446 497
Tras-os-Montes	98 128	232 042	255 798	225 787	216 345	224 223	253 730
Beiras	1 440 798	1 717 728	1 743 865	1 645 627	1 726 461	1 412 142	1 956 731
Beiras	659 218	1 337 992	1 353 938	1 196 325	1 211 920	1 102 113	1 390 412
Ribatejo	669 390	639 747	685 319	845 425	883 672	833 643	592 467
Extremadura	1 053 081	1 195 983	1 177 088	1 294 856	1 125 300	1 234 546	1 162 184
Setúbal	418 304	428 488	338 204	373 125	426 611	347 621	262 324
Alentejo	928 162	961 721	693 364	825 709	817 176	594 135	646 422
Algarve	27 385	31 672	27 955	24 107	30 962	20 231	14 723
Madeira	45 592	49 245	42 656	41 213	48 627	51 084	49 106
Azores	12 091	10 482	8 493	21 339	9 563	21 305	14 832
Total	**6 049 326**	**7 542 706**	**7 266 244**	**7 481 228**	**7 339 811**	**6 676 787**	**7 789 427**

Source: Ministério da Agricultura e Pescas, Anuário 2008

Main Conclusions

- Wine sector has been always an international oriented chain in many countries like Portugal.
- However consumption and production has been stable in Europe (in macro terms) but changing fast at micro level.
- Portugal is a good example of changes within itself, improving quality and comparative advantages, with regulation.
- Regulation and markets need to work together to provide the best conditions for sectorial changes within a framework of well adapted induced process and market oriented conditions.
- Good Governance and Private sector dynamics key factors for changes in a global world paying attention to the real advantages of the local conditions, cultural and historic values linked in the value creation chain.

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