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Trends and challenges in International Wine Trade. The need for new strategies for companies and regions.

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Abstract. Over the past 12 years, both, consumption and international trade in volume, have been steadily declining. However, global wine exports managed to increase in value until 2022 with some categories, segments of the market and markets showing promising growth. However, a downturn in 2023, marked by a decrease in sales value, has raised concerns. This paper explores whether these shifts represent long-term structural changes or are simply short-term market fluctuations. How are these trends impacting wine producers, distributors, and regions? What strategies are companies using to adapt? Structural as well as temporary challenges affect both the wine industry. This paper will address these pressing questions, suggesting that a flexible regulatory framework, close follow-up of market trends and diversification of portfolios are essential for future resilience. Additionally, we identify three emerging wine industry segments, each requiring unique strategies: traditional wines, new wines, and reinvented wine products.

1. Introduction

World consumption has been stagnant for the past 16 years. Data from the International Organisation of Vine and Wine (OIV) shows that consumption peaked at 250 million hectolitres in 2008, then stabilised, but by 2023, this figure had fallen to 221 million hectolitres, reflecting a loss of 25 million hectolitres.

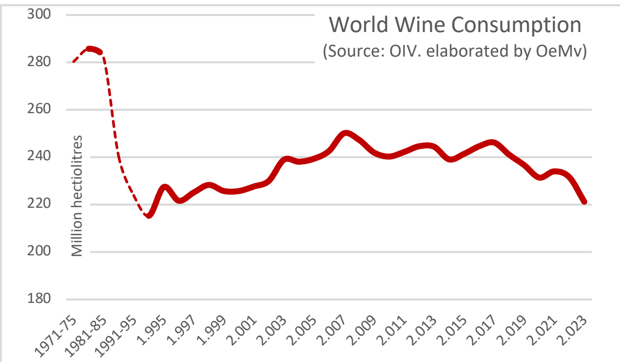

Figure 1. World Wine Consumption (OIV).

At the beginning of the 21st century, growing wine consumption outside the European Union (EU) balanced the decline in European drinking habits. However, in the past 15 years, wine consumption has stabilized or fallen in both traditional and newer markets, including the USA and China, contributing to a global decline.

Accordingly, international wine trade in volume shows a declining trend in recent years after strong growth at the beginning of the century.

Figure 2. International Wine Trade VOLUME.

Between 2000 and 2011 wine exports increased by 67% and more than 40 million hectolitres, despite the short 2009 recession. Between 2011 and 2021 a new decade of much smaller growth took place, increasing by only 8.5% in 10 years and less than 10 million hectolitres. Since 2021 we are now suffering a relevant decline of 10.8% in two years, from the peak of almost 110 million hectolitres to less than 98 million estimated for 2023. The relative stability, first, and the recent decline in more recent times have created great alarm among analysts and stakeholders of the wine sector, with a serious concern on weather this may be a long-term declining trend or a temporary misadjustment of the markets.

Better performance, though, in value terms, made worries not to be as bad as they could. Comparing the same periods seen before in Euros, growth between 2000 and 2011 was 70% from 13.8 billion Euros to more than 23.4 billion. Softer but still quite strong growth took place during the following decade, increasing by 47% to 34.5 billion, and even more to 37.7 billion euros in 2022. However, the negative evolution in 2023 (-4.7%) added greater concern to the negative evolution observed in volume. World trade was not only decreasing in volume terms – it was thought – but also now in value.

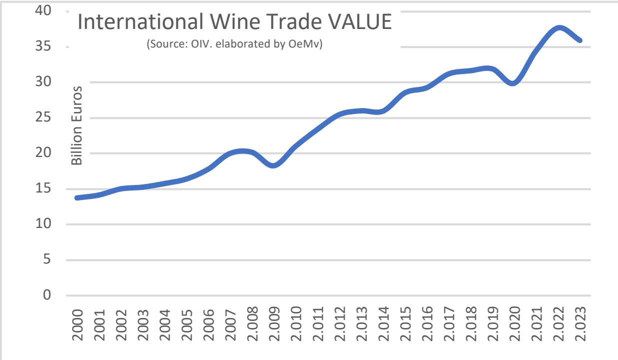

Figure 2. International Wine Trade VALUE.

If premiumisation was the explanation for the previous trend (no more wine sold but at better prices, which may still generate good profits to producers), the reduction of sales in euros in international markets set off the alarms.

To what extent theses alarms are or not justified and weather they are the initial sign of a long-term crisis or a temporary downturn are key points to be considered.

2. Key signs on international wine consumption and trade

Are these recent market shifts indicative of a long-term transformation? Should – if so – the international wine industry start thinking on a completely new strategy to face the future? In whatever scenario we can make for the near future, how should companies, growers and institutions adapt?

By analysing key data, we can understand what is driving these changes and how companies and regions can respond.

2.1. World wine consumption is falling

As already mentioned, since 2007 wine world consumption has been on a slow decline (-0.2% per year), accelerating after 2017 at a compound annual growth rate (CAGR) of -1.2%. In this decade, between 2007 and 2017, European countries decreased wine consumption by 17.5 million hectolitres, but Asia and America – and to a relative extent, Oceania and Africa – compensated such loss. Numbers clearly show these changes.

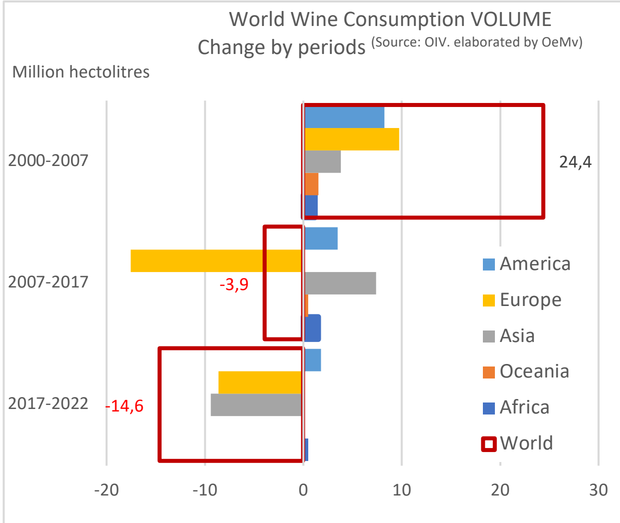

Figure 3. Change in International Wine Consumption by period and region.

After a very positive beginning of the century with all regions strongly increasing wine consumption – including Europe, particularly in the UK –, 2007 marked the peak at 246 million hectolitres. During the 10 years that followed, it was in Europe where wine consumption decreased the most, led by France and Italy, who lost 3.5 and 4.1 million hectolitres respectively. However, falls during this decade where almost compensated by strong increase of wine consumption in America and Asia, led by the USA (+4.8 M hl in 10 years) and China (+5.4 M hl). Such compensation has disappeared in the most recent period between 2017 and 2022[1]: Europe – again led by France – keeps on falling, but wine consumption has also fell in China and small growth in the USA does not contribute much, while Oceania and Africa remain relatively flat.

Things are therefore changing as regards to world wine consumption. Recent decrease may be attributed to stronger falls in France while China no longer seems to be the alternative and consumption in the USA slows down. The world had already shown similar crisis in the past, particularly in the first half of the 1990s. Then, new regions – North America and later China – took the lead. New consumers approached wine, who compensated falls in traditional markets. Such consumers, though, now seem to either move away from wine or decrease their consumption. The questions then would be (1) to what extent wine consumption can rebound in traditional consuming markets, and/ or (2) whether or not new regions and new markets could initiate a much closer approach to wine consumption.

2.2. International Wine trade

Falling wine consumption in the world has a logical impact on international trade. However, such impact does not always have to be necessarily bad.

[1] No data is available at the OIV for many countries up to 2023

2.2.1. Impact of falling consumption on international wine trade

When wine consumption started moving from traditional wine countries – where wine was normally produced and also consumed – to new consumers, trade was fostered. Wine had to be moved from producing countries to new consumers. Actually, producers in traditional countries had to realize this change was taken place, understand new trends on wine consumption adopted by new consumers with a new approach to the product – such as cans, bag-in-box, white sweeter wines and many others –, strength their international distribution networks and increase their exports as percentage of their total portfolios. This is exactly what happened during the second half of the 1990s and beginning of the 2000s. In fact, some producers where faster and more efficient to understand such movements, with increasing competition from what then was called the "new world": big companies with better marketing departments and a general strategy to understand and adapt to "new" consumers. It took longer to more traditional producers, particularly in Europe, to be aware of and adapt to these changes. However, Italy first and later France finally reacted to the new scenario, with very good results.

However, the second period of world wine consumption in recent times had a completely different impact on wine trade. As previously seen, after 2007 – more clearly after 2011 – wine consumption was no longer growing. There were no new and fast-growing wine markets to which exports could be shipped in the amounts previously sold. Wine consumption kept on decreasing in Europe but alternative markets, particularly China, where no longer compensating such fall. Since then, thus, international trade remained quite flat around 100 million hectolitres or even decreased in volume terms. No more wine was consumed, and therefore no more wine was traded. However, revenues increased because average prices did grow. During the period 2000 – 2011 average price of international trade of wine and must was 2.22 euros per litre. It reached 3.04 €/l in 2019, prior to the pandemic and the big inflation that followed and has moved to 3.67 €/l in 2023. Thus, even before inflation affected all prices after COVID, prices of wine in international trade were rising. Stagnant trade in volume together with rising prices was interpreted as a movement of premiumisation of wine: no much more wine could be sold because wine consumption was no longer growing, but it could be sold at higher prices and, thus, increasing revenues. The strategy, then, moved to lower sales – based on smaller productions – at better prices, with wines better positioned in the market due to better marketing and distribution. Accordingly, large distributors of very popular wine brands, particularly in new world producers started to suffer, while European companies of premium wines regained market share.

In more recent times, COVID first and then other consequences of the pandemic together with new changes in the market set off the alarms.

2.2.2. Impact of COVID19 in world wine trade

COVID19 affected all products and all markets in the world, including wine. But it was – and could be anticipated it was going to be – a short-term crisis. The global paralysis of most of the economic activity, the closeness of markets, the lockdown which particularly affected on trade business all around the globe, had to have an important effect on international wine trade. However, such effect was not as negative as it could have been expected. In fact, COVID19 demonstrated (1) the importance of exports for producers, not to depend exclusively on the domestic market, (2) the need for diversified portfolios in a diversity of markets, given that some behaved better than others, and (3) the opportunities arising in some specific markets where lockdown actually provoked increasing consumption of wine, as it was the case for wine sales, particularly in bag in box to Nordic countries. The analysis of the impact of COVID19 into the wine industry actually showed how resilient this is.

But COVID19 has had longer and probably deeper effects. Right after the crisis, the first effect was a very strong recovery. Savings made during the pandemic, together with a new "*carpe diem*" mentality fostered demand. On the supply side, the industry was largely untouched and ready to fit such rising demand, but several inputs as corks, wood cases, glass bottles and particularly transportation had to recover their normal levels of production. In addition, some global elements also affected international wine trade. Global temporary mismatch between growing demand and slowly recovering supply chains generated inflation. The Russian attack to Ukraine added greater concerns to global trade as well as new requirements on defence and energy that provoked more conservative monetary policies. Additionally, there is a new movement against globalization that may affect all products. Also, China still shows lower economic growth than during the previous decades. Higher inflation and lower economic growth at a global level affect wine inflation and trade. In addition, and particularly for wine, higher concerns on health may also be a longer effect from COVID19, leading in many cases to a certain reduction of consumption of all products containing some alcohol. All these elements taken together, have provoked that previous stagnation was converted into decreasing wine trade in volume and previous growth in value changed in recent years to negative rates. A closer view to international trade in volume, value and average prices, with year-on-year figures on a monthly basis, show such recent movements.

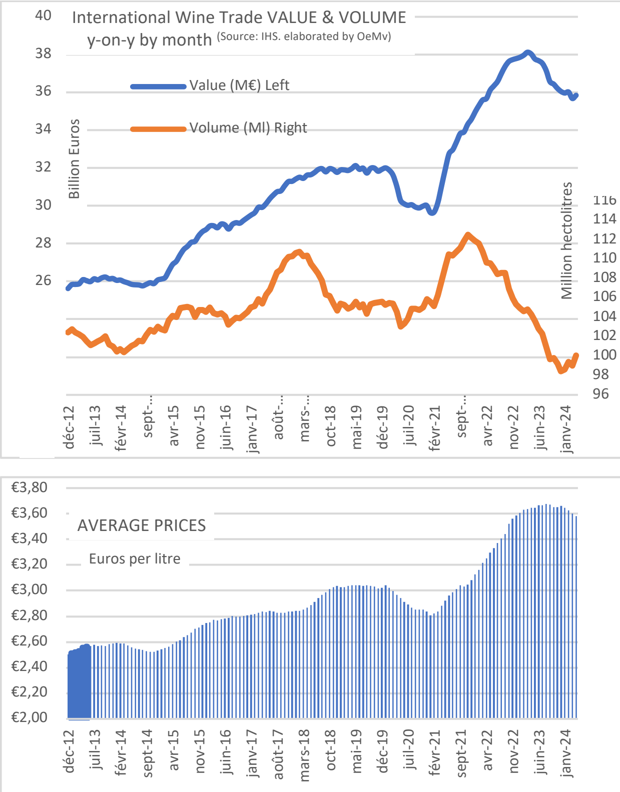

Figure 4. International wine & must trade monthly basis.

A look to trade figures for wine on a monthly basis – also including some months of 2024 – allows to better understand what has happened. Stagnation of trade in volume was compatible with short-term movements upwards (in 2017 and 2018) and downwards (smoothly during the COVID crisis and more profound since February 2022, down to January 2024). It has been during 2022 and 2023 when wine trade has clearly fall, from a peak of almost 112 million hectolitres to 98 million. But sales seem to start recovering in 2024. In value terms, the pandemic provoked a more profound crisis. Its larger effect on the on-trade business and all types of celebrations generated a sharp decrease in revenues, led by French Champagne in the US market. However, the immediate post-pandemic recovery was extraordinary. If the downfall led international wine & must trade in value from levels of 32 billion euros to less than 30 billion in February 2022, the recovery up to April 2023 increased revenues to levels of more than €38 Bl! € 6Bl above any preceding record. Such rally in revenues was pushed by the initial recovery of sales in volume, together with an impressive increase in average prices, which grew by almost 1 euro per litre from 2.80 €/l in the deepest point of the COVID crisis to 3.70 €/l in mid-2023.

According to these figures, shown in the graphics, such extraordinary recovery could not last for long and may evolved in negative corrections. As it did. First volume, since February 2022, and later value, in the second half of 2023, declined. Revenues actually kept on growing for longer as lower sales in litres were made at higher prices, also pushed by inflation. But finally, they also turned down. The intensity of such downfalls of world wine trade in both value and volume, have created great concern among stakeholders all around the globe. But such concern is divided into two main visions: the most pessimistic one, considering the current situation as a preface of a radical change in world wine consumption and trade that will last for long; the most optimistic, estimating the current decrease as a short-term correction of previous overstock in main importing countries. As usual, reality may have elements of both visions. The length of movements in international trade, their composition by wine category and the role of each major market may give more elements to better understand what is really happening.

2.2.3. Short-term and long-term trends

COVID19 had a great impact in wine trade, particularly in value, but in both cases, value and volume, did not last for long. Considering February 2020 as the pre-pandemic reference, volume of international wine trade lost 2.4 million hectolitres in three months from a previous year-on-year level of 105.4 M hl to 103.0 Mhl; and then starter to grow again to overpass the pre-COVID figure in December 2020. Only 10 months later. The crisis had a deeper effect in value terms, losing almost 2 billion euros from February 2020 (y-on-y €31.89 Bl) to its lowest point in October that year (€29.89 bl); and recovery took a bit longer, to only overpass pre-COVID levels in May 2023 – 15 months later. In relative terms, decrease from pre-pandemic figures to the deepest point of the crisis represent -2.3% in volume and -6.3% in value. As it may be seen in the graphs, the COVID crisis was quite relevant in euros but not as bad as previous crises in litres.

However, in both cases, the post-crisis recovery was exceptional. Probably, too exceptional to last. As already mentioned, in two years, from May 2021 to May 2023 wine trade increased by close to 6 billion euros form €31.9 Bl to 37.88 bl. (18.2%). In a much shorter period, only 10 months form December 2020 – once pre-COVID level was reached – to November 2021, trade in volume increase by 6.6 million hectolitres (2.2%).

These numbers and trends, including the most recent positive signs at the beginning of 2024, may lead to the conclusion that the sharp decline on wine trade in 2023 could have been a reaction to excessive imports in the previous months. Long-term trends are still there, but not as relevant as to explain such a profound crisis. World consumption has not grown for many years now. Accordingly, world trade in volume is neither growing, although it has been compatible with higher prices and better revenues. COVID and new concerns about health may have a negative impact on wine consumption, particularly in certain markets including the USA. Some other long-term trends can be observed as regards to fresher, sweeter and popular wines, sparkling and other preferences in new and different consumers. But it seems that none of these movements can really explain the sharp decline occurred in 2023. Weather reality could be better explained by short-term movements or long-term trends will be clearer when new data for the second half of 2024 would be available.

2.2.4. Trends by wine category

Among long-term trends in international wine trade, some differences may be identified by wine category.

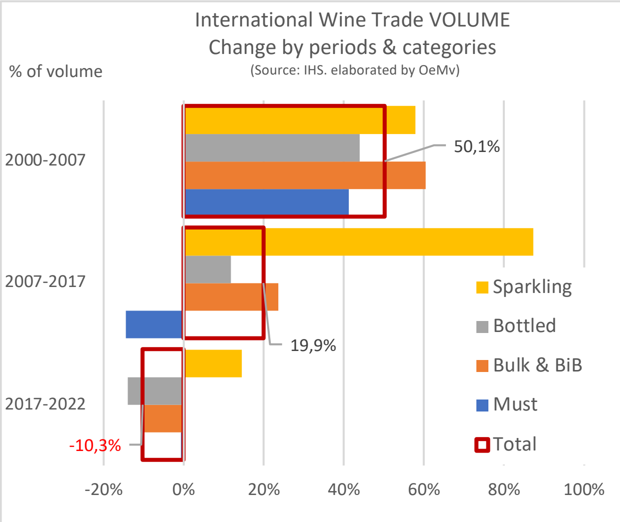

Figure 5. Changes in international wine trade by category and period.

Using the same periods used in Figure 4 for wine consumption, big differences among categories can be observed in wine trade. The first period, between 2000 and 2007, was characterized by high growth in international trade in volume (+50%), adding more than 30 million hectolitres, from 60 M hl to more than 90 M hl. Slower but still relevant growth (+20%) took place during the decade thereafter, adding another 18 million hectolitres to wine trade, to reach a peak of 109 million. On the contrary, the last 6 years, from 2017 to 2023 trends changed radically showing a reduction of 11.2 million hectolitres, back to 97.9 million (-10.3%).

But not all categories behaved in the same way. When all wine types grew considerably between 2000 and 2007, sparkling and wines in containers above 2 litres grew faster. In the decade between 2007 and 2017 it was sparkling wines the ones clearly leading growth, increasing more than 87% in 10 years, while non-sparking bottled wines only increased by 11.7% in the same period. During the most recent period of recession (2017-2023), sparkling wines are in fact the only ones still growing, while non-sparkling bottled wines lost 8.2 million hectolitres (-14%).

Although non-sparkling bottled wines still represent 2/3 of total revenues in world trade and 51% of total volume, it has been sparkling the wine category than moved faster in recent years. Even wines in bulk and BiB behaved better than bottled wines. The Italian Prosecco led these trends, showing the world's preference for fresher and sweeter wines, particularly with bubbles – as well as the importance of good marketing and distribution.

Detailed figures only existing for EU producers, also show a much better performance of white wines over red & roses. For the last 13 years, since 2010, EU exports of still wines in containers of less than 2 litres increased by 5 million hectolitres (1.5%) at an annual compound growth rate (CAGR) of only 0.1% per year. However, exports of white wines increased by 19.6 million hectolitres (+15.8%), while sales of red and rosé wines declined by 14.7 million (-7%). A completely different evolution by colour, even accelerated after the COVID19 crisis.

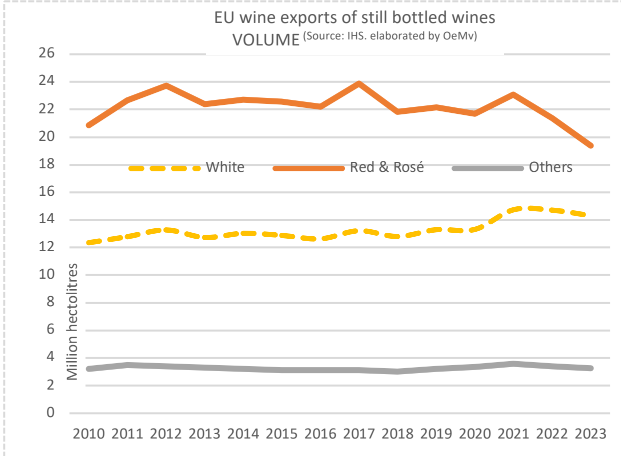

Figure 6. EU exports of still bottled wines by colour VOLUME.

Again, fresher, easy-to-drink, wines seem to evolve better than traditional reds.

Finally, particular wine subcategories within EU still bottle wines show much better performance of "varietal" wines (+128% in 13 years since 2010) as compared to PDO wines (protected denomination of origin, +6.5%) and all other subcategories (PGI – 15.8% and wines with no indication -17%).

Wine trade, thus, shows quite a negative evolution in recent years, as compared to previous stability and even strong growth at the beginning of the century. But such trends are not equal for all types of wines, with fresher, sweeter wines – sparkling and non-sparkling –, particularly those with no clear indication of their region of origin, evolving better than traditional PDO red wines. Not surprisingly, red wines produced in traditional regions in Europe have recently been those asking for public subsidies for distillation and some countries in the Southern Hemisphere producing mostly red traditional wines are also suffering the most.

2.2.5. Trends by market

Using again the same periods that have been previously used for the analysis of consumption and trade by categories (fast growing beginning of the century from 2000 to 2007, good but slower growth in the following decade and the recent recession period 2017-2023) different behaviour of different regions in the world as regards to wine imports can be observed.

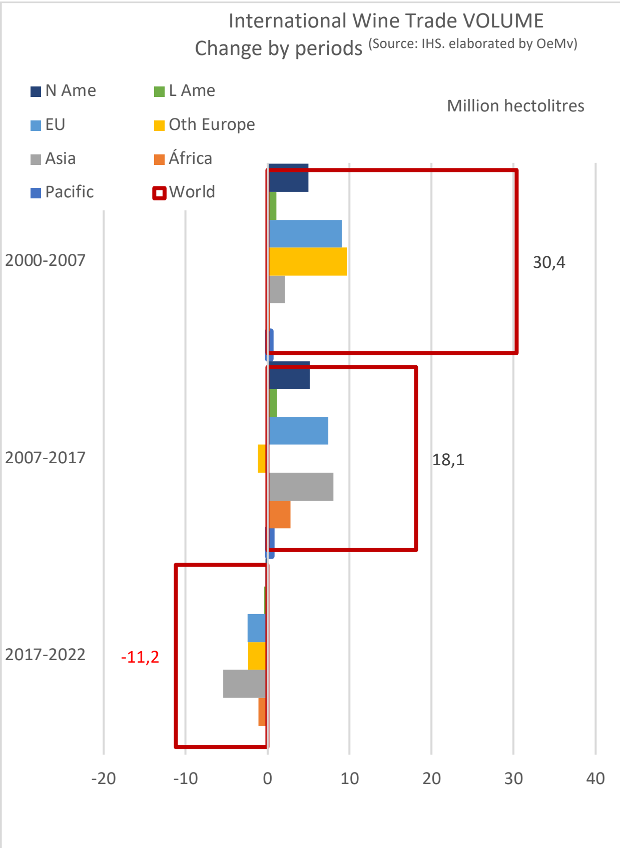

Figure 7. World wine imports by regions VOLUME.

Strong growth at the beginning of the century was particularly led by non-EU European countries, the EU and North America. During the following decade of slower growth Asia – particularly China – took the lead increasing wine imports by 172% in 10 years, while North America reduced its growth rate from 71% in the previous period to 43% and EU countries – including the UK – still increased their imports by 18%. During the recession period, since 2017, all regions in the world reduced their wine imports but it has been Asia – led by China – where such reductions have been more relevant.

Within these regions, the evolution of the top 8 markets for wine imports gives a closer explanation on what is happening in recent times. Despite certain stability during the last years and a downfall in 2022 from 14.9 million hectolitres to 13.5 M hl, Germany leads world wine imports in volume. It has taken the lead overpassing the USA, who increased wine imports sharply after the pandemic from 12.3 Mhl to 14.4 Mhl, to later reduce imports again. More stable and even increasing its imports during the pandemic – and the last year of permanence in the EU – the UK is third top world wine importer, but also shows a loss of almost 2 M hl from its peak in 2020 (14.2 Mhl) to only 12.3 M hl in 2023. On much lower numbers, France is still one of the largest world wine importers, Russia remains around 3 to 4 Mhl per year of wine imports, similar to Netherlands and Canada, but it has been China who really made the difference along this century. Wine imports in China rose from almost nothing until 2005 to more than 7 M hl in 2017, to then sharply reduce its purchase down to less than 2.5 M hl.

Thus, the main explanations from the point of view of the markets to the recent recession in wine trade are: (1) lower purchase of wine in Germany, the UK, France, Canada and Russia in the last three years, together with (2) sharp decline in wine imports into the USA after very strong post-pandemic growth – probably too strong – which (3) add to already declining imports in China which previously caused sharp increase of wine trade up to 2017.

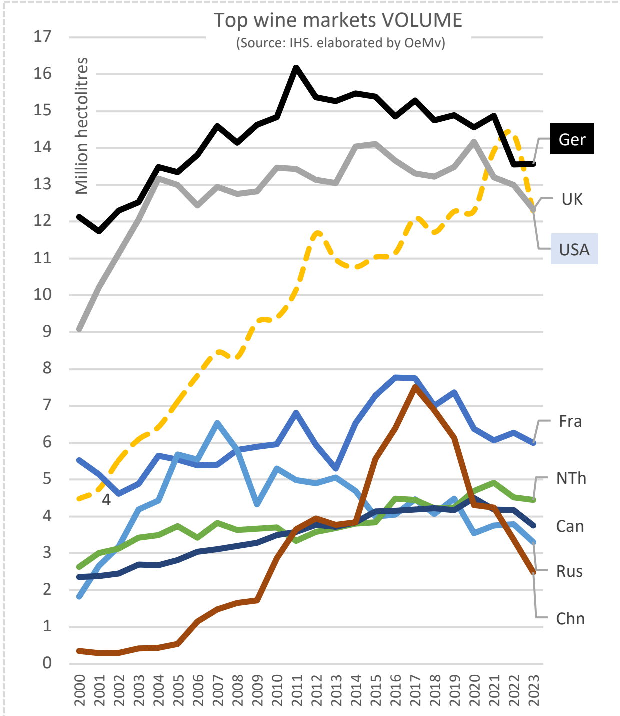

Figure 8. Top wine importers VOLUME.

Different reasons explain these different evolutions in different markets. In some cases, lower imports may be due to relative short-term decrease in consumption in each market. In the case of China, reduction in wine imports is clearly not directly due to recent phenomena as COVID, the Russian war or inflation, even though such elements may worsen the previous trend. In the very relevant case of the USA, these numbers point out at a potential overstock due to excessive purchase of wine after the pandemic.

As mentioned before, short-term elements join long-term trends to explain the recent evolution of wine markets. Each play a role. The analysis of general numbers as well as details by wine categories and markets helps to better approach the real evolution of the markets and the reasons behind it. The identification of these short and long-term factors is the necessary requirement to select each one's strategy to better face the future.

3. Different strategies for companies, regions and institutions

Yes, long-term trends in wine consumption and trade can be identified that growers, companies and institutions have to face. But also, short-terms factors worsen recent negative trends to set off the alarms.

3.1. Key trends and changes to face

Among the former, lower worldwide consumption of wine is a fact, already lasting for more than 15 years and probably worsen after the COVID19 pandemic. However, stable or decreasing consumption has been compatible for many years with higher revenues due to higher average prices and a premiumisation trend, already existing before inflation rebounded in 2021. When lower consumption mainly affected Europe but was compensated by new consumers in other partes of the world – particularly USA and China –, international trade actually increased to move wine from the former to the latter. When lower consumption expands to almost all regions in the world, trade in volume slows down. On the other hand, lower consumption and trade does not affect all types of wines in the same way. The increase of sparkling and white wines over traditional reds, new trends although in small numbers in favour of BiB and cans, no- and low-alcohol wines, the increasing share of beverages including wine or partially fermented must, as well as easier marketing elements such as the grape variety instead of traditional PDO regions of origin, are all wine categories evolving better than the rest.

And not all the markets behaved equally. Some, like China suffer a profound crisis already lasting for more than six years. Others, like many Europeans, seem to be affected by difficult post-COVID elements such as inflation, new needs for investments in strategic and energy plans, lower economic growth and greater instability due to geopolitical uncertainties. But in some others and particularly in the case of the USA the sharp reduction in wine imports seems to be directly connected to previous excessive purchase led by too optimistic perspectives after the pandemic.

As mentioned in R. Del Rey and S. Loose (2023) all these elements affecting wine trade – and many others obtained from both statistics and also direct contacts with stakeholders – seem to lead to an increasing polarisation of the market. On the one hand, popular, fresher, sweeter wines, probably sparkling and white, in normal bottles but also in BiB and cans, including wines with lower or no alcohol and increasingly with no need to mention the region of origin, based on good marketing and distribution, seem to evolve better than traditional PDO reds from either traditional EU regions or new-world countries specialised in red wines. On the other hand, high-end premium and ultra-premium wines, addressed to *aficionados* of wine-lovers, able to spend good amounts of money for good wines, also seem to perform very well, although in quite smaller quantities. If these two trends are correct and correctly reflect what is taken place in the wine markets, the problem, then, would be in the middle. Middle segments of the market, where great amounts of wine are produced, particularly important for traditional regions and countries, for which public subsidies are been demanded to get rid of excessive stocks. To these long-term trends, some short-term factors are added to foster potential negative effects; most particularly, the recent sharp decrease in wine imports into the USA probably due to overstock after the pandemic. If this is, then, a picture that accurately reflects what is really happening in the wine markets, the question is how can companies react.

3.2. Strategies for companies. The importance of diversified portfolios.

Actually, based on more or less defined strategies, companies have been reacting for very long time to these movements – actually, companies always react, by instinct or strategy, to the market although not all of them at the same speed. The clearest reaction of companies has been the diversification of their portfolios. If the market – consumers – wish more white wines, more whites are produced. If a trend towards sweeter and lower alcohol wines is observed, some new products of this kind are supplied. If a lower interest in the origin of wine is detected, varietals increase. If there is demand for wines in bag-in-box, more BiB is produced. All these things have happened.

As an example,

- Spanish exports of bottled white wines have increased at an annual compound rate since 2000 of 5.5%, which is four times faster than growth of reds and rosés (1.4%).
- Cava has grown at an annual speed of 2.1% since 2017, as compared to overall decline of still bottle wines of -4.6%.
- And varietal wines – wines indicating the grape varietal but no specific region of production – show a 2017-2023 CAGR of 5.6% as opposed to decrease of PDO wines of 6.3% per year.

Changes have in fact taken place and growers as well as companies have to react. But the reaction capacity to adapt to market trends depend on three major elements:

1. The mentality, whether or not open to explore what the consumer wants, rather than what the producer has always done;

2. The characteristics of the company to actually adapt to these changes, depending on its size, resources, closeness to the market and distributors, region of origin and other peculiarities; and

3. The institutional framework, which in a very regulated business as wine, can be decisive as to how quickly and effectively can the company adapt to market changes.

The wine sector, particularly in traditional producing countries, tends to be quite conservative. Traditional wines have been made along centuries to satisfy habits of traditional consumers. Additionally, wine is typically a product very much linked to the land, the terroir and the natural conditions of the place where it is produced. As a consequence, wine has traditionally lack marketing capacities and interest on potential changes taken place among consumers. To a large extent, we tend to produce what we considered is a good or "quality" wine, rather than what the consumer – and particularly new consumers – might be willing to take. New companies from the then so-called "new-world" producers changed this mentality. When consumption started moving from traditional countries to new regions like North America and Asia, new trends and habits were detected by those more interested in the markets. But there is still certain reluctance in accepting innovations such as new labels and images, bottles and containers, flavours, combinations with other beverages and so on. When global consumption of traditional wines starts to decrease worldwide is probably the right time to start changing such a conservative mentality, to embrace new trends that may attract new consumers.

In fact, many companies are actually expanding their portfolios of products to include new types of wines, more in line with new consumption trends. Again, looking at the case of Spain as an example, almost all medium and large-size companies have expanded in different lines, products, price segments and regions of production. Only 20 years ago, most companies specialised in one particular type of wine, either being a "rioja traditional oaked red wine", or a "white from Galicia", or a "ribera", "Cava", Sherry or any other. With the turn of the century, after the demand crisis of the late 1990s, almost all companies started to make all types of wines, at least within a certain range of products. Despite very strict regulations, many companies in Rioja decided to make lower-price wines in Castilla-La Mancha, many expanded to Galicia and Rueda to make good and white wines, Cava and Sherry specialists decided to start making reds from Rioja and Ribera, large companies from central Spain expanded to better positioned PDO regions, etc. Companies have actually enlarged their portfolios to satisfy different demands from different clients, including new consumer trends. And this diversification of portfolios is now even larger to include not only wines but also other wine-related products. By instinct or by strategy this adaptation of the wine industry to new consumption trends is taken place. Probably not at the speed that may be required. Probably not by all producers alike, nor in all regions, depending on how conservative or how close to the market each producer is. But necessity forces the reaction.

3.3. Strategies for regions and growers

However, if companies are already reacting to new trends in wine consumption and trade, less signs of adaptation exist among regions and institutions.

Companies can enlarge their portfolios by including new wines of different categories from different regions. But regions cannot change the characteristics of their wines as fast. Places specially adapted to certain red grape varieties cannot quickly move into white ones. Regions – and countries – with relative high costs of production cannot become "popular", whatever the market demands, if profitability is to be maintained. The problem to adapt to new trends is much tougher for regions and growers, that cannot easily change their production conditions. In these cases, rather than adapting to market changes the most common strategy adopted is to promote the specific conditions and characteristics of such wines; i.e. to try to convince consumers to buy and drink what is already produced. Difficult task, which requires large budgets for promotion with no easy success. If, on the one hand, adaptation to the market is not easy and, on the other, convincing the market to buy our products seems to be also difficult, the alternative is asking for public subsidies to get rid of wines which are not sold. The problem is for how long can these subsidies exist or, in case they cannot last for long, whether production has to be in fact reduced… what leads to the debate on grubbing-up schemes.

3.4. Challenges for institutions. Adapting the regulation framework.

If companies have more chances than growers and regions to adapt to changes in wine consumption and trade, the institutional reaction in some cases tends to be limiting such capacity. In such a conservative sector as wine, regulation also tends to be conservative. For many years, it was forbidden in Spain that a company producing a wine in a PDO region could produce any other wine from any other region in the same facilities or call it with the same brand name. Internationally, the OIV has been discussing for years the legal framework for de-alcoholised wine, including low and no-alcohol wines, with very little attention yet to partially fermented must. All of them, products which are clearly on the wave of new consumption trends. In all cases, new long-term trends as well as short-term impacts for wine consumption and trade force challenging decisions to be taken as regards to the institutional and legal framework at the world level (OIV), the European Commission, national and regional levels. Whether these decisions should be conservative to protect what we have or should they be more open-minded to embrace innovations may not require one single answer, but depend on what type of wine we refer to.

4. Three key strategic lines of action and the legal framework to apply

From the analysis of (1) the statistics reflecting the evolution of wine consumption and trade, and (2) the reactions of different stakeholders to this evolution, we may infer three potential scenarios for the future of wine.

Part of the wines actually produced are traditional wines with very little capacity to change. Among them, some top-quality wines face no problems and have a sustained demand which requires no adaptation. But some others are not so easy to sell. Due to the regions where they are produced, the adaptation of certain varietals to such regions, the mentality of producers, legal constraints or any other factor, these wines can only be maintained quite similar to what they currently are, or they may disappear. But there are still large consumption segments of the market willing to enjoy such wines. No signs exist yet for total resignation. There might be trends of more healthy consumption, climate change affecting the types of wines which are preferred or many other factors impacting on wine consumption, but there are also millions of wine consumers still willing to enjoy a glass of wine with their meals, with family and friends, for celebration or for any other reason. Wine, as an industry, particularly in those regions where changes are more difficult to implement, can be promoted as a good beverage, enjoyable and perfectly compatible with a healthy life for people in normal conditions. However, health may not have to be the major attribute to be given to wine. If in our current world, particularly after the pandemic, health and sustainability are the two main drivers for consumption, wine can communicate much better its particular relationship with the latter. Wine is probably the beverage most closely connected to land, terroir and the environment, as well as to the sustainability of rural areas. Few products as wine provide as much wealth to their environment as wine does. And this can be better explained. More efficient and strong communication and promotion of wine can still be done to improve world consumption for traditional wines.

A second segment of wine requiring clear policies and action includes the increasingly popular wines. If consumers are observed to move from traditional wines to new-style ones, including sparkling, sweeter, white or rosé wines, companies and growers should be allowed to easily move to new categories to successfully fit new demands. In particular, enlarging portfolios with different wines of different types and colours, from different regions, in different legal categories or in different containers should be as easy and quickly as possible. The market, the consumer, is the one to be followed. This fact probably requires a change in mentality of growers, professionals and bureaucrats to follow the markets and market trends more closely. Wine as a sector has to become more professionalised in marketing and distribution, as it is already the case for the beer industry, spirits and other beverages. Accepting many differences among different industries, with specific characteristics of wine as compared to the rest, higher interest and investments in marketing are required, which may also be conditioned by the size of the companies. The need to follow the market with wines more adapted to new demands also require a more flexible legal framework.

Finally, a third segment of wine or “wine-products” may even require more institutional flexibility. Apart from (a) traditional wines that can still be promoted to keep or increase consumption and (b) new wines that are observed to be more and more popular and should be easily included in the companies’ portfolios, a third group of wines may be more drastically reinvented. Wine as a product faces relevant challenges, particularly related to its alcohol contain, and probably also to its look as a relatively old-fashion beverage. Reaching new consumers in our current world, particularly among young generations, may require that part of the wine should be reinvented. This need explains the appearance of radical innovations as the “port-tonic”, or the combination of Sherry wine with other products, the extraordinary popularity of spritz, the increasing popularity of “frizzantes” and other low-alcohol wines or partially fermented musts, the increasing acceptance of no-alcohol wines, as well as the popularity of traditional wine-based products as sangria, “*tinto de verano*” (“summer red”) and also vermouth. What do they all have in common? They are fresh, they are in many cases sweeter, some have bubbles, they are easy to drink and can be presented with more attractive images, probably in new containers as cans. Traditional producers and consumers may like or not such innovations – many don’t – but they actually exist, many are becoming very popular and they can be an important share of future wine sales, essential to maintain wine regions. Again, in this case, such innovative products based on wine require a closer positioning of wine growers, producers and distributors to market trends and consumers, on the one hand, and a flexible regulatory and institutional framework on the other. The former, stakeholders, need to adapt to changing markets trends. The latter, institutions, need to facilitate such adaptation.

5. Conclusions

The wine industry faces difficult times. Wine consumption has not been growing for more than 15 years now. For a time, at the beginning of the century, declining consumption in traditional producers particularly in Europe was compensated by increasing consumption in other regions, including the United States of America and China. World stable consumption, then, fostered international trade since wine had to be shipped from producers to new consumers. Wine became more and more global and producers radically increased exports as part of their sales. In more recent times, however, those emerging markets stop growth. China strongly increased exports until 2017. Since then, the market has lost 5 million hectolitres, from 7.5 M hl to 2.5 M hl. The USA consistently increased wine imports up to 2019, suffered severe crisis during the pandemic and enjoyed an extraordinary recovery right after. Probably too extraordinary. Since 2023 it shows a drastic downturn, probably caused by previous overstock. Within such evolution of world markets, great differences exist among product categories, showing a long-standing preference for white wines over reds, sparkling over still wines and varietals over PDO wines in Europe. Both, long-term trends as well as short-term impacts characterise recent evolution of world wine trade.

This evolution of international markets creates greater concern among stakeholders. But not to all of them alike. Producers selling premium and super-premium wines at the top end of the market still perform very well. There is an increasing number of wealthy *aficionados* and consumers of high-quality wines still buying important amounts of top wines. But this is a relatively small niche as compared to the global market. On the other side, producers selling popular wines – not necessarily cheap ones – including sparkling, whites, low-alcohol wines, many of them in bulk to final destinations and increasingly in bag-in-box and cans, also evolve quite well. The real challenge has been demonstrated to be, then, in the middle segments of the market, particularly affecting traditional red wines, in traditional regions with relatively high costs of production, requiring relatively high selling prices that many consumers are increasingly reluctant to pay.

To face such changes, companies have enlarged and adapted their portfolios. Either by instinct or by strategy, producers and distributors have been moving to more demanded categories and products. In many cases, avoiding legal constraints of a quite restrictive regulatory framework. But getting closer to the market, to better understand what takes place in it, requires a change in mentality. New investments in marketing and distribution in the wine sector, more in line with other industries, can only come after producers get closer to the market. And such mentality, closer to the market, also requires legal and institutional frameworks that facilitate instead of hinder changes to adapt to new trends.

Following the analysis of the available data as well as the reactions of the stakeholders, three scenarios can be defined for the wine industry. First, there is still room for consumption and trade of traditional wines. Some more things can be made to foster such consumption. The industry cannot resign to the initial signs of the market, which cannot always be interpreted as unchangeable trends. Promotion can probably be made more based on elements of sustainability rather than on messages regarding health effects. Wine has a unique position in favour of environmental and rural sustainability that can still be used in addition to promoting joy of live, taste and other elements to foster intelligent consumption. Secondly, new wines have shown to enjoy very positive trends. The production, promotion and distribution of these wines can also be improved. Fresher and sweeter wines, with lower alcohol, easy-to-drink, potentially in new containers with new images, can also be a segment for growth. Finally, part of the wine will have to be reinvented. New wine-based products as spritz, port-tonic, frizzantes and many others, including industrial uses of wine, will and already are part of the industry which, at the end, help to sustain a profitable economic sector, based on millions of hectares and millions of families involved in wine production.

6. References

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