

Evaluation of CAP Measures Applied to the Wine Sector

The CCRI conducted a review of the UK wine sector as part of a wider evaluation of the measures in the Common Agricultural Policy due to be applied to the EU wine sector. While the UK does have a small wine production sector, this study analysed wine consumption as this is a more significant component of the sector as a whole.

The review comprised three main areas:

- Market analysis – key figures related to consumption, imports and penetration of wine in the UK with consideration given to trends and patterns, and how these have changed.
- Wine market structure – how the market operates with regard to importation (wholesale and retail) and factors that influence wine selection for the UK.
- Opinions of sector representatives – related to the status of the UK market, with consideration given to the merits of EU and New World wines.

Work was conducted during November and December 2011 and consisted of reviewing existing literature and statistics, physical store checks and assessments, and interviews with trade bodies, supermarkets and independent wine merchants of varying scale throughout the UK.

Market Analysis

The UK is presently the greatest importer of wine and 6th largest consumer¹. In 2010, according to the Wine and Spirit Trade Association (WSTA), the UK consumed nearly 134 million cases of wine, a figure slightly down on the previous year of around 136.5 million cases – see figure 1 below.

Wine consumed in the UK is categorized in one of two areas – either ‘on-trade’ (purchased and consumed on the same premises, such as a restaurant or pub) or ‘off-trade’ (purchased at a shop and then consumed elsewhere). The monetary value of the UK wine market is currently estimated to be £10-£13 billion; the majority, in terms of volume, is in the ‘off-trade’ sector¹. Consumption of wine has steadily increased annually in the UK; however, the current economic conditions have affected the industry and consumers. Analysts speculate that the sector will remain sluggish for the next two to three years.

From a population of 48.8 million adults, the UK has an estimated 28.4 million (58%) regular wine drinkers; rising to 39.4 million (81%) who drink wine at least once a month³. Gender influences wine consumption (figure 2) with women being more likely to drink it, although men will drink in larger quantities⁵. The UK consumes around 27.9 litres of wine per person per year⁶ with white wine being most popular in 2010¹. UK consumers have a preference for branded

wines with around 63% trusting the consistency associated⁵. This popularity has led many supermarkets to produce their own brands but at a more affordable price⁴.

Grouping/Classification	% who are wine drinkers
Male	72%
Female	82%
Age 18-24	61%
Age 25-34	74%
Age 35-44	74%
Age 45-54	78%
Age 55+	86%
Social Grade ABC1	81%
Social Grade C2DE	70%
UK AVERAGE	77%

Figure 2: Percentage of wine drinkers within various groupings/classifications⁴



Year	2005	2006	2007	2008	2009	2010
Cases consumed	130,169,000	133,241,000	135,798,000	134,822,000	136,596,000	133,921,000
% Change	N/A	+ 2.4%	+ 1.9%	- 0.7%	+ 1.3%	- 2.0%

Figure 1: UK wine consumption 2005-2010

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The average price for a bottle of wine (off-trade) in 2011 was £4.51, slightly higher than the £4.47 average of the previous year¹. On a typical bottle, around 57% of the price is accounted for by tax, with duty rates (December 2011) of £1.81 per 75cl bottle and the current VAT rate of 20%¹. For many consumers, wine is increasingly seen as an expensive drink with over one-third of people agreeing with a statement as such⁴. Wine consumption increases with age and is generally associated with a higher social status (figure 2). The correlation between income and social class is well established and, therefore, it may be plausible to suggest that, within the UK, wine is considered a premium product.

Wine Market Structure

The overwhelming majority of consumers (92%) purchase their wine from supermarkets, and the retail sector accounts for over 80% of all UK wine sales^{5,7,8}.

There are a variety of supply routes to the UK, such as agents dealing with on- and off-trade, supermarkets dealing direct with vineyards and small retailers sourcing directly from producers. Irrespective of the scale of operation, trust was considered to be crucial in maintaining high quality supply chains.

Historically the UK has favoured French wines. However, over recent years tastes have changed and New World wines have been quick to adapt and take advantage of this and have witnessed dramatic growth at the expense of France. Australian is now the most favoured wine in the UK (figure 3), although this has come under pressure due to exchange rate fluctuations and transport costs. Based on WSTA figures, around 42% of wine consumed in the UK is EU in origin.

Country of Origin	1000s of cases	Volume in Hectolitres	Sales value (off-trade)
Australia	27800	2,502,000	£1.1 billion
France	19447	1,175,230	£745 million
Italy	17722	1,594,980	£757 million
USA	16575	1,494,750	£763 million
Chile	12298	1,106,820	£461 million
South Africa	11544	1,038,960	£484 million
Spain	11124	1,001,160	£400 million
Germany	5635	507,150	£121 million
New Zealand	4582	412,200	£282 million
Argentina	2172	195,390	£62 million

Figure 3: Volume and value of wine consumed in the UK by country – 2011¹⁷

1. WSTA (2011) UK Wine & Spirit Market Overview.
2. Key Note (2011) Wine Market Report Plus 2011;
3. Telegraph (2011) Discount wine crippling the industry, says drinks giant Pernod Ricard
4. Wine Intelligence (2011) Fact Sheet
5. MINTEL (2011) Wine – UK
6. WSTA Website (2012)
7. Off Licence News (2011) Wine Report 2011
8. USDA Foreign Agricultural Services (2011) Wine Annual Report and Statistics

The flexibility and willingness of New World wine producers to respond affected how competitive EU wines were and was compounded by a restrictive and confusing labelling scheme in the EU prior to 2008. The changes of 2008, such as the introduction of PDO/PGI designations, were widely welcomed by the industry. To most UK consumers, however, there is still confusion and little interest concerning these designations. A more recent introduction of including grape varieties has helped EU wines become more competitive, as consumers do consider this when purchasing. While EU wine producers are becoming consumer-focused, it is accepted that these changes will take a generation or so to work through.

In 2010, 44% of wine consumed was white, 43% red and 13% rosé (figure 4) these levels do fluctuate throughout the year due to seasonal trends, with more rosé being consumed in the summer. Rosé itself has witnessed consistent growth over recent years and the colour of wine is the main purchase consideration, with promotion and price being the next most important.

Wine Type	Cases	% of market
White	59,171,000	44%
Red	57,350,000	43%
Rosé	17,400,000	13%

Figure 4: UK wine consumption by colour 2011¹

Opinions of Interviewees

There was consensus amongst interviewees that the majority of market power in the UK wine market was held by the supermarkets who have the ability to influence purchasing decisions of consumers and resources to research their market and adapt accordingly. Smaller retailers target a different consumer who tends to be more educated regarding wine.

Labelling of EU wine (PDO/PGI) was widely criticized as being confusing and of little interest for UK consumers – many of whom mistake them for quality, rather than the authenticity to which they actually refer. New World labelling was considered to be of greater benefit as it referred to taste and varieties, thus meeting consumer's demands. Changes in EU labelling to greater meet these demands was welcomed

It was also widely regarded that while, amongst UK consumers, there was little knowledge of, or concern over, oenological processes; they were ultimately, and indeed rightly, the best mechanism for assessing quality.

