2013 GLOBAL ECONOMIC VITIVINICULTURE DATA

World wine production has increased significantly in 2013 and consumption is stabilising

With **281 Mhl** of wines produced, the vitivinicultural world has returned to 2006 levels[1]:

- Spain has recorded a high level of wine production this year, of 40 Mhl.
  With 45 Mhl, Italy has produced 2% more than in 2012. An increase of 7% in France (44 Mhl) and in Portugal (6.7 Mhl) and of 79% in Romania (6 Mhl)

- Development in the United States, and record production in Chile (12.8 Mhl) and New Zealand (2.5 Mhl) and of 79% in Romania (6 Mhl)

- World consumption is stabilising

Contents:

1. Development of the world area under vines

The vineyard surface area of the EU Member States continues to shrink, but at a slower pace

As in the previous year, the development of vineyards in the European Union (EU) is no longer affected by the community abandonment programme[2]. Even so, this does not mean that that EU vineyards have stabilised in the long-term.

The available data indicates an expected decline in vineyards in **Spain, the country with the largest area under vines, and in Italy between 2012 and 2013**, while Portuguese, Romanian, Greek and Austrian vineyards are predicted to remain stable compared with the previous harvest.

These initial indications could lead to a **fall of 10 kha-20 kha in community vineyards between 2012 and 2013.** This decrease

1 The economic data available at this time of the year only provides an estimate of wine production (production in wineries since March-April in the southern hemisphere and harvesting underway in the northern hemisphere). Estimates of the development of the world area under vines and of consumption levels will also be covered. These results should therefore be considered as indicative and subject to significant variations.

2 Council Regulation (EC) No. 479/2008 of 29 April 2008 on the common organisation of the market in wine

is around two times less than the reduction of 36 kha recorded between 2011 and 2012.

Declining growth in vineyard surface area in the southern hemisphere and the United States

For several harvests, the **overall growth rate** of planted **areas in the southern hemisphere and the United States has slowed** compared to that observed around 2000, but seems to have stayed positive until very recently.

The question is whether this trend has continued between 2012 and 2013. Indeed, South American vineyards, which continued to develop between 2011 and 2012, could, as for those in Argentina, Chile and Brazil, continue to growth albeit at a lower rate, since early indications from Chile indicate stability in their vineyards between 2012 and 2013.

Although **South African vineyards have continued to slowly dwindle since 2006** (a trend of several hundred ha per year), the available data on **Australian vineyards seems to confirm that wine vineyards have in effect consistently decreased between 2011 and 2012** (provisional assessment of (- 8 kha).
This therefore leads to an anticipation of a decrease in the area under vines for the southern hemisphere and the United States, considering:

- on the one hand, the stability of North American vineyards between 2011 and 2012,
- and, on the other hand, the slight growth in New Zealand vineyards between 2012 and 2013.

World vineyards should continue to decline

Thus, if the growth rate of **Chinese vineyards** (especially for wine grapes) continues to reduce or stabilises and the decline in Turkish vineyards continues, then **world vineyards should fall between 2012 and 2013.** However, this should be **at a slower rate** than that recorded between 2011 and 2012, especially under the foreseeable influence of the slowdown in the decrease in EU vineyards.

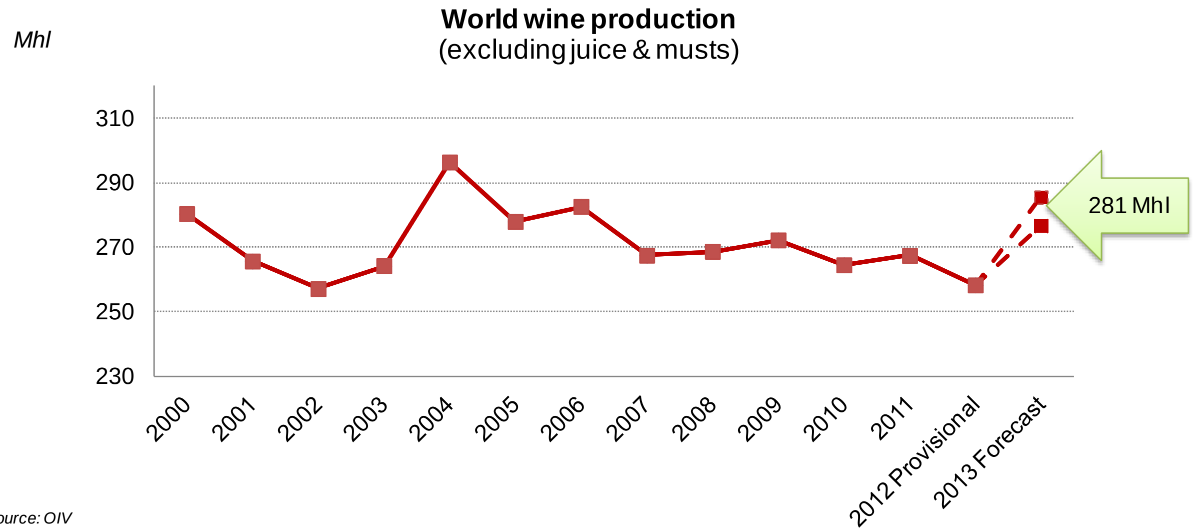
2. 2013 Wine production

Worldwide

Based on a variability hypothesis of 10% of the 2012 harvest level for countries not covered in 2013, this information leads to the proposal of a **2013 world wine production level excluding juice and musts** of between 276.5 and 285.4 million hl (**281.0 Mhl** mid-range estimate).

The 2013/2012 relative change is therefore very marked, between +7.1 and +10.5%, and so, on average, is up sharply by nearly 23 Mhl compared with vinified production in 2012. It should be remembered, nevertheless, that 2012 production was extremely modest (provisional level: 258.3 Mhl). The last time there was an equivalent level of production (282.6 Mhl) was in 2006, when the global vineyard surface area was 7799 kha, which is 300 kha more than the expected area for 2013.

Figure 1 - World wine production trends



Source: OIV

In the EU

In the EU, after 5 modest consecutive harvests (from 2007 to 2011 inclusive) and an exceptionally low 2012 harvest, **2013 wine production may be qualified as relatively high**, especially given the recent reduction in the surface area of its vineyards.

Indeed, forecasts from the main European producing countries were up, very significantly in some cases, compared with those of 2012.

This is especially the case in **Spain** where, with 45.5 Mhl of wines, juice and musts, **vinified production should be particularly high at around 40 Mhl**, the uncertainty resting on the quantity of musts and juice, which should return to its normal level of between 5 and 6 Mhl. The increase in the vinified quantity would thus be 23% compared with the low 2012 production. However, the most significant relative recovery has been recorded in Romania where, after three very low harvests, in 2013 the country should reach a production level which better reflects its potential production of nearly 6 Mhl, that is, +79%/2012.

In **France**, even though 2013 vinified production remains modest at slightly over **44 Mhl**, an **increase of 7%** has nevertheless been recorded **compared with the very low 2012 production** (41.2 Mhl). **Portugal has also recorded growth of 7%** over the observed period, though in comparison to a "normal" 2012 vinified production, enabling the country to produce 6.7 Mhl.

Contrary to initial forecasts, **Italy** has finally recorded a slight growth in vinified production in 2012 compared to that of 2011, and has also experienced **growth in its 2013 vinified production** of 2% over a year, meaning wine production should **approach 45 Mhl.**

Elsewhere in the EU, it should be noted that Germany's production has stayed at a level very close to 9 Mhl, while Greece has recorded an average to high production reaching 3.7 Mhl. Croatia, the 28th EU Member State, should reach 1.4 Mhl in 2013.

Consequently, **total EU-28 production** (integrating here the production of very small EU producers not listed in the annex), **valued at a mid-range estimate of 163.9 Mhl excluding juice and musts, was up significantly (by 16.0 Mhl, that is, +11%) compared with the very modest production of 2012 (provisional result: 147.9 Mhl).** This is a level of production close to that of 2009 (164.9 Mhl).

Once again, this overall trend reflects contrasting changes; Table 1 shows the quantitative development of countries for which information has been provided with wine production greater than 1 Mhl.

Table 1: Wine production (excluding juice and musts) (1)

Unit:1000 hl	2009	2010	2011	2012 Provisional	2013 Forecast	2013/2012 Variation in volume	2013/2012 Varation in %	Rank
Argentina	12 135	16 250	15 473	11 778	14 984	3206	27%	5
Australia	11 784	11 420	11 180	12 660	13 500	840	7%	6
Austria	2 352	1 737	2 814	2 514	2 400	-114	-5%	16
Brazil	2 720	2 459	3 460	2 967	2 731	-236	-8%	13
Bulgaria	1 427	1 224	1 237	1 337	1 305	-32	-2%	18
Chile	10 093	8 844	10 464	12 554	12 821	267	2%	7
Crotia	1 424	1 433	1 409	1 293	1 422	129	10%	17
France	46 269	44 381	50 764	41 205	44 082	2877	7%	2
Germany	9 228	6 906	9 132	9 012	9 011	-1	0%	9
Greece	3 366	2 950	2 750	3 150	3 700	550	17%	12
Hungary	3 198	1 762	2 750	1 818	2 618	800	44%	14
Italy	47 314	48 525	42 772	43 816	44 900	1084	2%	1
New Zealand	2 050	1 900	2 350	1 940	2 484	544	28%	15
Portugal	5 868	7 133	5 610	6 308	6 740	432	7%	10
Romania	6 703	3 287	4 058	3 311	5 938	2627	79%	11
South Africa	9 986	9 327	9 726	10 550	10 954	404	4%	8
Spain	36 093	35 353	33 397	32 478	40 000	7522	23%	3
Switzerland	1 112	1 030	1 119	1 004	1 008	4	0%	19
United States (2)	21 965	20 887	19 187	20 510	*22 000*	1490	7%	4
World OIV Total (3)	**272 217**	**264 495**	**267 413**	**258 164**	***280 950***	**22786**	**9%**	

(1): Countries for which information has been provided with wine production greater than 1 Mhl

(2): OIV estimation base: California harvest +10% (WineInstitute), equivalent production in the states of NY and WASH, and -50% elsewhere in the other regions of Idaho and Colorado, poor harvests (now -50%/2012) : that is, +7% for the USA

(3): OIV estimate: mid-range estimate. Range for evaluation of 2013 global production: from 276.5 Mhl to 285.4 Mhl

Outside the EU

Outside the EU, between 2008 and 2012, fairly stable overall vinified production has been recorded. **2013 vinified production marks a departure from this trend and should significantly increase by nearly 7 Mhl (+9.5%/2012)**, with all of the monitored countries recording growth in production excluding juice and musts compared with the previous year.

The **United States should record a clear rise in its 2013 wine production**, particularly in California, compared with the average 2012 production of nearly **22 Mhl** (in contrast with 20.51 Mhl according to 2012 provisional data)[3].

In South America, although Brazil seems to have again recorded a modest production of less than 3 Mhl for the second year in a row, **the overall trend has been an increase**:

- **Chile** should reach a **new record with 12.8 Mhl**, a likely consequence of the start of production for the recent plantations that was already becoming apparent in 2012,

- **in Argentina**, where **vinified production of 15 Mhl** has been recorded after the modest 2012 harvest (reminder: 11.8 Mhl, that is, + 27%).

In Oceania, **2013 production in New Zealand** has hit a **new record** of nearly 2.5 Mhl, **while in Australia 2013 production could reach 13.5 Mhl** (estimate based on grape production and average juice yield), a significant rise compared with 2012. If it is confirmed that this result was achieved following a significant reduction in vineyards between 2011 and 2012, the level of productivity may be considered substantial, thus marking a departure from the 2009-2011 period during which there were no cases where vinified production reached 12 Mhl.

South Africa should obtain a 2013 vinified production of 11 Mhl, that is, **+ 3.8%/2012** (including distilled wines and wines for brandy).

3. Assessment of world consumption levels

The 2013 situation is moving towards a recovery in wine consumption

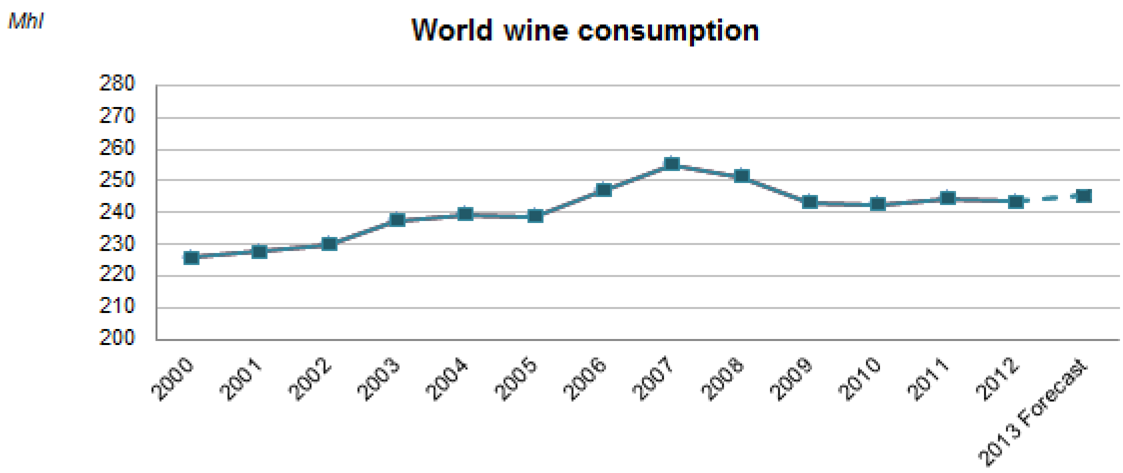
At this time of year, there is not yet any consolidated information on the consumption levels of the different markets. Here, therefore, we resort to a projected level of world consumption from the trend observed in demand since the second half of the 1990s using two scenarios (Figure 2).

This financial period is subject to uncertainty given the influence of the global economic crisis on the sector, which started in 2008 and from which exit is uncertain. Furthermore, the low production volumes in 2012 have exhausted certain wine supply chains, making a return to a growth in consumption difficult for 2013, as anticipated by the trend identified between 2010 and 2011.

These changes have resulted in **2013 world wine consumption levels of between 238.4 and 252.1 Mhl**.

[3] This assessment should however be considered with particular caution given the recent suspension of administrative activities in the United States, meaning that updated estimates from the USDA could not be accessed.

Figure 2 - World wine consumption trends

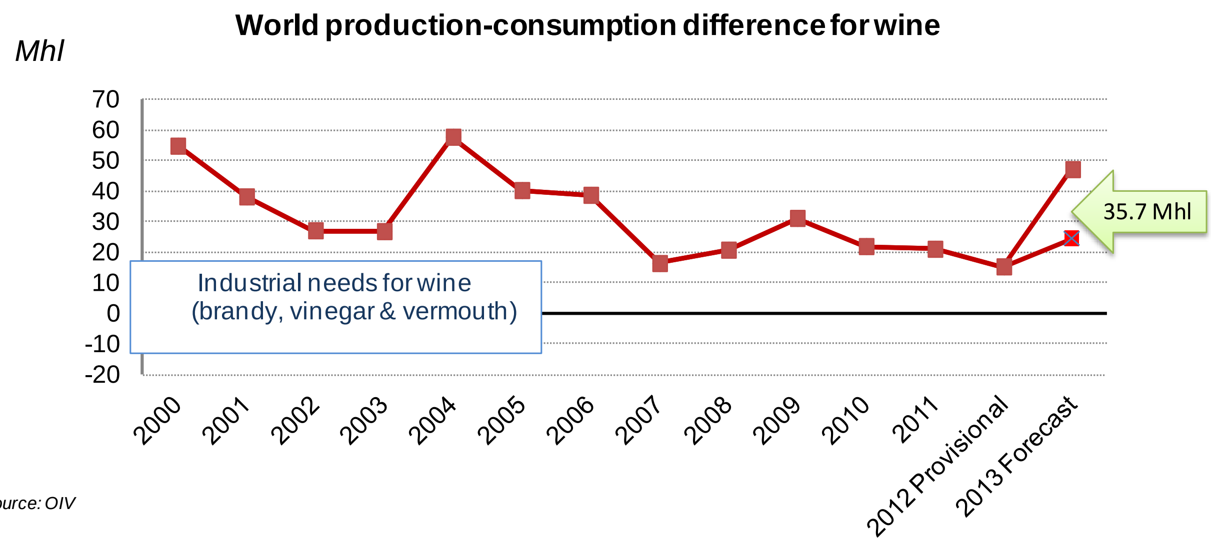


Source: OIV

So, if we use an evaluation of 2013 world wine consumption levels of between 238.4 and 252.1 Mhl, we can then restrict the magnitude of the "**production-consumption**" **difference**[4].

In **2013, for the first time since 2007**, this should **once again be higher than the estimated industrial needs, a level considerably higher at the mid-range estimate (with 35.7 Mhl) than the 2012 provisional level (15.2 Mhl).**

Figure 3- Degree of balance in the wine market



Source: OIV

[4] It should be remembered that this difference does not completely amount to a surplus, given industrial needs.