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The International Wine Market: Description and Selected Issues

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Summary

Global trade in wine has increased rapidly during the past 25 years, steadily rising from under $1 billion in 1977 to over $7 billion in 2001. Reports of health benefits and rising global incomes have spurred increasing demand for wine, particularly in mid- to upper-income countries. In 2001, the United States was the world's leading importer, just ahead of the European Union (EU). Together, they accounted for over 60% of global imports.

The European Union has traditionally dominated global wine production and exports. However, the United States, along with several Southern Hemisphere producing countries — Argentina, Australia, Chile, and South Africa — are growing in importance.

Several important issues have emerged in recent years with respect to international wine trade, particularly between the EU and non-EU countries, including oenological (wine-making) practices and the use of "semi-generic" names for wines. The latter issue is encompassed under the debate on "geographical indications" at the World Trade Organization. Ongoing bilateral negotiations between the United States and the EU seek to resolve both of these issues. This report will be updated as events warrant.

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Introduction

Grape cultivation for wine production is nearly as old as civilization. *Vitis vinifera*, the grape species most commonly used in wine making, has been adapted to a wide range of soils, but generally requires long, dry, warm-to-hot summers and cool winters for best development.[1] Grapes have been successfully cultivated in Europe and Asia Minor for thousands of years and were eventually brought to California. Today, wine production occurs throughout the world, and wine is increasingly entering international markets. The value of international wine trade has risen from under $1 billion in 1977 to over $3 billion by 1989, and to over $7 billion in 2001.

In the United States, wine — like most alcohol and liquor products — was traditionally viewed as a luxury item in the consumer's budget. As a result, the average U.S. wine consumer was fairly sensitive to price changes, and most expenditures on wine were made by higher-income households with larger shares of discretionary income. However, wine consumption in the United States increased dramatically through the 1990s, in part because of news about the potential health benefits of moderate consumption, and in part because a strong U.S. economy supported increased spending on wine at home and in restaurants.[2]

In Europe, wine has been a traditional staple in the household diet for many families. As a result, wine per-capita-consumption rates and household expenditures on wine have been substantially higher in most European countries than in the United States or the rest of the world. In recent years, European wine per capita consumption has averaged about 30 liters per year, compared with 7.4 liters per year in the United States.[3]

Defining Wine. There is some disagreement among countries over what constitutes "wine." For example, the EU defines wine as only those beverages made by fermenting grapes. In the United States, wine is defined more broadly to include beverages produced by fermentation of any fruit (grapes, peaches, pears, etc.). European table wine generally contains between 9% and 15% alcohol. In contrast,

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[1] *Encyclopedia Britannica*, "Grape," from *Encyclopedia Britannica Online*, at [http://search.eb.com].

[2] U.S. Department of Agriculture (USDA), Economic Research Service (ERS), "The U.S. Wine Market Uncorked," *Agricultural Outlook*, August 1997, p. 12.

[3] United Nations (UN), Food and Agricultural Organization (FAO), FAOSTATS.

U.S. table wine generally contains between 7% and 14% alcohol.[4] Differences related to source material and alcohol contents are, for the most part, identified by their trade classification.

In accordance with the Harmonized Tariff Schedule (HTS) of the United States, wine is defined at the four-digit level, 2204, as "wine of fresh grapes, including fortified wines; grape must[5] other than that of heading 2009."[6] Under heading 2204, at the six-digit level, wine is broken into four principal groupings:

220410	Sparkling wine
220421	Other wine, in containers holding 2 liters or less (bottled wine)
220429	Other wine, in containers holding greater than 2 liters (bulk wine)
220430	Other grape must

In addition to wine as defined by HTS 2204, the United States also generally treats the HTS categories 2205 (vermouth)[7] and 2206 (other fermented beverages)[8] as wines. The EU — the world's leading producer, consumer, and trader of wines — does not include 2205 and 2206 in its wine production and trade data.

For consistency across countries, the data presented in **Tables 1-4** are restricted to HTS code 2204 to the extent possible. In 2000 and 2001, the additional HTS categories 2205 and 2206 represented only 2.5% of the value and 5.5% of the volume of the more broadly defined global wine trade encompassed by HTS codes 2204, 2205, and 2206.[9] As a result, their inclusion would not likely alter the rankings or trade patterns described below.

Note on Units. The United States continues to measure wine volume in gallons. In the EU (and most of the rest of the world), where metric measurements

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[4]From discussion with USDA Foreign Agricultural Service (FAS) wine marketing expert Yvette Wedderburn Bomersheim.

[5]Must is defined as "the expressed juice of fruit and especially grapes before and during fermentation; *also*: the pulp and skins of the crushed grapes." *Merriam-Webster's Collegiate Dictionary*, at *Encyclopedia Britannica Online*, (c) 2003 Encyclopedia Britannica, [http://search.eb.com].

[6]U.S. International Trade Commission (USITC), *HTS of the United States, 2003*, Supplement 1, Chapter 22, "Beverages, Spirits, and Vinegar," p. 5. Note that heading 2009 is defined as "Fruit juices (including grape must) and vegetable juices, not fortified with vitamins or minerals, unfermented and not containing added spirit, whether or not containing added sugar or other sweetener matter."

[7] Vermouth and other wine of fresh grapes flavored with plants or aromatic substances; USITC, HTS, Chapter 22, p. 6.

[8] Other fermented beverages (for example, cider, perry, mead); mixtures of fermented beverages and mixtures of fermented beverages and non-alcoholic beverages, not elsewhere specified or included; USITC, HTS, Chapter 22, pp. 22-27.

[9]U.N., FAO, FAOSTATS.

prevail, wine is measured in hectoliters (HL).[10] Because the EU dominates global wine production and trade, and because most international trade is reported in metric units, this report adopts the HL for presentation of statistics, although gallons will be reported parenthetically for U.S. data as appropriate.

Global Wine Production

Annual global wine production averaged nearly 280 million HL (approximately 28 million metric tons) during the 1998 to 2002 period (see **Table 1**). During that same period, 67 countries reported commercial wine production to the FAO.

European Union. The EU dominates global wine production, accounting for over 60% of the world's wine produced during the past five years. France, Italy, and Spain are the three principal wine-producing countries in the EU, accounting for over 85% of the EU's wine production.

The EU's internal wine policy has evolved significantly over the past three decades. During the early years of the European Union, wine production had no curbs on plantings and very few market regulations.[11] This freedom on plantings was eventually coupled with a program that virtually guaranteed sales, but which generated a serious structural surplus that was partially addressed through export refunds (subsidies). Since 1978, EU policy towards the wine sector has become very interventionist. In addition to purchasing excess production and providing export refunds, the EU implemented a ban on plantings and the obligation to distill surplus production.[12] By the late 1980s, aid for acreage reduction was reinforced. In 1996, EU wine program outlays totaled $1.2 billion.[13]

In May 1999, the EU published Council Regulation (CR) 1493/1999 reforming the Common Market Organization (CMO) for wine.[14] The new EU wine regime, which started in August 2000, is intended to enhance quality, increase market orientation, and renew old vineyards. The new CMO's strategy to improve domestic quality was partly in response to the increasing availability of high-quality international wine from non-EU producers. To do this, EU wine policy supports and protects "quality wines produced in specified regions" by setting quality standards taking into account "traditional conditions of production." In addition, subsidies are provided to support the upgrading of EU vineyards to more marketable varieties.

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[10] A hectoliter (HL) = 100 liters; 10 HL is approximately 1 metric ton.

[11] Initially, the European Union (EU) comprised only six countries and was called the European Community. The EU presently has 15 members, but plans to enlarge to 25 members in June 2004. For more information, see CRS Report RS21372, *The European Union: Questions and Answers*.

[12] European Commission, Agricultural Markets, wine, online information, at [http://europa.eu.int/comm/agriculture/markets/wine/index_en.htm].

[13] USDA, ERS, "The U.S. Wine Market Uncorked," *Agricultural Outlook*, Aug. 1997, p. 12.

[14] For more information, see USDA, FAS, GAIN Report #E21111, "EU Wine Reform 2001," Sept. 13, 2001.

A significant portion of the budgetary expenditures under the new CMO still covers many of the same intervention policies and controls that existed under the old regime. Overall expenditures in the sector had declined to $616 million by 1999, just prior to program reforms. However, with the addition of substantial new payments for restructuring and conversion of vineyards to higher-quality varieties, budgetary outlays have returned to the high levels of the mid-1990s. The new EU budget for the wine sector for 2003 is 1.335 billion euros ($1.178 billion).

United States. The United States is the world's second-largest wine-producing region, and fourth-largest country, with an 8% share of global production over the past five years. Commercial wine production occurs throughout the United States. There are about 1,800 commercial wineries in the United States,[15] and every state in the Union has at least one bonded distillery.[16] However, California dominates the U.S. wine industry, typically accounting for over 90% of U.S. wine production. New York, Washington, Pennsylvania, Missouri, and Oregon provide most of the remainder.

The U.S. wine industry has experienced considerable growth since the mid-1970s. In 2002, wine sales in the United States achieved both volume and value records at 22.5 million HL (595 million gallons) and $21.1 billion.[17] According to a report commissioned by the Wine Institute and the California Association of Winegrape Growers, wine is the top finished agricultural product in retail value in California, and the state's wine industry had a total annual economic impact of $33 billion in wages, revenues, and economic activity.[18]

Other Foreign Producers. In the past fifteen years, several nontraditional wine-producing countries have experienced significant investment and growth in their wine sectors. Several Southern Hemisphere countries — Argentina (5% global production share), Australia (3.4%), the Republic of South Africa (2.8%), and Chile (2%) — have emerged as important wine producers and exporters in recent years. According to an Economic Research Service report, substantial foreign direct investment (FDI) in foreign wine-producing regions by U.S. firms occurred in the 1990s, spurred in part by escalating land prices in prime U.S. wine-growing areas and rising domestic market prices. Initially, most U.S. wine-related FDI was concentrated in Chile and southeastern France, but in the mid-1990s U.S. investors turned their focus to Argentina's large, unused land capacity. Much of the wine produced with U.S. FDI has been shipped back to U.S. markets.

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[15] Wine Institute, industry statistics, "Commercial Wineries and Bonded Winery Premises," at [http://www.wineinstitute.org/].

[16] USDA, FAS, Wine Commodity Page, "Wine — A Graphics Presentation," April 2003, at [http://www.fas.usda.gov/htp/horticulture/wine.html].

[17] Wine Institute, industry statistics, "Wine Sales in the U.S."

[18] Wine Institute, "Economic Importance of California Wine is $33 Billion to State." The study cited is *Economic Impact of California Wine*, by Motto, Kryla & Fisher, LLP, St. Helena, Jan. 20, 2000.

China (3.8%) also figures among the world's leading wine producing countries; however, internal demand for wine far outstrips China's production capacity. As a result, China is an important wine importing country.

Global Wine Trade

The value of world trade in wine averaged about $7 billion during 2000 and 2001. In volume terms, nearly 30 million HL, or over 10% of world production, entered international markets during that period.

Wine prices vary significantly, both within individual countries and in international markets, based primarily on grape varietal differences, the perceived quality associated with those varieties, and marketing factors such as brand name. For example, U.S. red wine production has increasingly come from three high-valued international grape varieties — cabernet sauvignon, merlot, and pinot noir. In California, wineries paid growers $1,012 per ton on average for these three varieties in 2002, compared with $613 for all red wine varieties. Popular but lower-valued red wine varieties included zinfandel ($476/ton) and Rubired ($170/ton). Growers of the chardonnay variety — the top white wine variety grown in California — received an average of $683 per ton compared with only $115/ton for the popular French Colombard variety.[19]

Wine Exports. During the 2000-2001 period, the EU was the world's leading exporter of wine, even after excluding EU intra-trade (see **Table 2**). The EU accounted for nearly 40% of the world's export volume and about 54% of export value. The United States is the EU's largest external wine market, and 41% of all EU wine exports abroad went to the U.S. during that period.

Australia and Chile ranked second and third in export value, but switched roles in terms of export volume. Both countries sent about half of their wine exports to the EU, with the United States and Canada also ranking as important markets.

The United States was the world's fourth leading wine exporter during the 2000 to 2001 period. In 2001, 60% of U.S. wine exports went to the EU. Canada and Japan took a combined 27% of U.S. wine exports.

South Africa was the world's fifth leading wine exporter, targeting the EU for over 60% of its wine exports. Argentina ranked sixth as a wine exporter. Unlike the first five exporters, only about 27% of Argentina's wine exports in 2001 headed to the EU. Western Hemisphere markets such as Paraguay, the United States, and Brazil imported most of Argentina's wine shipments.

Wine Imports. In 2001, the United States was the world's leading destination for wine exports in value terms, importing over $2.3 billion for a 31% share of world trade (see **Table 3**). The EU was a close second, importing over $2 billion for a 28% import share. Japan followed a distant third with a 10% share and about $800

[19]Wine Institute, industry statistics, "2002 California Winegrape Crush by Variety."

million of imports. Switzerland, Canada, Russia, Norway, China, and Singapore were also important importers.

Wine Trade Issues

Wine traded in international markets faces several impediments to easy movement across country borders. These include tariffs, excise duties, liquor taxes, and other related charges that, in sum, are generally higher than average tariffs and charges on most other agricultural products. According to USDA's Foreign Agricultural Service (FAS), the average allowed World Trade Organization (WTO) tariff on wine is 76%.[20] In addition to tariffs and miscellaneous import charges, other key issues that affect wine trade and are currently being discussed in various trade negotiations include labeling and geographical indications, and the issue of mutual recognition of oenological (wine-making) practices. Several of the major non-EU wine exporting countries have joined a trade agreement to address many of these trade issues. Also, the United States and the EU have been negotiating a bilateral wine agreement to resolve differences related to wine trade.

Tariffs and Other Border Measures. Wine tariff schedules vary widely across countries. Also, tariff rates often vary by alcohol content and whether the wine is bottled or bulk. Licensing, certification requirements, and rigid labeling rules are not uncommon in many importing countries. For example, in the EU, wine imports require an import license, and must be accompanied by a certificate signed by the competent authority in the exporting country to show that they meet EU regulations as well as by an analysis report by an official laboratory recognized in the exporting country.[21] In Japan, all commercial wine imports are subject to the Food Sanitation Law and import notification is required, with the possibility of followup inspection.[22] All of these procedures add to the cost of importing wine and detract from the imported wine's price competitiveness in domestic markets.

Several importing countries that have no or only small domestic wine production often give preference in their tariff schedule to the importation of bulk wine and grape must to provide incentives for domestic wine production and bottling. Japan is a prime example of this. In Japan, the label "Produced in Japan" means the product was bottled in Japan. Many of Japan's domestic brands are made from imported bulk wine, imported grape must fermented in Japan, or imported grape juice. Often these imported ingredients are mixed with wine produced from locally grown grapes. Approximately 90% of Japanese brands are made from imported bulk wine and grape must, while only about 10% are produced exclusively from grapes grown in Japan.[23] Compared to Japan's tariff for bottled wine imports (15% or 125 yen per liter, whichever is less), the lower import tariff for bulk wine and grape must

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[20]USDA, FAS, Commodity Fact Sheets, [http://www.fas.usda.gov/itp/wto/commodfacts .htm]. Note that the applied tariff rate may be substantially below the maximum allowable or upper bound tariff rates limit agreed to under WTO negotiations.

[21]USDA, FAS, GAIN Report #E21111, "EU Wine Reform 2001," Sept. 13, 2001.

[22]USDA, FAS, GAIN Report #JA2554, December 18, 2002, p. 4.

[23]Ibid.

(45 yen per liter) gives Japanese manufacturers a significant advantage in the bottled wine market.[24] Countries with large or economically important domestic wine production will often do the contrary and maintain higher tariffs on bulk wine and grape must compared with bottled wines to protect domestic growers.

Table 4 presents the most recent information on ad valorem equivalent tariff rates for wine imports for selected countries. In addition, several countries have Value Added Taxes (VATs) and other taxes that are applied to imported wines.

Examples of miscellaneous charges for selected EU member countries include:

- **United Kingdom:** A VAT of 17.5% is applied. In addition, there is an excise duty which varies by alcohol content that is applied to imports. See USDA/FAS GAIN Report #UK2029, p. 25, for a listing.
- **France:** A VAT of 19.6% is applied. In addition, there is a transportation tax which varies by wine HS code that is applied to imports. See USDA/FAS GAIN Report #FR2090, p. 8, for a listing.

Examples of miscellaneous charges for other selected countries include:

- **Chile:** A VAT of 18% is applied. In addition, there is a 15% liquor tax. See USDA/FAS GAIN Report #CI3012, p. 3, for details.
- **China:** A VAT of 17% is applied. In addition, there is a consumption tax of 10%. See USDA/FAS GAIN Report #CH3802, p. 5, for details.
- **Japan:** Wines are also subject to a volume-based liquor tax that varies by type of wine and alcohol content. See USDA/FAS GAIN Report #JA2554, p. 14, for details.
- **Slovakia:** A VAT of 20% is applied. There is also an excise tax that varies across HTS codes but averages about 35%. See USDA/FAS GAIN Report #LO3002, p. 4, for details.
- **South Africa:** There is an excise duty which varies by alcohol content that is applied to imports. See USDA/FAS GAIN Report #SF2016, p. 10, for a listing.

Labeling and Geographic Indications. In the United States, most wines are labeled and marketed as varietals — for example, cabernet sauvignon, merlot, chardonnay, etc. To use a variety on a wine label, regulations by the U.S. Department of Justice's Bureau of Alcohol, Tobacco, Firearms, and Explosives require a minimum content of 75% of the indicated grape variety.[25] Varietal labeling has been a common marketing strategy targeted to less knowledgeable wine

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[24]This tariff differential does not appear in the ad valorem equivalents comparisons of **Table 4**. This is because the ad valorem equivalents were calculated from average unit-values that are significantly lower for bulk wine and grape must. Japan's average unit-value for bottled wine imports during 2000-02 was $4.82/liter, compared with only $1.10 for bulk wine and $1.82 for grape must.

[25]U.S. Deptartment of Justice, Bureau of Alcohol, Tobacco, Firearms, & Explosives (ATF), ATF Ruling 85-14, at [http://www.atf.treas.gov/alcohol/info/revrule/rules/85-14.htm].

consumers who associate consistency in taste and other product characteristics with recognizable product labels. In the United States, the so-called D'Amato amendment (Section 910 of P.L. 105-32) provides authority for the use of "semi-generic" names of wines if the true place of origin also is indicated.[26] This use is a main point of contention in both multilateral and bilateral negotiations with the EU.

European wines, in contrast, have a long tradition of labeling based on geographic origin. The EU's new CMO identifies wine by its geographic indication, and further defines quality wines as being produced in specified regions (PSRs). The specified region is designated by its geographical name, and wine produced in that region strictly adheres to well-defined quality parameters. The EU considers semi-generic names to be EU-proprietary geographical indications.

The Uruguay Round Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) defines geographical indications as "indications which identify a good as originating in the territory of a Member, or a region or locality in that territory, where a given quality, reputation or other characteristic of the good is essentially attributable to its geographical origin."[27] The term is most often, although not exclusively, applied to wines, spirits, and agricultural products. To facilitate the protection of geographical indications for wines, WTO members agreed to negotiate the establishment of a multilateral system of notification and registration of geographical indications for wines eligible for protection in those members participating in the system.[28] The WTO Ministerial Conference in Cancun, Mexico, scheduled for September 10-14, 2003, is the deadline for completing negotiations for the multilateral system of notification and registration.

On May 2, 2002, the EU adopted new wine labeling regulations that were initially intended for implementation on January 1, 2003. However, the implementation was postponed until August 1, 2003, in response to harsh criticism from EU trading partners.[29] Specifically, the regulation prohibits or requires strict regulation of the use of common terms on imported wine labels. The United States and 10 other WTO members have raised concerns about the new regulations through formal comments under the WTO Agreement on Technical Barriers to Trade, and in informal consultations with the EU in Geneva.

Oenological Practices. Some regions, particularly the EU, have very strict rules governing the fabrication and marketing of wine. The EU's rules on oenological practices deal not only with safety concerns, but also with process-based quality standards and fair treatment of growers in different regions. The EU's

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[26]Names treated as semi-generic are Angelica, Burgundy, Claret, Chablis, Champagne, Chianti, Malaga, Marsala, Madeira, Moselle, Port, Rhine Wine or Hock, Sauterne, Haut Sauterne, Sherry, and Tokay.

[27]Article 22.1 of the TRIPS Agreement.

[28]For more information, see CRS Report RS21569, *Geographical Indications and WTO Negotiations*.

[29]USDA, FAS, GAIN Report #E22106, "This Week in European Agriculture," Nov. 18, 2002, p. 2.

regulation sets out extensive rules on allowed practices, along with a complex set of derogations from those same rules based on weather or growing conditions in different wine-growing areas. For example, irrigation of vineyards is forbidden in France. Some practices, which are considered "traditional," are only allowed for wines produced in certain regions.[30] Regulation 883/2001 states that imported wines may be subject to the same derogations as applicable in regions with equivalent growing conditions to those found in the designated zones in the EU.[31]

U.S. authorities have approved some practices that are not currently allowed in the EU. As a result, some wines produced with those prohibited practices are still not allowed to be imported by the EU, leading to lost sales by U.S. producers. However, some U.S. wines are permitted entry through temporary exemptions from EU wine-making regulations. For example, this includes oenological practices such as use of ionization in fermentation to smooth out taste of wine or differences in alcohol levels. These temporary exemptions will expire on December 31, 2003.

Mutual Acceptance Agreement (MAA). On December 18, 2001, the United States signed an MAA on oenological practices with Canada, Australia, Chile, and New Zealand to prevent such practices from being used as trade barriers.[32] On July 3, 2002, Argentina committed to sign the MAA. The group refers to itself as the World Wine Trade Group (WWTG). Signatories to the agreement permit the importation of wine from each other as long as the wine is produced in accordance with the exporting country's domestic laws, requirements, and regulations on oenological practices. The agreement recognizes that different countries use different wine-making practices based upon different factors such as local conditions and climatic variations. In addition, the MAA recognizes that grape producing and wine-making practices are constantly evolving.

The WWTG also plans to discuss other issues central to the wine industry and international trade in wine. Future activities will include work on provisions of the MAA to establish transparency requirements, consultations and dispute mechanisms, and labeling, as well as formation of a committee of experts.

U.S.-EU Wine Negotiations. Negotiations towards a new bilateral U.S.-EU wine accord began in June 1999. Negotiations have focused primarily on differences in oenological practices and the procedures to approve new practices, but are also expected to address the issue of labeling. A principal U.S. objective is to gain acceptance by the EU of U.S. wine-making practices. To this end, the United States has proposed full mutual recognition of approval systems. The EU wishes to leave open the possibility for opposition to any new practices approved by the other party. Hardliners within the EU have argued that imports should conform to the approved

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[30]See annexes of the European Commission's Regulation 1493/1999 and implementing regulation 1622/2000 for the detailed list of approved practices.

[31]USDA, FAS, GAIN Report #E21111, "EU Wine Reform 2001," Sept. 13, 2001, p. 8.

[32]For more information, see USDA, FAS, *International Agricultural Trade Report*, World Wine Trade Group (WWTG), August 1, 2002, at [http://www.fas.usda.gov/htp/horticulture/wine.html].

and traditional practices as laid down in the EU wine regime.[33] A principal EU objective is to secure an end to U.S. use of "semi-generic" names in trademarks and label information as allowed under the D'Amato amendment. The EU is also seeking protection from what it calls traditional terms applied to wines such as "tawny" or "ruby red," among others.

EU Wine Trade Agreements. Since 1994, the EU has concluded several bilateral trade agreements specific to wine trade with Australia (1994), Mexico (1997), Switzerland (2002), and South Africa (2002), as well as a multilateral trade agreement with Hungary, Bulgaria, and Romania (2001).

These agreements include several key provisions that might impact U.S. wine trade with countries that are signatories of EU trade agreements. Two important provisions in EU wine trade agreements are, first, mutual recognition of specific oenological practices and, second, reciprocal protection of names (particularly the semi-generic names referred to earlier in this report) used for wine labeling. By being party to an EU trade agreement with these provisions, a signatory country may be unable to accept wine from third countries such as the United States, that do not adhere to the particulars of these two provisions, whether it be the use of semi-generic names or unacceptable oenological practices.

Role for Congress

Given the growing importance of wine in the U.S. agricultural economy, Congress will likely be closely monitoring developments in the U.S.-EU wine negotiations. In addition, decisions about geographical indications will be on the agenda of the WTO Ministerial Conference in Cancun. Congress will likely be closely following the Doha negotiations. Should negotiations result in agreements that require changes in U.S. law covering geographical indications, Congress may take up legislation to implement such an agreement under expedited (fast-track) procedures established in the Trade Act of 2002 (P.L. 107-210).

For Additional Reading

CRS Report RS21085, *Agriculture in WTO Negotiations*.

CRS Report RS21569, *Geographical Indications and WTO Negotiations*.

European Commission's web page for information (statistics, related legislation, etc.) on the EU's wine sector: [http://europa.eu.int/comm/agriculture/markets/wine/index_en.htm].

U.S. Department of Agriculture, Economic Research Service. "The U.S. Wine Market Uncorked," *Agricultural Outlook*, August 1997, pp. 12-14.

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[33] USDA, Foreign Agricultural Service, GAIN Report #E21111, "European Union Wine : EU Wine Reform 2001," September 13, 2001, p.9.

U.S. Department of Agriculture, Foreign Agricultural Service, Horticulture and Tropical Products Division. Wine commodity page, at [http://www.fas.usda.gov/htp/horticulture/wine.html].

U.S. Department of Agriculture, Foreign Agricultural Service. GAIN Report #E21111, "European Union Wine: EU Wine Reform 2001," Sept. 13, 2001.

U.S. Department of Justice, Bureau of Alcohol, Tobacco, Firearms, and Explosives. *The Beverage Alcohol Manual (BAM): Basic Mandatory Labeling Information for Wine*. At [http://www.atf.treas.gov/pub/alctob_pub/bevalmanual/index.htm].

U.S. Department of Justice, Bureau of Alcohol, Tobacco, Firearms, and Explosives. ATF rulings for alcohol, along with other ATF rulings and IRS revenue rulings. At [http://www.atf.treas.gov/alcohol/info/revrule/revrulex.htm].

U.S. International Trade Commission. *Harmonized Tariff Schedule of the United States*, supplement 1, chapter 22, "Beverages, Spirits, and Vinegar." At [http://dataweb.usitc.gov/scripts/tariff/0310c22.pdf].

Wine Institute. "The Voice for California Wine," website for information and statistics. At [http://www.wineinstitute.org/].

Table 1. Wine Production by Major Producers, Calendar Years 1998 through 2002

	1,000 Hectoliters (THL)					Avg: 1998-2002	
	1998	1999	2000	2001	2002	THL	Share
							%
EU	163,466	181,151	179,903	162,487	155,261	168,454	100.0
France	54,271	62,935	59,766	55,769	51,999	56,948	33.8
Italy	57,140	58,073	54,088	52,293	44,604	53,240	31.6
Spain	30,224	32,664	41,790	30,937	34,443	34,012	20.2
Germany	10,834	12,286	10,081	9,081	10,176	10,492	6.2
Portugal	3,580	7,859	6,694	7,426	6,265	6,365	3.8
Greece	4,536	4,333	5,000	4,277	5,000	4,629	2.7
Austria	2,703	2,803	2,338	2,531	2,600	2,595	1.5
Belguim/Lux.	160	184	134	160	160	160	0.1
U.K.	18	13	13	14	14	14	0.0
Other EU	0	0	0	0	0	0	0.0
Major Producers							
EU	163,466	181,151	179,903	162,487	155,261	168,454	60.6
United States	20,500	20,750	26,600	23,000	25,400	23,250	8.4
Argentina	12,673	15,888	12,537	15,835	12,150	13,817	5.0
China	10,645	10,261	10,500	10,800	10,800	10,601	3.8
Australia	7,415	8,511	8,592	10,765	12,204	9,498	3.4
Rep So. Africa	7,830	7,790	7,620	7,610	7,610	7,692	2.8
Chile	5,475	4,807	6,674	5,652	5,752	5,672	2.0
Romania	5,071	5,661	5,453	5,500	5,000	5,337	1.9
Hungary	4,340	3,339	4,299	5,406	3,800	4,237	1.5
Brazil	2,182	3,190	3,000	3,200	3,200	2,954	1.1
Russia	2,180	2,560	3,090	3,430	3,430	2,938	1.1
Croatia	2,277	2,094	2,101	2,041	2,200	2,143	0.8
Bulgaria	1,955	2,026	2,099	2,100	2,000	2,036	0.7
Serbia[a]	2,577	1,366	1,973	2,100	1,470	1,897	0.7
Moldova	1,511	1,332	2,500	1,400	2,100	1,769	0.6
Uzbekistan	1,140	1,080	1,782	1,884	1,884	1,554	0.6
Mexico	1,361	1,443	1,041	1,411	1,090	1,269	0.5
Switzerland	1,172	1,310	1,276	1,174	1,190	1,224	0.4
Japan	1,159	1,328	1,154	1,100	1,140	1,176	0.4
Ukraine	771	856	942	1,234	1,512	1,063	0.4
Georgia	1,250	1,300	1,138	800	812	1,060	0.4
Uruguay	1,030	1,020	900	850	920	944	0.3
Macedonia	1,227	912	1,000	1,000	447	917	0.3
New Zealand	606	602	601	530	890	646	0.2
Other	5,886	6,282	6,036	5,849	5,605	5,932	2.1
World Total	265,702	286,857	292,810	277,159	267,867	278,079	100.0

Source: United Nations, Food and Agricultural Organization, FAOSTATS.
Note: 1 hectoliter (HL) = 100 liters; 1,000 HL = approximately 100 metric tons. Wine is defined according to HS code 2204; wine of fresh grapes, including fortified wines, grape must.

[a] Serbia includes Montenegro.

Table 2. Wine Export Volume, Value, and Market Share by Major Exporter, Calendar Years 2000 and 2001

	Volume				Value				Top markets: Share of export value (%) in 2001
	1,000 Hectoliter		Share (%)		Million US$		Share (%)		
	2000	2001	2000	2001	2000	2001	2000	2001	
European Union	49,261	47,227	100.0	100.0	9,768	9,732	100.0	100.0	EU(56%), US(24%), Switz(6%)
Italy	17,640	15,614	35.8	33.1	2,274	2,312	23.3	23.8	EU(59%), US(16%), Japan(7%),
France	15,162	15,217	30.8	32.2	5,034	4,828	51.5	49.6	EU(71%), US(8%), Switz(6%)
Spain	8,890	10,151	18.0	21.5	1,151	1,212	11.8	12.5	EU(60%), US(10%), Japan(8%)
Germany	2,479	2,420	5.0	5.1	361	372	3.7	3.8	EU(73%), US(9%), Canada(6%)
Portugal	1,887	1,606	3.8	3.4	464	433	4.8	4.5	EU(69%), US(8%), Switz(7%)
Austria	362	518	0.7	1.1	39	47	0.4	0.5	EU(82%), Japan(11%), US(3%)
Netherlands	153	391	0.3	0.8	73	174	0.7	1.8	EU(41%), US(31%), Japan(7%)
United Kingdom	199	164	0.4	0.3	157	153	1.6	1.6	EU(93%), Japan(2%), US(1%)
Belgium	230	212	0.5	0.4	85	79	0.9	0.8	EU(75%), US(11%), Canada(5%)
Greece	1,962	565	4.0	1.2	61	46	0.6	0.5	EU(95%), Iceland(1%)
Denmark	192	263	0.4	0.6	43	50	0.4	0.5	
Other EU	104	106	0.2	0.2	26	27	0.3	0.3	
Major Exporters									
EU External	11,732	12,331	39.9	39.4	3,831	3,787	55.3	53.4	US(41%), Japan(14%), Switz.(14%)
Australia	3,109	3,762	10.6	12.0	904	998	13.0	14.1	EU(50%), US(28%), Canada(6%)
Chile	4,024	4,867	13.7	15.5	577	645	8.3	9.1	EU(50%), US(18%), Canada(10%)
United States	2,825	2,884	9.6	9.2	533	518	7.7	7.3	EU(60%), Canada(17%),
Rep So.Africa	1,700	1,651	5.8	5.3	245	228	3.5	3.2	EU(63%), Austral(6%),
Argentina	921	917	3.1	2.9	149	145	2.1	2.0	EU(27%), Paraguay(25%),
Moldova	992	1,368	3.4	4.4	88	124	1.3	1.8	Unavailable
New Zealand	383	219	1.3	0.7	90	97	1.3	1.4	Australasia, US(13%), others
Bulgaria	380	380	1.3	1.2	63	63	0.9	0.9	Unavailable
Singapore	29	30	0.1	0.1	70	59	1.0	0.8	Unavailable
Hungary	802	696	2.7	2.2	64	59	0.9	0.8	EU, others
Switzerland	13	14	0.0	0.0	40	38	0.6	0.5	Unavailable
Georgia	244	216	0.8	0.7	33	32	0.5	0.5	Unavailable
Macedonia	824	806	2.8	2.6	29	28	0.4	0.4	EU, others
Romania	254	394	0.9	1.3	18	20	0.3	0.3	EU, others
Ukraine	100	183	0.3	0.6	9	18	0.1	0.3	Unavailable
Other	718	233	2.4	0.7	128	176	1.8	2.5	
World Total	29,428	31,330	100.0	100.0	6,932	7,098	100.0	100.0	

Source: U.N. FAO, FAOSTATS; EU extra-trade is from the Global Trade Atlas. **Note:** 1 hectoliter (HL) = 100 liters; 1,000 HL = approximately 100 metric tons. Wine is defined according to HS code 2204; wine of fresh grapes, including fortified wines, grape must.

Table 3. Wine Import Volume, Value, and Market Share by Major Importer, Calendar Years 2000 and 2001

	Volume				Value				Top markets: Share of export value (%) in 2001
	1,000 Hectoliter		Share (%)		Million US$		Share (%)		
	2000	2001	2000	2001	2000	2001	2000	2001	
European Union	42,343	42,832	100.0	100.0	7,338	7,618	100.0	100.0	EU(87%), Chile(2%),
Germany	12,226	11,738	28.9	27.4	1,785	1,750	24.3	23.0	EU(54%), Australia(20%),
United Kingdom	9,034	9,993	21.3	23.3	2,550	2,771	34.8	36.4	EU(84%), Chile(3%),
France	5,551	5,158	13.1	12.0	435	432	5.9	5.7	EU(85%), US(25%),
Netherlands	2,631	3,010	6.2	7.0	532	627	7.3	8.2	EU(95%), So.Afr(<2%),
Belgium	2,608	2,589	6.2	6.0	655	640	8.9	8.4	EU(80%), Chile(8%),
Denmark	1,804	1,979	4.3	4.6	361	380	4.9	5.0	EU(78%), Chile(7%),
Sweden	1,223	1,352	2.9	3.2	256	267	3.5	3.5	EU(99%)
Portugal	1,985	1,703	4.7	4.0	98	72	1.3	0.9	EU(95%), Chile(1%)
Italy	623	722	1.5	1.7	184	162	2.5	2.1	EU(91%), Australia(2%),
Austria	499	593	1.2	1.4	108	126	1.5	1.7	EU(55%), Australia(15%),
Ireland	405	486	1.0	1.1	139	164	1.9	2.2	EU(86%), Chile(9%),
Finland	403	432	1.0	1.0	82	88	1.1	1.2	EU(93%), Chile(3%)
Spain	604	215	1.4	0.5	74	58	1.0	0.8	EU(99%)
Luxembourg	218	206	0.5	0.5	66	65	0.9	0.9	EU(99%)
Greece	169	269	0.4	0.6	14	15	0.2	0.2	
Major Importers									
United States	4,479	4,688	16.8	16.5	2,339	2,325	31.7	31.2	EU(69%), Australia(16%),
EU External Trade	7,543	8,822	28.2	31.0	1,702	2,094	23.0	28.1	Australia(32%), US(21%),
Japan	1,657	1,691	6.2	6.0	789	779	10.7	10.4	EU(82%), US(7%),
Switzerland	1,809	1,863	6.8	6.6	602	619	8.2	8.3	EU, others
Canada	2,358	2,388	8.8	8.4	579	582	7.8	7.8	EU(64%), US(14%),
Russia	1,623	2,566	6.1	9.0	164	225	2.2	3.0	Moldova, EU, Georgia,
Norway	468	623	1.7	2.2	111	123	1.5	1.7	EU, others
China (w/Hong	572	628	2.1	2.2	113	125	1.5	1.7	EU(58%), Chile(25%),
Singapore	97	103	0.4	0.4	110	110	1.5	1.5	Unavailable
Brazil	312	299	1.2	1.1	81	72	1.1	1.0	Unavailable
Mexico	164	226	0.6	0.8	52	63	0.7	0.8	US, EU, Chile
New Zealand	408	402	1.5	1.4	61	62	0.8	0.8	Unavailable
Australia	156	128	0.6	0.4	67	55	0.9	0.7	EU(70%), New
Argentina	52	57	0.2	0.2	13	10	0.2	0.1	Chile(70%), EU(20%),
Chile	18	7	0.1	0.0	4	1	0.1	0.0	Argentina(40%), EU(21%),
Rep So.Africa	78	43	0.3	0.2	7	5	0.1	0.1	Unavailable
Other	4,937	3,886	18.5	13.7	592	210	8.0	2.8	
World Total	26,732	28,420	100.0	100.0	7,386	7,460	100.0	100.0	

Source: U.N. FAO, FAOSTATS; EU extra-trade is from the Global Trade Atlas. **Note:** 1 hectoliter (HL) = 100 liters; 1,000 HL = approximately 100 metric tons. Wine is defined according to HS code 2204; wine of fresh grapes, including fortified wines, grape must.

Table 4. Ad Valorem Equivalent Tariff Rates on Imported Wine, Selected Countries

Country	Average[a]	Harmonized Tariff Schedule (HTS) Code			
		220410	220421	220429	220430
		Percent			
New Zealand	4.0	0.0	5.0	5.0	5.0
United States[b]	4.3	1.7	2.8	7.9	4.8
Australia	5.0	5.0	5.0	5.0	5.0
Philippines	5.0	5.0	5.0	5.0	5.0
Chile	6.0	6.0	6.0	6.0	6.0
European Union[b]	8.9	6.7	3.9	16.2	na
Switzerland	10.2	8.7	8.8	21.0	na
Canada[b, c]	11.6	4.4	2.3	8.7	31.1
Jamaica	15.0	30.0	30.0	0.0	0.0
Japan[b]	15.6	13.3	15.0	15.0	19.1
Taiwan	16.7	20.0	na	10.0	20.0
Peru[e]	17.0	17.0	17.0	17.0	17.0
Venezuela	17.5	20.0	20.0	15.0	15.0
Argentina	21.5	21.5	21.5	21.5	21.5
Brazil[d]	21.5	21.5	21.5	21.5	21.5
Rep. South Africa	25.0	25.0	25.0	25.0	25.0
China	25.8	24.2	24.2	29.0	na
Columbia	30.0	30.0	30.0	30.0	30.0
Mexico[c]	30.0	30.0	30.0	30.0	30.0
S. Korea	30.0	30.0	30.0	30.0	30.0
Slovakia	41.3	30.0	30.0	75.0	30.0
Thailand	60.0	60.0	60.0	60.0	60.0

Sources: Argentina — USDA, FAS, GAIN Report #AR2040, July 11, 2002, p.4; **Australia, New Zealand, Peru, Philippines, Switzerland, Thailand, and Venezuela —** AMAD, 2000; **Brazil —** USDA, FAS, GAIN Report #BR2613, Dec. 11, 2002, p.11; **Chile —** USDA, FAS, GAIN Report #CI3012, June 10, 2003, p.3; **China —** USDA, FAS, GAIN Report #CH3802, Mar. 31, 2003, p.5 (according to China's WTO entry agreement, wine tariffs will fall further in 2004 before stabilizing); **Jamaica —** Agricultural Market Access Database (AMAD), 2001; **European Union —** USDA, FAS, GAIN Report #FR2090, December 20, 2002, p. 8; **Japan —** USDA, FAS, GAIN Report #JA2554, Dec. 18, 2002, p. 13; **Rep. of South Africa —** USDA, FAS, GAIN Report #SF2016, June 11, 2002, p. 12; **Slovakia —** USDA, FAS, GAIN Report #LO302 Mar. 27, 2003, pp.4-5; **United States —** U.S. International Trade Commission, Harmonized Tariff Schedule, Supplement 1, Chapter 22 — Beverages, Spirits, and Vinegar, p. 5.

Note: na = not available.

[a] Simple, unweighted average across HTS codes.

[b] Ad valorem equivalent created from specific "per unit" charges compared against average import unit values for recent years.

[c] Non-NAFTA tariff rate; U.S. wine exports to Canada and Mexico enter duty free under NAFTA provisions. Chilean wines have entered Mexico duty free since 1996. The 2000 Mexico/EU trade agreement lowered the EU's import tariffs on wine from 30 to 20%, with a gradual reduction to 0% by 2008. See USDA, FAS, GAIN Report #MX3301, January 8, 2003, p. 2, for details.

[d] Tariff rate for countries outside of Mercosur or Chile. See USDA, FAS, GAIN Report #BR2613, Dec. 11, 2002 for details.

[e] Import tariffs on Chilean wines are only 14%. See USDA, FAS, GAIN Report #PE2016, Oct. 1, 2002 for details.