

**“Wine of China: Opportunities in the Premium European Wine Markets”**

**Introduction:** This paper aims to discuss the opportunities for the export of Chinese wine into premium European wine markets. It shall define Wine of China and identify the Chinese wine producers in a position to export their wines to Europe. To support the paper, the author shall provide an overview of the developments in vineyard planting and winemaking developments since 2001. Due to the vast scope of wine in China, the paper shall remain focussed on identifying the opportunities for the export of Chinese wines into off-trade distribution channels in three specific European wine markets; the United Kingdom, Germany and Switzerland. This shall be supported by personal research, interviews and current market data. It will also consider strategic methods, such as joint-venture agreements and control of wine distribution channels.

**Wine of China – history and brief overview:** China first started making wine from grapes more than 4,600 years ago but modern wine production started in 1892. According to the International Organisation of Vine and Wine (OIV), China is the fifth largest producer of grapes in the world, with an estimated 570,000 hectares in 2012, a growth of 19 percent since 2008. This Paper contains a case study of the Changyu Pioneer Wine Co, which is the tenth largest winery in the world. In the 26 wine-producing provinces in China, there are an estimated 500 wineries in operation, of which ten are considered major producers. The top four domestic companies are Great Wall (COFCO), Changyu, Dynasty and Weilong, and control over 27 percent of the entire grape wine market and 49 percent of wine production in China.

**Identifying the premium European wine markets:** The paper has identified three premium wine markets in Europe; the United Kingdom, Germany and Switzerland. Each of these markets import and distribute commodity and fine wine. Anderson and Nelgen (2011) take the definition of commodity and fine wines a step further and distinguish four categories of wines: non-premium (or bulk), commercial-premium and super-premium still wines. They define commercial premium still wines to be between 2.50 and 7.50 US Dollars per litre ex-cellar (before duty and tax). Therefore, global import value shares are best sub-divided into European and then others (see Figure 16). In the super-premium category, Switzerland, Belgium (plus Luxembourg) and the United Kingdom take the first three places, before there is a step down to the next three Europeans, namely Denmark, Germany and France.” (Anderson and Nelgen 2011). The United Kingdom is a dominant importer in the commercial-premium category in Europe, followed by Germany. The European nations rated in terms of super-premium consumption are France, followed by Switzerland, then Germany, Denmark and the UK. (Anderson and Nelgen 2011).

## **Interviews from wine buyers, importers and opinion leaders:**

Trading Manager Arabella Woodrow MW from the British multiple grocer Morrison's, which was the first multiple grocer to list a Chinese Wine in 2008, described China's climate, with its very dry summers with high temperatures, as *"difficult for grape-growing.....I'm amazed they can grow grapes at all"*.

*"In concrete answer of wine and sales, we can say there is a slight interest in Europe. There is still some prejudice about Chinese wine into the business and also curiosity. People don't expect Chinese can make wine."* Damar Ismangli, CEO of China Wine Trade Company, established in 2011 in the Netherlands.

*"Against what we have tasted out of China before, it is clearly a big leap up."* says Mark Pardoe, Berry Bros. & Rudd Master of Wine, referring to the Changyu-Moser Cabernet Gernischt 2008. *"It's a novelty value in that it is something interesting coming out of China but it could be the first stirrings of quite an important plan. If they think they can do this well, they will do it and almost nothing can stop them."*

*"There is no reason why the Chinese shouldn't make fine wine. They have varied terroirs, high-quality fruit, European advisers and investment, brand-new equipment and, above all, the desire"* - Johnny Ray, Daily Telegraph, printed on 18.01.2008.

**Conclusion:** This paper has presented the case that Chinese wine producers have the potential to make wine of a sufficient quality for export into premium European wine markets. Amendments to national legislation, wine production methods and the need to source quality grapes are gradually leading to an improvement in the quality of selected Chinese wines. The range of these wines will include inexpensive, commercial brands for distribution in off-trade retail grocers, as well as ultra-premium 'icon' wines aimed at competing amongst classed growth Bordeaux. Notwithstanding the awareness of consumer goods produced in China, widespread media reports of wine fraud and the general belief that chemicals are employed at every stage of viticulture, this paper has attempted to illustrate that there are serious, quality-conscious wine producers in China, that have invested in both European equipment and know-how to produce a quality of wine that can compete with the principal wine growing regions of Europe.

The challenges posed for Chinese wines are going to be in the off-trade distribution channels, which are already highly competitive and occupied by readily available and inexpensive European and New World wines. Further challenges will include the limited availability of Chinese wine distribution, timely delivery and price points within the analysed specific European markets.

China is set to be the leading wine producing country in the world by 2050 and every consumer of wine should accept the fact that China will become a global wine producing nation, that will have a strong influence on premium European wine markets.