



CBI
Ministry of Foreign Affairs

CBI Product Factsheet:

Bulk wine in Europe

Introduction

Developing countries play a large role in the growing bulk wine trade with Europe. South Africa, Chile, and Argentina in particular are benefiting from this growing market. Although bulk wine trade offers only limited opportunities for value addition by suppliers in developing countries, the growing need for bulk wine expands their opportunities. Even wine-producing countries such as France, Italy and Spain are nowadays looking for bulk wine suppliers.

Product Definition

Bulk wine is wine that enters the European market in flexi-tanks or ISO tanks (see example below) and which will be bottled in Europe. Statistics bureaus define bulk wine as wine shipped in containers exceeding 2 litres, which includes many Bag-in-Box wines. Nonetheless, in this CBI Product Factsheet, the emphasis is on bulk wine shipped in containers like flexi-tanks or ISO tanks, to be bottled in a European destination where it will be sold to the end consumer.

Product Specification

Quality

The average quality of bulk wine is lower than in the premium segment, as European importers mostly use bulk wine to produce wines for the entry level segment. This has the following implications:

- Bulk wine is generally made from international grape varieties, such as Chardonnay. Consumers in the entry level segment are generally less interested in indigenous varieties.
- The taste intensity of bulk wine is generally low, as consumers in the entry level segment prefer easy-drinking wines, i.e. wine with a soft taste.
- Bulk wines are often sweeter than premium wines. Consumers in the entry level segment generally prefer sweet wines with a high residual sugar content (up to 15 grams for white wine).
- The alcohol content of bulk wine is often low (<12%), as consumers in the entry level segment often want lighter wines.
- Bulk wine generally has a longer shelf life than bottled wine, as bulk shipping defers the moment of bottling.

Labelling

Although European importers are responsible for consumer labelling, bulk containers still require labels that comply with the following requirements:

- Product name
- Name and address of exporter
- Nominal volume
- Lot number
- Importer details

Packaging

- Packaging-related quality problems with bulk wine hampered development of bulk wine trade for a long time. Recent improvements in storage technology, handling facilities, and quality protocols have contributed to better quality preservation and, consequently, to the wider use of bulk wine.
- Different types of packaging are available for the transport of bulk wine. The two most common are:
 - Flexi-tanks are disposable plastic bags intended for installation in a standard 20ft shipping container.
 - ISO tanks are reusable steel tanks, which need to be cleaned between shipments. ISO tanks offer all the advantages of flexi-tanks, but are more polluting and expensive in transport due to higher weight. One advantage of an ISO tank is its reliability; they have a lower risk of defects compared to flexi-tanks.
- Defective seals or the use of permeable material can permit oxidation, which will degrade the wine. This can result in negative taste alterations and a shorter shelf life.

What is the demand for bulk wine in the EU?

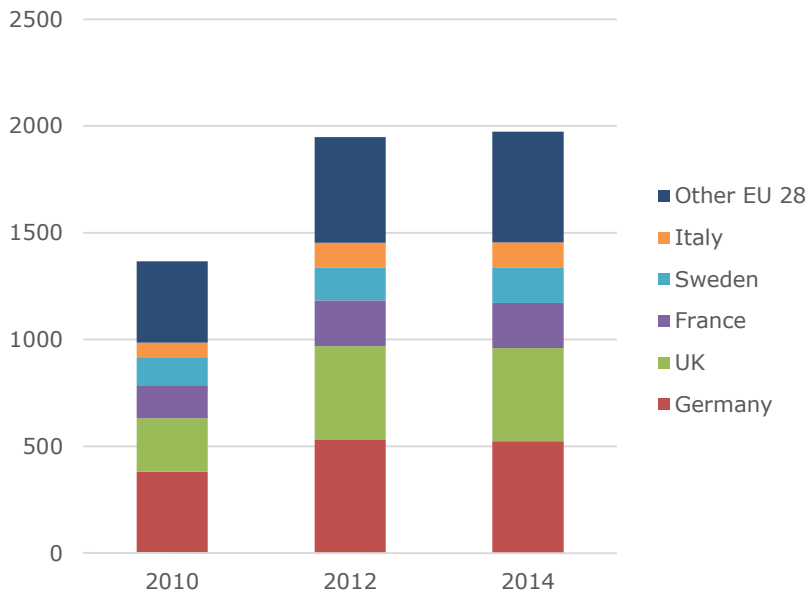
Please be aware that care should be taken when drawing conclusions based on the data below, for the following reasons:

- There are no extensive data covering the trade, production, and consumption of bulk wine in Europe. There are some data available on bulk wine statistics in several countries that are large players in the bulk wine market, but this does

not cover the entire European market. Since complete figures are not available for bulk wine, statistics about the European wine market in general are presented instead.

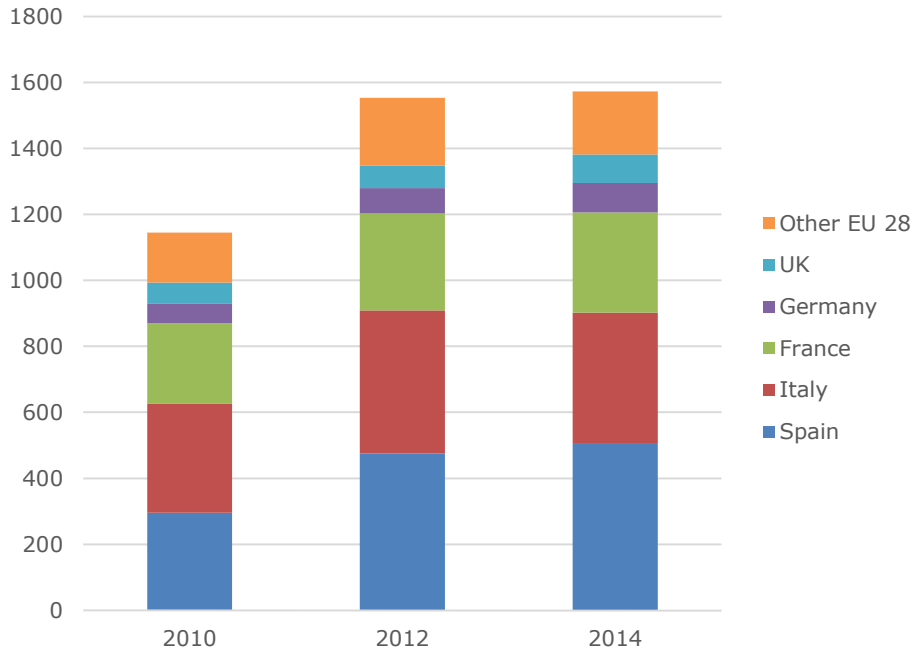
- Statistics on bulk wine include all wine containers exceeding 2 litres. This means the data discussed in the following sections include wine shipped in ISO and Flexi tanks as well as any other container larger than 2 litres, like bag-in-box (BIB).

Figure 2: Europe's largest wine importers, in € million, 2010-2014



Source: Eurostat 2015

Figure 3: Europe's largest wine exporters, in € million, 2010-2014



Source: Eurostat 2015

Import and Export

In 2013, bulk wine (incl. containers >2 litres) accounted for 38% of global wine trade in terms of volume and 12% of total value (OIV, 2014), similar to the 2012 trade levels.

Tip:

- Do not target France, as this is a traditional wine country with very little interest in wines from New World wine countries. The majority of bulk wine imports from France are sourced from traditional wine countries such as Italy and Spain. Rather target Denmark and the UK, since these countries import substantial amounts of bulk wine and their consumers are more open to New World wines.

Table 1: Major bulk wine importers

Importer	Share of bulk wine in total imports in terms of value
France	37%
Sweden	27%
Germany	24%
Denmark	19%
United Kingdom	13%

Source: OIV, 2014

Compared to 2012, the 2013 levels of French bulk wine imports have further increased in terms of market share, and even more so in terms of value (OIV, 2014). Additionally, whereas in the 2012 data they were not part of the top five, Sweden is now number two and Denmark number four on the list of major bulk wine importers due to the importance of the BIB sales.

Even though Switzerland is no longer among the top five importers of bulk wine, it has increased bulk imports in 2012 and is expected to further increase its imports in the next few years, at an increasing pace. This is because the leading retailer Coop is establishing its own brands of imported wine, which is bottled in Switzerland.

Spain, Italy, and France are the largest European exporters of bulk wine. Half of Spain's wine exports are actually considered bulk wine. Germany and Portugal are also exporters of bulk wine, but on a much smaller scale.

Tip:

- Avoid countries that are major bulk suppliers themselves, unless they also import large amounts of bulk. Consider targeting Germany, since the German market requires much imported bulk wine to use in private labels bottled by supermarkets.

South Africa and Chile are estimated to be major suppliers of bulk wine to Europe. Their distance to Europe favours bulk shipments.

Tip:

- Bulk wine shipments are still most interesting for suppliers in distant countries with large-scale production of wine for the low-end market. Moreover, not all wines can be exported in bulk because of legal rules that wine of that origin can only be sold in bottles.

Production

About 13% of global wine trade is bulk wine. Spain produces the most, and the cheapest bulk wine in the world, accounting for about 18% of the total world bulk supply. Bulk wine production represents more than a third of Spain's total wine production. Other substantial European producers of bulk wine include France and Italy.

However, in the most recent years, a drop in harvest in the three main producing countries, Spain, Italy, and France has occurred due to a drought. Contrarily, bulk wine production in Argentina, Australia, Chile, and New Zealand witnessed a slight increase in recent years (WBWE, 2014).

Tip:

- Before making the decision to engage in bulk wine export, find out whether your company is able to compete with the low prices offered by the largest producer of bulk wine in the world, especially since Spain is closer to the market.

Industrial demand

According to industry experts, demand for bulk wine has been increasing for at least 5 years. Greater cost-effectiveness, improvements in quality preservation and, to a lesser extent, concerns about the effects of wine transport on the environment were the major drivers behind this development. As interest in these benefits will remain high, bulk imports are expected to increase further.

Developments in the bulk wine market are very strongly related to developments in the private label market. In most countries and the UK in particular, retailers with private label wines account for much of the bulk wine demand. For example, in the Netherlands, private label wines of leading retailer Albert Heijn already account for an estimated 50% of total sales. Most of these wines are made from bulk wine. Bottling mostly takes place in Germany, because the Netherlands has limited bottling capacity.

Tip:

- Read more about private labels in the section on market segments.

What trends offer opportunities on the EU market for bulk wine?

Market polarisation stimulates bulk wine imports

European consumption of both entry level (i.e. cheap) wines and premium wines is increasing at the cost of wines in the segments in between: the everyday wines and mid-premium wines. The economic crisis has particularly stimulated sales in the entry level segment, while the premium segment also benefited from a trade down by consumers from eating out in restaurants to eating in. Many consumers looking for cheap, simple, everyday wine search for the cheapest option, which is likely to be bulk wine, as it is cheaper to import than bottled wine.

Tip:

- Supplying bulk wine requires a strong focus on cost reduction. Consequently, it is most interesting for large wineries, which can realise economies of scale.

Lower CO2 emissions

Environmental concerns have also contributed to the increase in bulk wine trade. Bulk wine trade results in a smaller CO2 output than bottled wine trade, as the weight and volume of the packaging are smaller. Although importers cannot directly use CO2 reductions to promote the sustainability of their products to consumers, they can use it in their Corporate Social Responsibility (CSR) policy.

Tips:

- For CO2 output for hypothetical exports of wine from your country to the United Kingdom, which is a frontrunner in this area: visit <http://winebottles.wrap.org.uk> in order to find out how much more environmentally friendly bulk shipping is. In this manner, you can calculate your cost decrease and the outcome can also be used in promotional activities to show customers how environmentally friendly your wine is.
- Find out more about the CSR policies of European importers by checking their websites. If they are interested in CO2 reduction, propose possibilities to realise this together with them.

Technology push

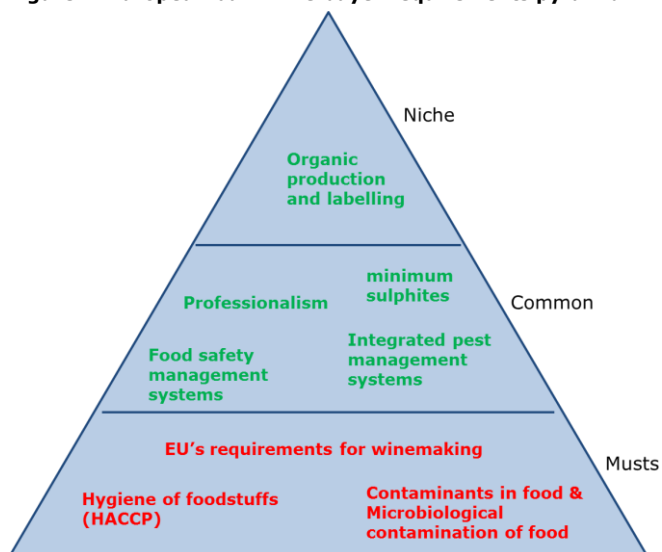
One of the drivers behind the growth is the development of bottling technology in Europe. Before the new technology was available, the tendency was to add an excessive amount of sulphur and filter to the wine during bulk wine bottling, which can adversely influence the quality and taste of that wine. It is expected that the market for bulk wine will continue to grow for some time, as problems with quality deterioration have largely been solved.

Tip:

- Keep up to date on technological advances in the area of bulk wine transport. The [website of TransOcean](#) provides an interesting source of information.
- Visit the [World Bulk Wine Exhibition](#) in Amsterdam to check the latest trends for bulk wine in Europe.

What requirements should bulk wine comply with to be allowed on the European market?

Figure 1: European bulk wine buyer requirements pyramid



What legal and non-legal requirements must my product comply with?

Oenological practices

The EU stipulates what oenological practices can be used for winemaking, including the making of sparkling wine, sweetening, and addition of sulphites. Maximum sulphite addition:

- Red wine: 150 mg/l
- White wine: 200 mg/l
- Sweet red wine: 200 mg/l
- Sweet white/rosé wine: 250 mg/l

Sulphite levels may be higher for certain wines from a specific origin.

Tip:

- Check whether your current practices comply with the [EU's requirements for winemaking](#). Producers of wine destined for the European market must present a 'VI1' certificate and an analysis report for their wine to show that they comply with the oenological requirements.

Hygiene of foodstuffs

Food business operators shall put in place, implement, and maintain a permanent procedure or procedures based on Hazard Analysis Critical Control Points (HACCP). This also applies to the import of food to the EU and export from the EU.

Tip:

- Ensure compliance with EU legislation on [Hygiene of foodstuffs \(HACCP\)](#).

Contaminants in food

The EU has laid down maximum levels of contaminants, pesticides, and criteria for microbiological contamination of food.

Tip:

- Only use healthy grapes and ensure hygienic processing conditions to comply with EU legislation regarding [Contaminants in food](#).

What additional requirements do buyers often have?

Low sulphite levels

The requirements of many European buyers concerning sulphites are stricter than EU legislative requirements. Buyers prefer wines with fewer additives, since these are regarded as better quality wines. For example, buyers often set a maximum of 150 mg/l for white wine, compared to the legislative requirement of 200 mg/l.

Tip:

- Reduce the need to add sulphites and only add the minimum quantity of sulphites required to preserve the quality of your wine.

Minimise chemicals use

Use of fertilizers can improve soil quality. However, wineries should minimise the use of chemical fertilizers, as European consumers are increasingly concerned about the effects of agriculture on the environment and the use of chemicals in particular.

Tip:

- Use Integrated Pest Management systems or equivalent production systems aimed at minimising chemical use.

Food safety management

Buyers commonly require their suppliers to have a quality/food safety management system in place. These systems require companies to demonstrate their ability to control food safety hazards in order to ensure that food is safe at the time of human consumption.

Tip:

- Suppliers can apply a basic HACCP system. However, many buyers appreciate certified food safety management systems recognised by the Global Food Safety Initiative, such as ISO22000, BRC or IFS: [Food Safety Management Systems](#).



Professionalism

Large buyers in Europe, in particular, indicate that producers of wine can improve their chances of successful market entry by showing professionalism. Communication and sampling are areas in which especially producers in developing countries can improve.

Tips:

- When you approach a potential buyer for the first time, provide a complete introduction of your company and products. Include a unique and passionate story about your company and your wines.
- Only send clean and representative samples with clear labels, which include the price and volume available in addition to contact details.

What are the requirements for the niche markets?

Organic wine

Having your products labelled 'organic' is voluntary, but if you do so, your production methods must comply with EU Regulation (EC) 834/2007 and have to be audited by an accredited auditor. Most large retailers want to have organic wine in their assortment to show that they contribute to sustainability.

Tip:

- If you choose to obtain a certificate for organic production, find out more about [Organic production and labelling in the EU](#).

Fairtrade wine

Having your wine [Fairtrade](#)-certified is the most comprehensive way to prove your business performance for social conditions in your supply chain. After certification by an independent third party, you may put the Fairtrade logo on your product. In general, a higher price is paid for fair trade products. Most large retailers want to have fair trade wine in their assortment to show that they contribute to better conditions for wine estate workers. A clear example is South African wine, which is often fair trade certified to show that the estates do not exploit their workers.

Tip:

- Consult the [Standards Map database](#) for the different labels and standards relevant for wine.

What competition do I face on the EU bulk wine market?

Strong buyers

The bulk wine market in general is a buyer's market due to the large consolidation in the bulk wine market. Supermarket chains and their buying groups enjoy great negotiating power, because they can buy large amounts of wine, have a very strong position in the retail market and are financially strong. Due to the increased demand for bulk wine and the looming global shortage of wine, suppliers have begun to enjoy a slightly better position in trade negotiations since 2010.

Tip:

- The tables seem to be turning (slightly) in favour of suppliers, as a consequence of increased demand for bulk wine and a few disappointing global harvests in the past years. Nonetheless, do not overestimate your position as a supplier in the bulk wine market; buyers still enjoy much power.

Supplier power is related to reputation

The reputation of a country influences supplier power in that country. In the entry level wine market, the main market for bulk wine, the reputation of the country of origin is a less important purchasing criterion for consumers than it is in the premium wine market. Price-sensitive consumers pay less attention to origin, whereas premium wine consumers associate high quality mostly with European origins.

However, if a country establishes itself as a bulk wine supplier, it will be difficult to become successful in the premium market. Consumers have then developed an association between entry level wine and the country.

Tip:

- If you are based in a country that is not yet established on the European wine market and aim to supply premium wine, first introduce an 'icon wine' to establish your country as a supplier of premium wine. After your country has gained recognition as a premium wine supplier, you can also begin supplying bulk wine with the added benefit of a good reputation.

Strong rivalry

New entrants to the bulk market will face difficulties competing with several of the established bulk wine suppliers. The latter have focused completely on this market, can supply large volumes of a very consistent quality, and have secured their markets through long-term contracts.

Tip:

- Make an assessment to find out whether it is a profitable option for your company to deliver bulk wine to the European market. You can only compete with established bulk wine suppliers if you are able to:
 - Deliver large quantities of wine
 - Deliver wine of a consistent quality
 - Offer bulk wine at competitive prices

Size determines power

In the bulk wine market, importers require very large volumes. They need large volumes to realise economies of scale and subsequently compete on price. Unfortunately, some developing countries simply do not have the production capacity in terms of volume to supply bulk wine (e.g. Bolivia).

Tip:

- Be realistic in what you can supply in terms of volume. After all, the bulk wine market is a volume market.

Lower import duties for bulk wine

The EU levies lower import duties on wine in containers exceeding two litres in capacity than on wine in smaller containers. This increases the price competitiveness of wine transported in bulk compared to wine transported in bottles.

Tip:

- Ship wine in bulk instead of bottled to reduce costs for the importer of shipping itself (lighter shipments need less fuel) and of import duties. Because of the cost efficiency of bulk transport, this may improve your position in negotiations with buyers.

Low switching costs

Import of bulk wine, as opposed to bottled wine, considerably lowers switching costs for importers. The import of bulk wine enables them to blend different wines and sell it under their own brand. If they want to substitute one of these wines, they can do this without having to introduce a new brand.

Tips:

- If you aim to supply bulk wine for private labels, build a strong and long-term relationship with your buyer to prevent substitution.
- Always be on the lookout for alternative buyers in case you lose a buyer.

What do the trade channels and interesting segments look like in the EU for bulk wine?

Market Channels

Retailers switch to bulk wine

Until the end of the 2000s, retailers increasingly demanded brand wines. Since the end of the 2000s, retailers have been switching from brands to bulk wine, which is used for blends under their own private labels. This gives them more control over the supply chain, as they can decide if and how to blend the wine, what packaging to use (e.g. bottles or Bag-in-Box), and how to brand the wine. Many large retail chains invest in their own bottling capacity to gain even more control over their supply chain.

For many developing country wine suppliers, supplying wine in bulk instead of bottled creates a major drawback in profits, since value addition is transferred to European importers. Blending, bottling, and branding become value addition activities of the importer, instead of the producer/exporter.

Tips:

- If marketing is not your strength but your production is of good quality, then supplying bulk wine can be a good option for your company. It provides an opportunity to outsource other activities to a company that is stronger in those activities.
- It is not recommended to hire an agent to store your wine in a warehouse from where you can supply a bottler. The supply of bulk wine is most interesting for suppliers with the ability to supply consistent quality and forecast for volume planning. Volume planning is required to set up large contracts with big buyers for programmed (i.e. regular) bottling. Contractual agreements regarding carefully planned logistics prevent stocks going to waste.
- Although this can theoretically provide the benefits of bulk wine supplies, without the transfer of value addition activities, there are many risks involved. You will have to carry all risks and cover all costs related to overseas transport, storage, and bottling. Moreover, you risk high storage costs or even wine losses if you cannot sell your wine that is stored in Europe.
- If you agree with an importer to deliver bulk wine directly to a bottler, ensure proper filtration of the wine to enable smooth processing by the bottler.

Market Segments

Bulk wine is still mostly used to make entry level wines and particularly private label wines. The large-scale production, low transport costs, and blending possibilities are particularly useful for wines targeted at the entry level segment where price is the main purchasing criterion. In the next 5 years, it can be expected that consumers in the higher price segments will slowly gain more interest in private label premium wines. The major retail chain Tesco in the United Kingdom already has a private label premium wine range: Tesco's finest.

Tip:

- Focus the promotion of your wine on the price-quality ratio. European consumers of everyday wines do not necessarily seek a unique brand in this price segment, rather a wine offering them value for money.

Producers of branded wines, as opposed to private label wines, will also increasingly ship their wine in bulk and bottle it in Europe to save on costs. Improvements in bottling facilities have even made this type of arrangement attractive for suppliers of wines for the mid and mid-premium segments.

Tip:

- Cooperate with your importer to investigate cost savings through bulk shipment and bottling in Europe. It may improve the price/quality ratio of your wine and result in more sales.

What are the end market prices for bulk wine?

Since 2007, average prices for bulk wine in the global market have been increasing steadily, because of a lower global supply of wine. In 2014, the price of bulk wine varied between € 0.50 and € 1.50 per litre depending on the variety of the grape (Ciatti Co., 2014). In general, prices for red bulk wine are higher than for white bulk wine.

Tip:

- Visit the [World Bulk Wine Exhibition](#) in Amsterdam to check current price levels for bulk wine across Europe.

Demand for lower-priced wines has been shown to be generally more price-elastic than the demand for premium higher-priced wines. Consumers of low-priced wine are very price-sensitive, meaning that increased production costs cannot be charged to the consumers or retailers.

Tip:

- Realise economies of scale and standardise production to lower production costs. In this segment, it is important to deliver a constant quality at a constant low price year after year.

Useful Sources

Trade fairs

Visiting or even participating in trade fairs is highly recommended as one of the most efficient methods of testing market receptivity, obtaining market information, and finding prospective business partners. The most relevant trade fair for exporters of bulk wine is:

- The World Bulk Wine Exhibition, Amsterdam. Make sure to book your exhibition space in time, as it is quickly sold out.

Tip:

- Visit the [World Bulk Wine Exhibition](#) in Amsterdam, not only to find buyers and build professional relationships with them, but also to learn about the latest trends and wine prices in leading European markets and about prices for bottling and storing in Europe compared to your country.



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