WINE MARKETS IN CENTRAL EUROPE[1]
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ABSTRACT

This paper analyses the tendencies of grapes growing, wine trading and wine price competitiveness in Central European region. Croatia is net exporter of wines, Hungary is net exporter of grapes and wines, and Austria, Slovakia, and Slovenia are net importers of grapes and wines. Reductions in vineyards and increase in yields are found for Austria, Hungary, and Slovakia. More stable developments in vineyards, but decline in yields, are found for Croatia and Slovenia. Grape production increases in Austria, remains stable in Croatia, explores annual oscillations in Hungary, and declines in Slovakia and Slovenia. Export-to-import wine prices deteriorate for Austria and Hungary with most recent stabilization and price similarity, which hold also for Slovakia. Slovenian export-to-import wine prices are unstable, while Croatia experiences a bit higher export than import wine prices. Wine marketing, wine brand image of quality, and wine tourism are seen as tools to improve competitiveness in the wine sector.

KEY WORDS: Grapes growing, wine trade, wine price, tourism, marketing

IZVLEČEK

Prispevek analizira gibanja v pridelavi grozdja, v trgovini z vini in cenovno konkurenčnost vin v srednje evropski regiji. Hrvaška je neto izvoznica vin. Madžarska je neto izvoznica grozdja in vin. Avstrija, Slovaška in Slovenija so neto uvoznice grozdja in vin. Zmanjšanje površin vinogradov in povečanje pridelkov grozdja po površini vinogradov je opazno v Avstriji, na Madžarskem in na Slovaškem. Bolj stabilen razvoj v površinah vinogradov je opazen za Hrvaško in Slovenijo, kjer pridelki grozdja po površini vinogradov kažejo tendenco zniževanja. Proizvodnja grozdja se je povečala v Avstriji, je ostala precej stabilna na Hrvaškem, kaže letna nihanja na Madžarskem in se je znižala na Slovaškem in v Sloveniji. Razmerje izvoznih do uvoznih cen vin se je znižalo za Avstrijo in Madžarsko z novejšo tendenco stabiliziranja in izenačevanja med izvozno in uvozno ceno, kar velja tudi za Slovaško. Razmerje med izvoznimi in uvoznimi cenami vin je precej nestabilno za Slovenijo. Hrvaška je dosegala nekoliko višje izvozne cene kot so bile cene za uvožena vina. Trženje vin, vrhunska kakovost in ugled blagovnih znamk vin ter vinski turizem so dejavniki, ki bi lahko izboljšali konkurenčnost vinskega sektorja.

KLJUČNE BESEDE: Pridelava grozdja, trgovina z vini, cene vin, turizem, trženje

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DETAILED ABSTRACT / PODROBEN IZVLEČEK

Članek analizira tendence pri pridelavi grozdja, v trgovini z vini in pri cenovni konkurenčnosti vin v srednje evropski regiji. Poudarek je na analizi trgov vin v Avstriji, na Madžarskem, na Hrvaškem, na Slovaškem in v Sloveniji. Kot začetek je na kratko prikazana teoretična in empirična literatura o proizvodnji vina, trgovini z vini, razvojem blagovnih znamk, trženjem vina, vinskimi regijami in razvojem vinskega turizma. V empiričnem delu uporabljamo FAOSTAT podatke, ki jih je možno najti na domači spletni strani Organizacije združenih narodov za prehrano in kmetijstvo (FAO) [3]. Empirični podatki o proizvodnji grozdja, o površinah vinogradov in hektarskih donosih so pridobljeni iz statistike proizvodnje. Empirični podatki o vrednosti in količini izvoza in uvoza vin pa so pridobljeni iz trgovinske statistike. Izvedene so tudi primerjave med izvoznimi in uvoznimi cenami vin. Rezultati analiz so prikazani grafično po posameznih analiziranih državah. Za vsako posamezno analizirano državo je izdelana posebna slika, ki je sestavljena iz treh delov. V zgornjem delu slike je prikazana raven proizvodnje grozdja, ki je pojasnjena s površinami vinogradov in pridelki grozdja po površini vinogradov. V srednjem delu je prikazana trgovinska bilanca z vini (izvoz minus uvoz), ki je posebej prikazana vrednostno in količinsko. V spodnjem delu pa so prikazane izvozne in uvozne cene vin ter njihovo razmerje po posameznih analiziranih letih. Rezultati analiz kažejo, da se proizvodnja vin in razvojne tendence pri trženju vin razlikujejo med posameznimi analiziranimi državami.

Povečanje proizvodnje grozdja v Avstriji je povezano z zniževanjem in najnovejšim okrevanjem v površinah vinogradov ter zlasti je povezano s povečanimi hektarskimi donosi. Trgovinski primanjkljaj je bil delno zmanjšan zaradi zmanjšanih količin uvoženih vin, medtem ko se je razmerje med izvoznimi in uvoznimi cenami vin za Avstrijo poslabšalo.

Proizvodnja grozdja na Madžarskem je nihala po posameznih letih ob kombiniranih učinkih zniževanja površin vinogradov, ki so se stabilizirali v novejših letih, in povečanja hektarskih donosov. Poslabšanje v trgovinski bilanci z vini je bilo povezano z močnim znižanjem razmerja med izvozno in uvozno ceno vin v začetni fazi tranzicije. V novejših letih je prišlo do večje stabilnosti v gibanju in podobnosti v velikosti med izvoznimi in uvoznimi cenami vin.

Za Hrvaško je opazno bolj stabilno gibanje proizvodnje grozdja in površin vinogradov ob rahlem znižanju hektarskih donosov, ki pa so se stabilizirali v zadnjih letih. Trgovinska bilanca za vina kaže na določeno poslabšanje, kljub nekoliko višjih izvoznih od uvoznih cen vin.

Na Slovaškem je opazno znižanje površin vinogradov ob rahlem povečanju hektarskih donosov. Proizvodnja grozdja se je znižala v začetni fazi tranzicije, vendar je prišlo do njenega rahlega okrevanja v zadnjih letih. Izvoz in uvoz vin sta bolj izenačena. Večja izenačenost pa velja tudi med velikostjo in gibanjih izvoznih in uvoznih cen vin.

Za Slovenijo po letu 1996 velja zniževanje hektarskih donosov in s tem tudi proizvodnje grozdja. V trgovini z vini je opazen premik iz neto uvoznice v neto izvoznico vin ob precej nestabilnem gibanju razmerja med izvoznimi in uvoznimi cenami vin.

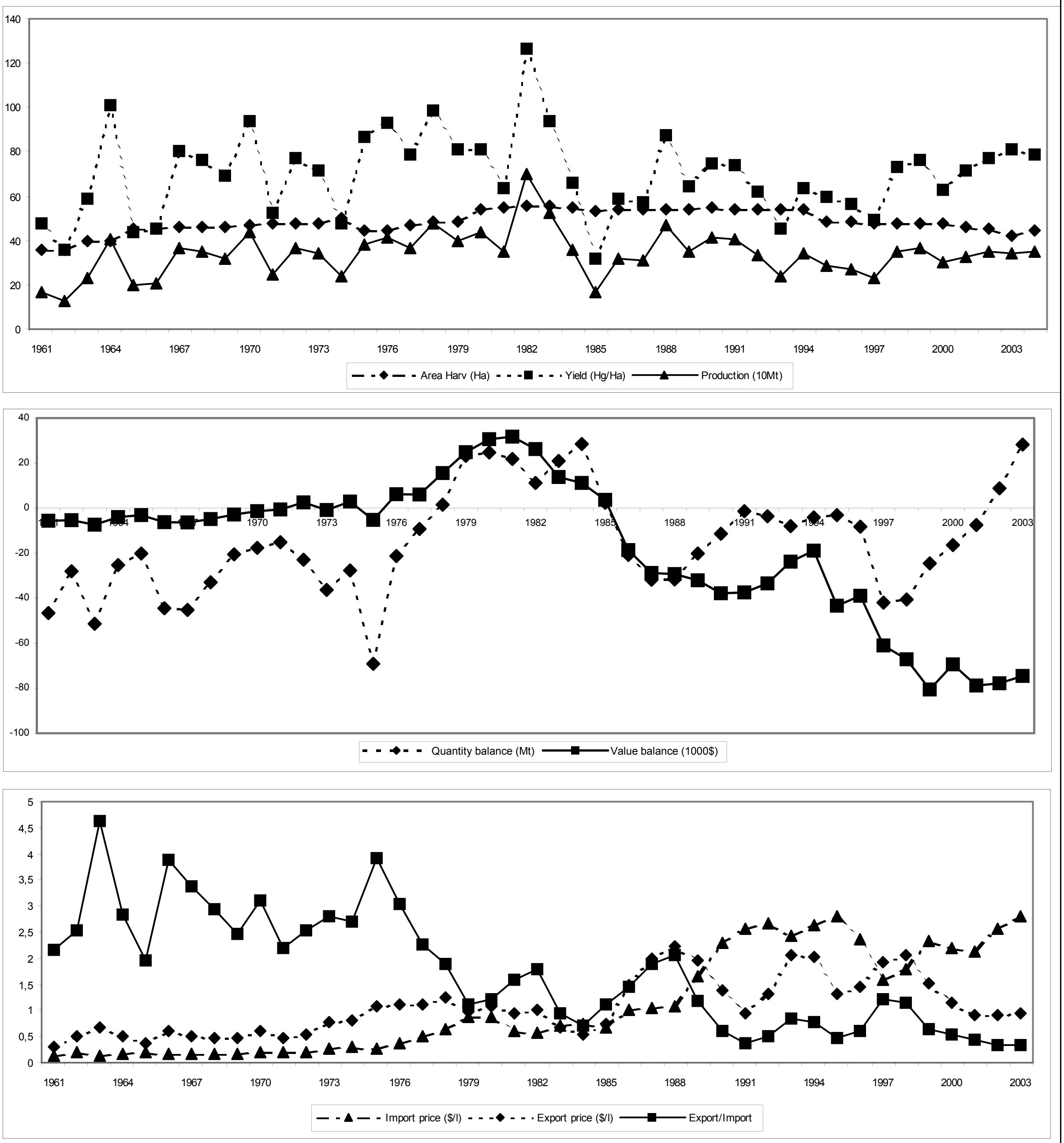
Izboljšave pri trženju vin (različne vrste prodaj in tržnih kanalov na veliko in drobno, preko različnih vrst trgovin in supermarketov, mednarodna trgovina in vinski turizem) in cene vin, ki so povezane s kakovostjo vin, promocijo in blagovnimi znamkami, so dejavniki, ki bi lahko prispevali k večji učinkovitosti v vinskem sektorju.

INTRODUCTION

In Central European wine-growing countries wine is a part of culture, cuisine and national proud of history of growing grapes and wine making for more centuries. The Celts grew wines, the Romans continued the good wine practices, and later the wine industry has developed from various ways producing wine in the region. Long tradition in wine production control and development of wine regions, varieties of grapes and wine brand names, and development of wine tourist destinations have been matching wine regions and food.

The importance of brand image is well established in literature and practices. The best-known wine regions with brand image can gain from higher market share, brand loyalty, and charge premium prices [1, 2]. They can also develop different tourist activities [4]. The international brand image of a region’s product is an important element for business efficiency.

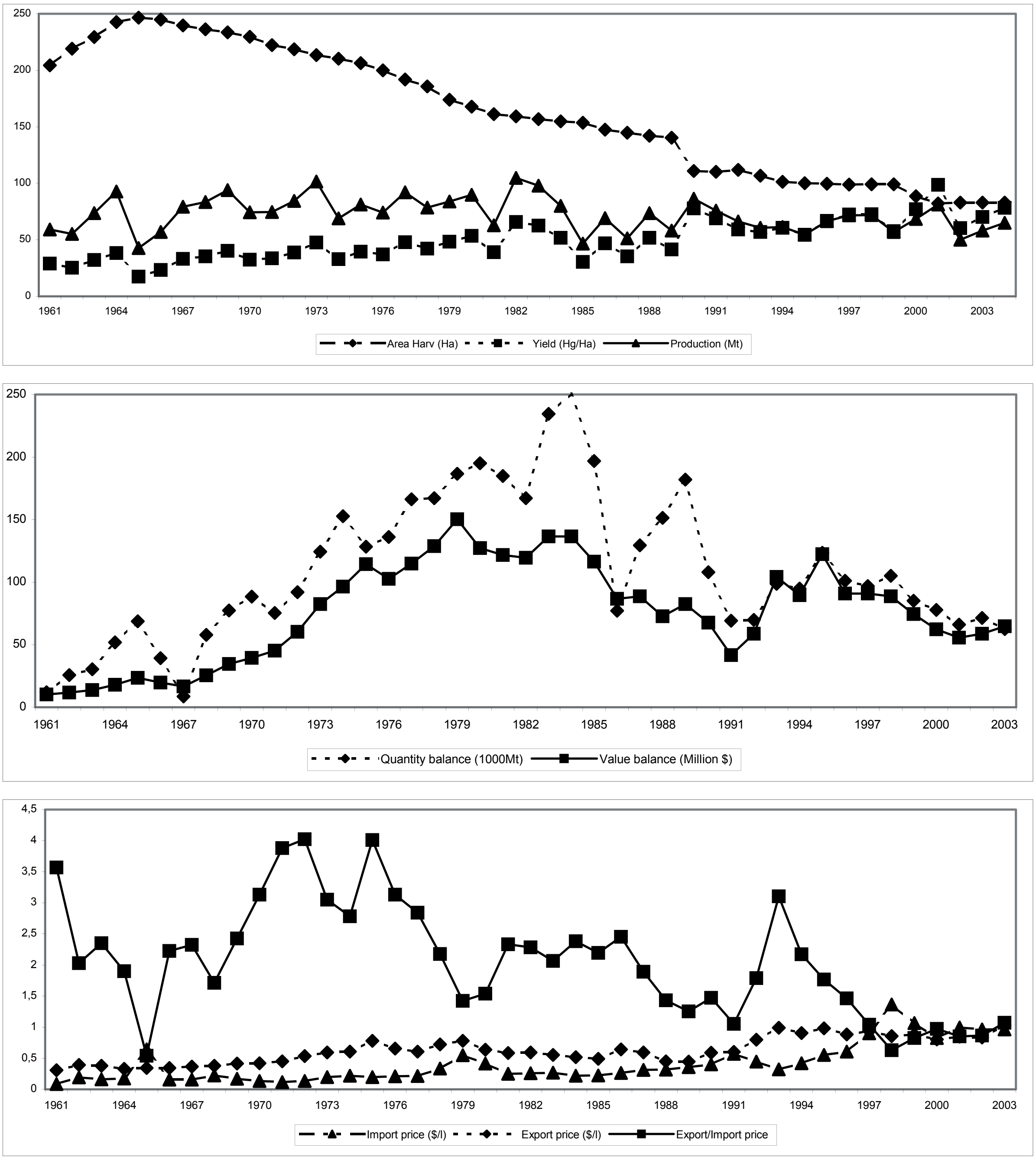
This paper in a comparative way analyses wine markets in Austria, Hungary, Croatia, Slovakia, and Slovenia focusing on grape production, wine trade, and international wine price competitiveness to derive policy implications for marketing, brand names and wine tourism development. Since brand attitudes represent a critical component of consumer decision making, the perception of a brand superior quality is an essential element in business development and selling successes. Brand development, advertisement and source of information for consumers about the product’s country image are important as well [7]. For domestic production and international wine marketing, quality in brand name wine making is an essential element that supported by advertising and promotion encourages opportunities for



Source: [3].

Figure 1. Grapes growing, wine trading and wine price competitiveness in international markets in Austria, 1961-2004

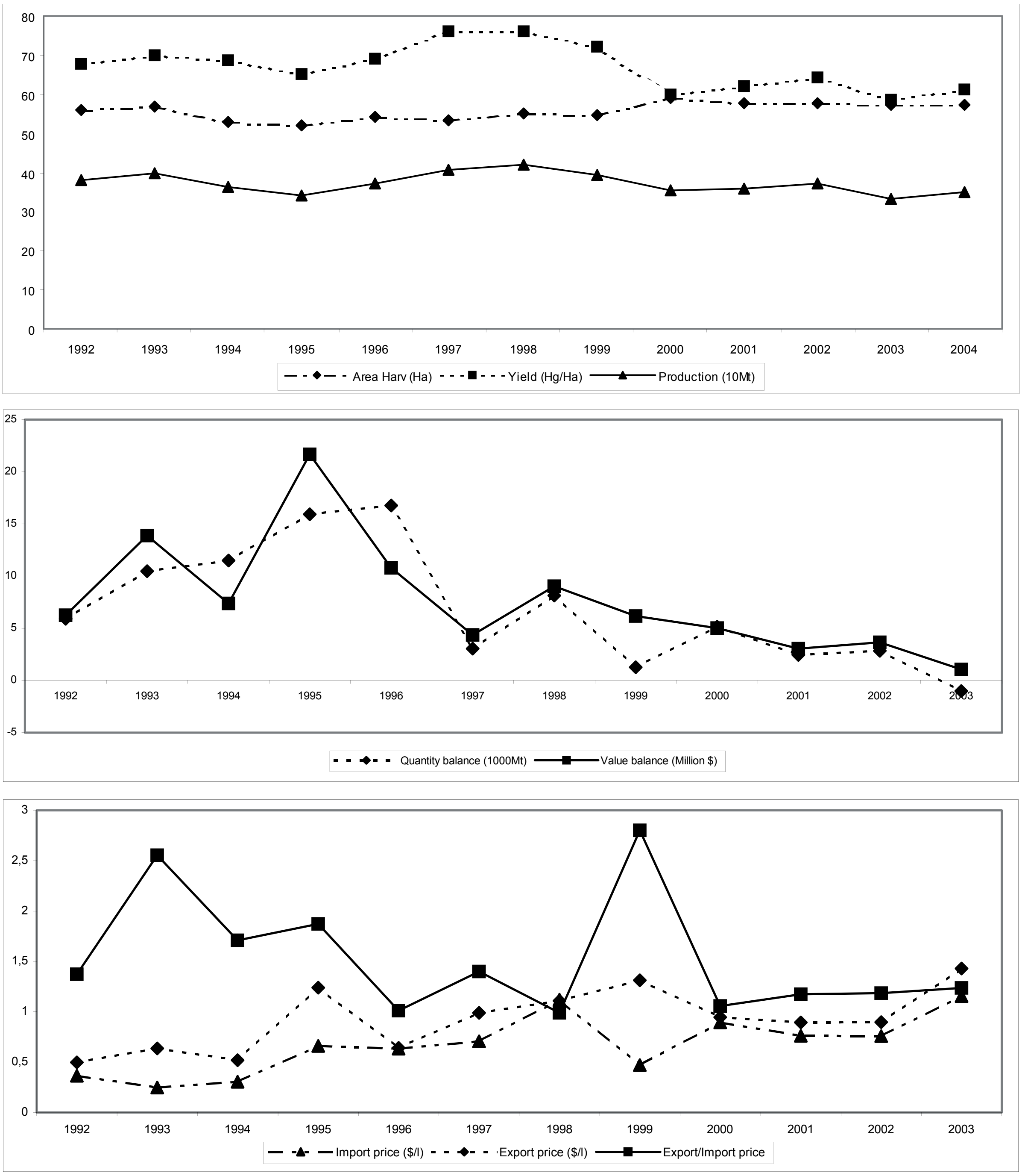
Slika 1. Pridelava grozdja, trgovina z vini in cenovna konkurenčnost vin v mednarodni menjavi v Avstriji, 1961-2004



Source: [3].

Figure 2. Grapes growing, wine trading and wine price competitiveness in international markets in Hungary, 1961-2004

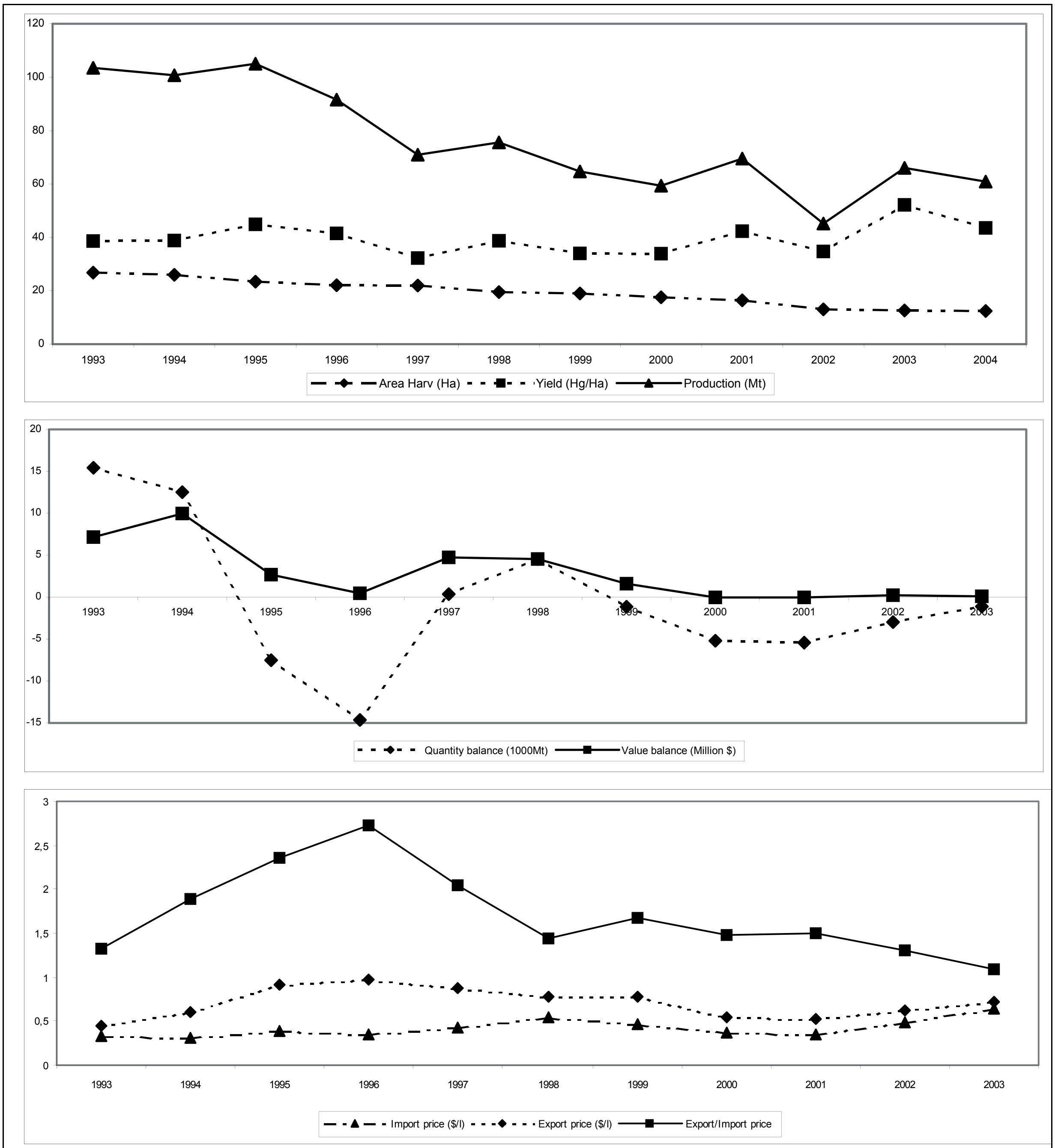
Slika 2. Pridelava grozdja, trgovina z vini in cenovna konkurenčnost vin v mednarodni menjavi na Madžarskem, 1961-2004



Source: [3].

Figure 3. Grapes growing, wine trading and wine price competitiveness in international markets in Croatia, 1992-2004

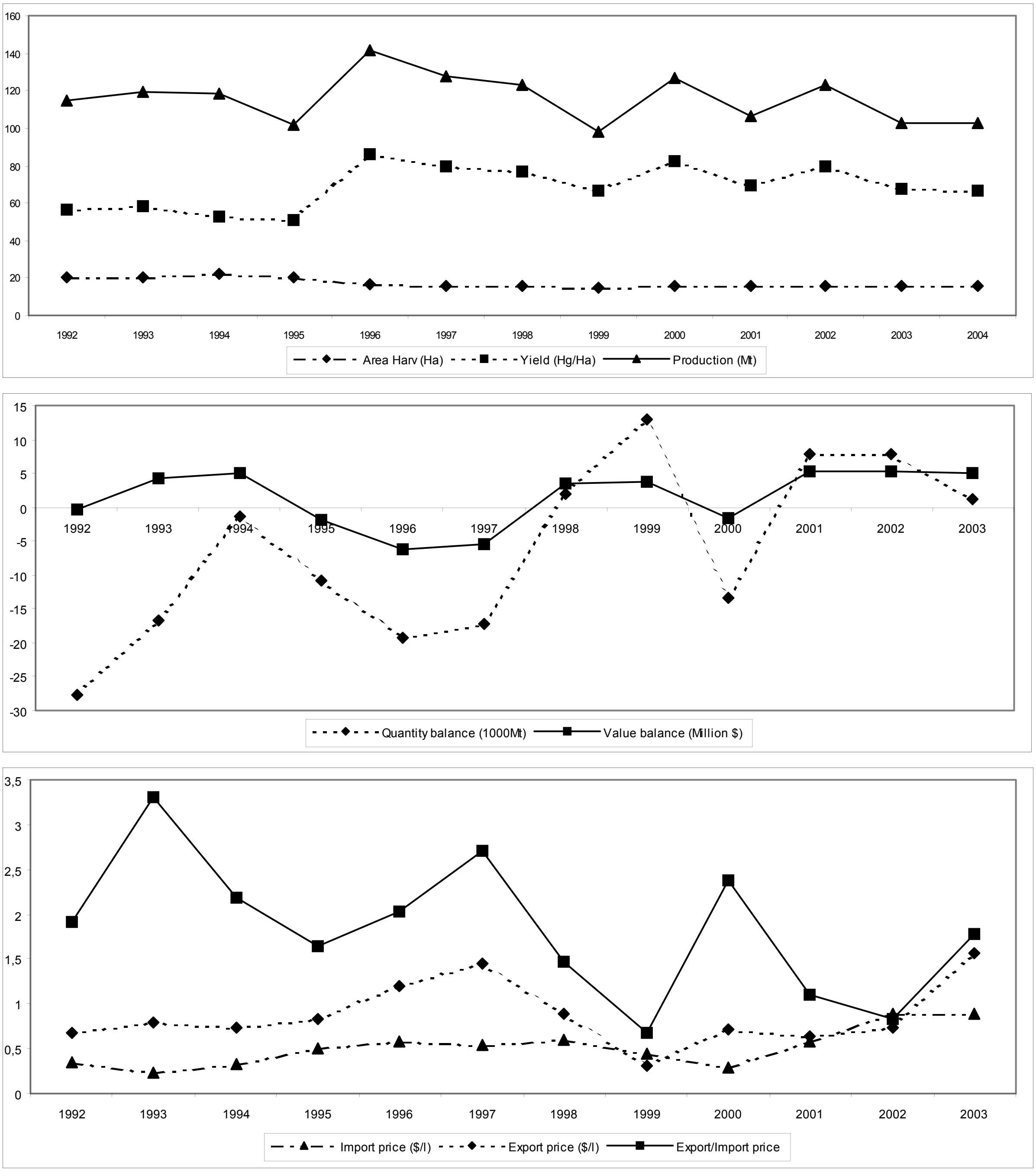
Slika 3. Pridelava grozdja, trgovina z vini in cenovna konkurenčnost vin v mednarodni menjavi na Hrvaškem, 1992-2004



Source: [3].

Figure 4. Grapes growing, wine trading and wine price competitiveness in international markets in Slovakia, 1993-2004

Slika 4. Pridelava grozdja, trgovina z vini in cenovna konkurenčnost vin v mednarodni menjavi na Slovaškem, 1993-2004



Source: [3].

Figure 5. Grapes growing, wine trading and wine price competitiveness in international markets in Slovenia, 1992-2004

Slika 5. Pridelava grozdja, trgovina z vini in cenovna konkurenčnost vin v mednarodni menjavi v Sloveniji, 1992-2004 competitive wine production in a diversify wine region development [5, 6]. We first present methodology and data used. After then we present empirical evidence on grape production and international trade in wines for Austria, Hungary, Croatia, Slovakia, and Slovenia. The final section provides conclusions.

METHODOLOGY AND DATA

The starting point is theoretical and empirical literature on wine production, wine trade, brand name development, wine marketing, wine region and wine tourism development. In the empirical part we use FAOSTAT data of Food and Agricultural Organization of the United Nations (FAO) [3]. On the basis of evidence on grape production, area under vineyards, and yields from production statistics, and on the basis of evidence on exports and imports of wine in quantity and value terms from trade statistics, we study main development trends and comparisons between the selected Central European countries as well as derive comparisons between unit export values and unit import values.

GRAPE PRODUCTION AND INTERNATIONAL TRADE IN WINES

Grape production depends on areas under vineyards and yields per unit of vineyard. We also investigate trade in wines to verify whether a certain country is a net importer or a net exporter of wines and whether a certain country exports higher or lower quality of wines than imports. The latter is measured by comparing export and import unit values/prices. Figures 1 to 6 present the empirical results of the analysis by the individual countries. The upper part of each figure presents the level of grape production over time as determinants of areas under vineyards and yields. The middle part of each figure presents wine trade balance (exports minus imports) in quantitative and value terms, while the bottom part of each figure presents export and import prices and their ratios over time.

Grape production in Austria is geographically situated in the northern and eastern parts of the country with prevailing continental climatic conditions with cold winters, and hot and dry summers with an Atlantic influence. Austria records declines in vineyards with most recent recovery (Figure 1). Some recovery in grape production is associated with an increase in yields. Austria is a net importer of wines. Recovery in exports is observed in quantity terms, less in value terms, suggesting deterioration in export-to-import wine prices.

Hungary promotes its wines as an essential element of culture and cuisine. The most important wine regions are the Tokaj Hill wine region, the wine region of Eger, the Kunság wine region, the Szekszárd wine region, the Somló wine region, the Sopron wine region, the Villány wine region, and the Badacsony wine region. The historic wine region of Tokaj is also put on a World Heritage site to protect the characteristic grape cultivation and wine making culture of this region. Hungary records considerable declines in vineyards, but with most recent stabilisation (Figure 2). At the same time yields increased, while grape production explores oscillations by individual years. Hungary is a net exporter of grapes and wines, but surplus in wine trade balance has deteriorated with some recovery during the most recent years. The rapid decline in export-to-import wine prices in the initial stage of transition is clearly depicted with the most recent stabilization and greater similarity between export and import wine prices.

Grape production on the present territory of Croatia has also a long tradition. Grape production is geographically situated along the Adriatic costs, on islands and along the valleys between the rivers Sava, Drava and Mura. Croatia experiences stability in vineyards and a slight reduction in yields, which have stabilized more recently (Figure 3). Nevertheless, grape production remains rather stable. The surplus in wine trade has deteriorated slightly, while a bit higher export than import wine prices remains.

Wine production in Slovakia is situated in the central and the southern parts of the country. The continental climatic conditions are mixed with an Atlantic influence as well as micro conditions of the Danube River. Slovakia experiences reductions in vineyards and a slight increase in yields (Figure 4). Grape production during the initial transition process declined, but there is some recovery during the most recent years. Trade in wines tends to be more balanced with greater similarities between export and import wine prices.

The Celts and the Romans grew grapes and produced wines on the present territories of Slovenia, where are currently three wine producing regions in the western kartstic and coastal districts of Primorska, then the Posavje wine region in the south-eastern part, and the Podravje wine region in the north-eastern parts of Slovenia. Slovenia experiences rather stable developments in vineyards (Figure 5). Since 1996 grape production has declined due to reductions in yields. Exports and imports of wines are approximately at similar levels, but relations between export and import wine prices are rather unstable.

CONCLUSIONS AND IMPLICATIONS

Wine markets in Austria, Hungary, Croatia, Slovakia, and Slovenia focusing on grape production, international trade in wines, export and import prices of wines have been analysed. Austria, Slovenia, and Slovakia are net importers of grapes and wines. Croatia is net importer of grapes, but net exporter of wines. Hungary is net exporter of grapes and wines. While the analysed countries are situated in similar climatic conditions, wine producing and wine marketing development patterns are diverging between the individual countries.

Austria records declines in vineyards with most recent recovery, associated with an increase in yields, which leads also to an increase in grape production. Trade deficit in wines is slightly reduced in quantity terms under deterioration in export-to-import wine prices.

Hungary records considerable declines in vineyards, which have stabilized most recently. Yields increased and grape production has explored oscillations by individual years. The deterioration in wine trade balance with some more recent recovery has been associated with the rapid decline in export-to-import price ratio during the initial stage of transition. There is the most recent stabilization and a greater similarity in the level and patterns of development between export and import wine prices.

Croatia has experienced stability in vineyards associated with slight reduction in yields, which stabilized more recently, while grape production has remained rather stable. Trade balance in wines has deteriorated slightly at a bit higher export-to-import wine prices.

Slovakia has experienced reductions in vineyards, a slight increase in yields, while grape production during the initial stage of transition declined with the most recent recovery. Trade in wines tends to be more balanced with a greater similarities between export and import wine prices.

Slovenia has experienced stability in vineyards, but since 1996, both yields and grape production have tended to decline. A slight improvement from deficit to surplus is recorded for wine trade at rather an unstable export-to-import wine price ratio.

Among potentials for improvements in the wine sector is wine marketing. Marketing channels for wine contain wine sales in wine cellars at wholesale and retail level, selling to larger retailers and supermarkets and international trade in wines. A certain amount of wine is used for household home consumption and a part of wine is marketed through wine tourism.

Wine prices seem to be associated to wine quality pertained to the brand name. The importance of wine brand image, brand attitude and perception of brand superior quality can be important for market share, brand loyalty of consumer decision making, and mark-up premium price formation, which can be established by a healthy business of a wine's product. The geographical wine origin with wine tradition is a crucial factor for the brand name as an indication of superior wine quality. The wine branding is particularly important in international trade, tourism and specifically wine tourism development [8, 9]. Brand development, advertisement attitudes and international business require adjustments towards consumers' perceptions, preference towards quality rather than quantity in wine consumption. Wine consumer brand advertisements and promotion can be an important element of market export strategy and for wine tourism development in certain wine regions.

Within the present comparative analysis, the topic of price competitiveness is a particularly challenging subject. This is also an issue for the future research work, in which a more sophisticated and coherent methodological framework could also be sought.

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