

RED WINE FUTURE?

If the small producer east of the Alps is known at all in international wine circles, it's for its fresh, fruity white wines. Yet changes in climate and consumer habits may be leading Austria to a future that's more red than white, explains Peter Moser.

With an annual production of just 2.5 million hectolitres, Austria is anything but a big player in global markets. While cultivation area continues to shrink moderately, the annual wine harvest is also decreasing by the year. This is not only due to the volatile weather conditions in recent years, but also to growing quality awareness among vintners, who have long since put quality ahead of quantity and are generating smaller and smaller yields per hectare. Were it not for Austria's booming tourism industry - winter tourism in particular is of vital importance for the economy - the country's wines would be largely unknown abroad. This is partly because the volume of wine produced each year, allowing for the normal annual fluctuations, more or less equals the amount consumed by the domestic market plus tourists. Yet although the volume of Austrian wine exported is still relatively insignificant, some progress has been made in recent years, which gives the most well-known producers international recognition, if not volume.

Previously, the focus was on exporting bulk wine. Over the last few years, efforts at exporting bottled wines have met with increasing success. While increases in bulk wine are still considered in years of large production, that was hardly the case in 2005 and 2006. On the other hand, exports of bottled wines more than doubled in the period 2000 to 2005, from 14.5 to 32.4 million litres. The record year for exports in the recent past was 2003, with a total of 83,432,000 litres, bulk and bottled, moved off shore.

Of far greater importance for the Austrian wine industry, however, is the sales revenue that has been generated with bottled wines in 2006 - approximately €66,000,000 compared with only €14,000,000 for bulk wine. In addition to this encouraging development in exports, Austrian wine has held its own on the domestic market. As in the past, the biggest sales are in the hotel, bar and restaurant sector, followed by home consumption through sales from the winery, food retailers and others. Around 84% of the wine sold in

restaurants is Austrian, compared to just 75% in the off-trade, though this figure is increasing slightly. Supermarket sales also continue to grow at the expense of direct sales from the winery. Put briefly, it would be fair to say that the domestic market is stable and that the export market has the potential to yield increased added value, despite the lower yields.

The most important export market for Austrian wine in terms of volume is neighbouring Germany, which is by far

Austria's most important trading partner. Although Germany accounts for some 69% of all exports, the average price of €1.70 per litre does little to boost domestic pride. Another key market in terms of volume is the Czech Republic, which represents 16% of total volume, but only 5% of export revenue as sales are built almost entirely on bulk wine. Another very promising market for quality Austrian wines is that of Switzerland and Liechtenstein, where sales are booming. With an average price of €7.30 per litre, they are extremely attractive propositions for Austrian wine producers. The only markets to yield better prices are Great Britain with €17.60 (but only approximately 2% of exports) and Japan with €9.70 (but less than 1% of exports). Demand for top Austrian wines is also healthy in the United States, which, with a 13% share of the exports and an average price of €5.30, is growing steadily in importance.

1	Benchmark Data	www.at
Inhabitants:		8.3 million
GDP:		€ 257 billion (US\$ 354b)
Currency:		€
Per capita wine consumption:		30 litres
Total wine consumption:		2.4 million hectolitres
Legal drinking age:		16
Vineyard area:		51.5 million hectares
Total production:		2.26 million hectolitres
Total exports:		54 million litres (2006)



Scaling down the vineyards

Some 40 different varieties of vine are permitted in Austria for the production of quality wines. According to the latest figures, just under 52,000 hectares were planted in 2006, although not all are yielding grapes. Since 1999, the vineyards growing white wine varieties, the majority of which is Grüner Veltliner that is planted on 16,854 hectares, have been scaled back to 35,287 hectares. By contrast, the vineyards planted with red wine varieties have increased by 4,330 hectares to 16,682 hectares over the same period, representing today almost a third of all Austrian vineyards. At

2 Harvest 2006									
AREA	WHITE			RED & ROSÉ			TOTAL		
	Vineyard area in ha	Yield in hectolitres		Vineyard area in ha	Yield in hectolitres		Vineyard area in ha	Yield in hectolitres	
		total	per ha		total	per ha		total	per ha
Burgenland	7,321	382,866	52.3	6,492	407,761	62.8	13,812	790,627	57.2
Neusiedlersee	4,518	232,097	51.4	2,906	152,272	52.4	7,424	384,368	51.8
Neusiedlersee ¹⁾	2,407	123,224	51.2	1,644	87,474	53.2	4,050	210,697	52.0
Mittelburgenland	203	16,457	81.2	1,732	155,203	89.6	1,935	171,660	88.7
Südburgenland	193	11,089	57.5	210	12,812	60.9	403	23,902	59.3
Niederösterreich	20,347	926,615	45.5	7,525	369,721	49.1	27,872	1,296,335	46.5
Thermenregion	1,173	49,415	42.1	982	40,619	41.4	2,154	90,035	41.8
Kremstal	1,746	65,543	37.5	562	26,586	47.3	2,308	92,129	39.9
Kamptal	2,776	106,731	38.4	819	38,638	47.2	3,595	145,369	40.4
Donauland	2,009	85,984	42.8	595	32,449	54.6	2,604	118,433	45.5
Traisental	553	21,001	38.0	148	7,503	50.6	701	28,504	40.7
Carnuntum	390	20,227	51.8	439	18,987	43.3	829	39,214	47.3
Wachau	1,051	44,300	42.1	221	11,016	49.9	1,272	55,316	43.5
Weinviertel	10,619	532,080	50.1	3,756	193,654	51.6	14,375	725,735	50.5
others	30	1,332	44.5	4	268	61.5	34	1,600	46.6
Steiermark	2,802	122,379	43.7	837	46,389	55.4	3,638	168,768	46.4
Südsteiermark	1,588	69,995	44.1	238	14,426	60.6	1,826	84,421	46.2
Weststeiermark	138	5,917	42.9	332	17,872	53.9	470	23,789	50.7
Südoststeiermark	1,076	46,467	43.2	267	14,090	52.7	1,343	60,557	45.1
Wien	289	13,548	46.9	86	4,988	57.8	375	18,536	49.4
Austria 2006	30,758	1,445,408	47.0	14,941	828,858	55.5	45,698	2,274,266	49.8
Austria 2005	30,758	1,449,730	47.1	14,941	813,714	54.5	45,698	2,263,444	49.5
Austria 0 2001-2005	32,027	1,691,598	52.8	13,319	839,259	63.0	45,346	2,530,857	55.8

3 Wine exports by type														
Export	2000		2001		2002		2003		2004		2005		2006 ¹⁾	
	1,000 Lt	1,000 €	1,000 Lt	1,000 €	1,000 Lt	1,000 €	1,000 Lt	1,000 €	1,000 Lt	1,000 €	1,000 Lt	1,000 €	1,000 Lt	1,000 €
Sparkling wine 1-3 bar ²⁾	747	2,478	965	3,650	840	3,226	1,132	3,780	1,297	3,039	1,812	4,223	3,349	6,306
bottled white < 2 litres	8,505	17,721	9,527	22,269	11,379	22,397	11,351	23,808	10,512	26,817	16,053	31,613	14,454	35,245
bottled red < 2 litres	5,240	12,332	6,066	14,703	7,277	18,116	10,236	23,413	15,613	34,534	14,546	30,459	10,845	27,913
total bottled wines	14,491	32,531	16,558	40,622	19,497	43,739	22,719	51,001	27,423	64,390	32,411	66,295	28,000	66,000
bulk wines	21,352	7,696	34,977	11,021	55,083	16,071	60,714	19,357	46,660	19,112	34,727	15,300	26,000	14,000
total wine	35,843	40,227	51,535	51,643	74,580	59,810	83,433	70,358	74,083	83,502	67,138	81,595	54,000	80,000

Table 3: ¹⁾ preliminary number, estimated by the Austrian Winemarketing ÖWM

REGIONAL ANALYSIS

4 Planting of grape varieties by colour in hectares

white	1999	2006	+/-	red	1999	2006	+/-
Grüner Veltliner	17,479	16,854	-625	Blauburger	884	1,009	125
Müller Thurgau	3,289	3,021	-268	Blauer Burgunder	409	607	198
Muskat-Ottonel	418	463	45	Blauer Portugieser	2,358	2,256	-102
Neuburger	1,094	1,002	-91	Blauer Wildbacher	464	460	-5
Sauvignon Blanc	314	687	373	Blaufränkisch	2,641	3,317	677
Scheurebe	529	508	-22	Cabernet Sauvignon	312	515	203
Weißer Burgunder ¹⁾	2,954	2,954	0	Merlot	112	535	423
Weißer Riesling	1,643	1,850	207	St. Laurent	415	797	382
Welschriesling	4,323	4,306	-17	Zweigelt	4,350	6,506	2,157
others white	4,119	3,641	-478	others red	408	680	272
total white	36,163	35,287	-876	total red	12,352	16,682	4,058

5 Average export price

Country	Price in €/Litre
UK	17.57
Japan	9.65
Switzerland ¹⁾	7.25
USA	5.30
Norway	4.70
Netherlands	3.88
Italy	3.36
Germany	1.70

Table 5: All producers eye the British market, which accounts for only 2% of exports. Similarly, Japan with a high average price, accounts for only 1% of exports.

6 Change in colour mix

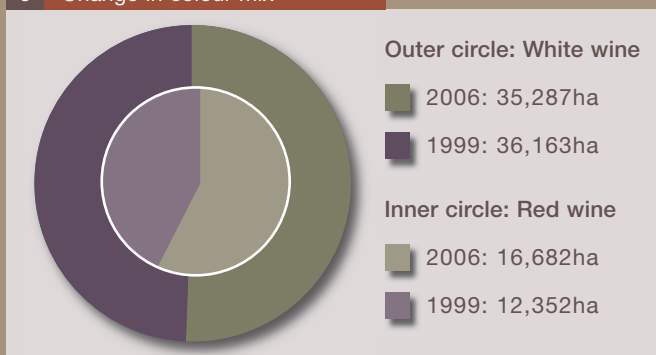


Table 4: As Peter Moser writes, white varieties have lost ground to reds since 1996. As it seems, though, a plateau has been reached and a light trend back to white varieties has begun to appear. Traditionally, there are only a few true red wine growing regions in Austria. On the other hand, there are many where white grapes bring better results.

Table 7: With 69% in volume and 55% in value, Germany remains the strongest market for Austrian wine abroad. While the Czech Republic, which for many years was Austria's second most important market, has now been surpassed in value by Switzerland and the United States, it is still importing more volume.

Table 7: % of total exports

7 Export 2000-2006

Country	2000		2001		2002		2003		2004		2005		2006		Share ¹⁾	
	1,000 l	1,000 €	1,000 l	1,000 €	1,000 l	1,000 €	1,000 l	1,000 €	1,000 l	1,000 €	1,000 l	1,000 €	1,000 l	1,000 €	Volume	Value
Germany	27,360	28,500	29,260	33,857	50,352	41,987	52,819	46,440	42,613	48,244	39,742	43,889	35,000	44,000	69%	55%
Switzerland	593	3,264	500	3,277	685	4,256	1,348	5,851	1,005	5,847	1,380	7,988	1,400	10,400	3%	13%
USA	281	2,057	326	4,272	439	3,618	636	3,942	877	4,877	988	5,673	1,300	7,100	3%	9%
Czech Republic	4,041	1,010	15,479	3,683	15,268	3,740	19,397	5,922	21,694	8,522	17,412	7,648	8,300	4,200	16%	5%
Netherlands	713	1,030	64	262	118	433	128	510	192	713	938	1,431	500	2,000	1%	3%
UK	51	354	66	598	24	313	40	553	85	1,317	126	1,182	110	1,900	< 1%	2%
Italy	143	448	174	571	5,074	1,761	2,771	1,566	2,187	6,130	2,983	6,856	820	1,800	2%	2%
Japan	94	525	104	632	103	627	108	669	140	1,185	109	958	100	900	< 1%	1%
Norway	37	219	19	170	23	159	90	255	148	533	121	431	230	840	< 1%	1%
Russia	-	-	1	14	4	18	9	86	8	66	151	365	-	-	-	-
total	35,844	40,227	51,536	50,709	74,579	59,811	83,432	70,358	74,083	83,502	67,139	81,596	51,000	80,000	-	-

COMMENT

»» Germany's leading wine estates see
Austria as the benchmark. ««

Sascha Speicher, deputy editor, Weinwirtschaft

While Austria has a reputation among German wine producers that is second to none, it hasn't done as well with consumers. Its best wines are appreciated and admired, thanks to ÖWM placing it in top restaurants. And Austria's elite wines are mostly sold on allocation, which will be tighter than ever this year, thanks to the low yielding 2006 vintage.

Prices for Austrian wines in the supermarkets and discount stores, on the other hand, are low, with Grüner Veltliner starting at €1.49 per litre. There are no signs of change ahead at this level. Only Lenz Moser and Winzer Krems have managed to stay away from the bottom, showing healthy growth in the middle price segment.



the forefront of this red wine boom are the two principal Austrian varieties, Blaufränkisch, with an increase of 676 hectares, and Blauer Zweigelt, a crossing of the indigenous varieties Blaufränkisch and St. Laurent, which has increased by 2,157 hectares since 1999.

In 2006, the ratio of white to red wine had reached 60:40. Compare this to the 1990 ratio of 80:20, or the 1970 ratio of 88:12, and the trend is clear. More red wine grapes are being planted and produced in Austria today than ever before. This development is due in no small part to changes in consumer taste. Today, Austrians drink as much red wine as white, and red wine has the upper hand in retail outlets, generating roughly 20% more sales revenue than its white counterpart. Austria's red wine enjoys a growing reputation domestically and rising demand abroad. Today, red wine accounts for half of bottled wine exports, compared with just a third in 2000. Exports of bottled red wine increased almost sixfold in the period 2000 to 2005 - from 5.24 to 30.46 million litres - while the white wine segment more or less doubled to 31.61 million litres.

Small-scale operations, very small structures

The Austrian wine-growing landscape is characterised by its extremely small structures. There are no fewer than 20,000 small operations covering some 51,000 hectares, many of which rely to a great extent on direct hand sales. By contrast, over half the overall vineyards are devoted to operations with more than five hectares of vineyards and that are potentially active exporters. Winemaking operations that can claim to be large by international standards, meaning over 200 hectares, are few and far between. While there were once

QUOTE UNQUOTE

»» The new DACs should reinforce the self confidence of producers in individual regions and offer both a clear identity and unique flavour profiles. ««



Josef Pröll, Minister of Agriculture, Austria

over fifty cooperatives, there are only a handful of vintners' cooperatives still active today. The most important of these is Winzer Krems, followed by white wine-producing cooperative Freie Weingärtner Wachau in Dürnstein. As regards red wine, the most influential cooperative organisations are Winzerkeller Neckenmarkt and Vereinte Winzer Horitschon, both in the Mittelburgenland area, and the cooperative in Andau on Lake Neusiedl. The largest private company is Lenz Moser AG in Rohrendorf. With some 60 employees, this company generates an annual turnover of €30 million; of the 16 million bottles produced, some 30% are exported. The name Lenz Moser has a brand awareness level of 90% in Austria.

However, the driving force behind the encouraging development of the Austrian wine market over the last 20 years are those family operations that are committed to quality production and whose products can now be found on wine lists all over the world. From the Riesling and Grüner Veltliner varieties produced by estates in the Wachau such as Hirtzberger, Knoll, F.X. Pichler or Bründlmayer from Langenlois, to name just a few of the hundreds of respected names, to the dessert wines produced by Alois Kracher in Illmitz, Austrian wines have now entered the international market from the top end. Giving credit where it is due, it is also thanks to the highly professional Austrian Wine Marketing Board that this quality-oriented marketing has always been given the support it requires and that Austrian wines enjoy a high profile among renowned wine journalists and sommeliers today.

Appellation marketing through DACs

The international wine market can often be treacherous terrain and it is scarcely advisable for a small country to arrive on the scene with tongue-twisting varieties such as "Grüner Veltliner" or "Blauer Zweigelt", which are then produced in a confusing variety of quality levels. When, in addition, their labels also cite locations that not even Austrian consumers can place, and when these wines come from a wide range of growing areas – some of which are just a few hundred hectares in size – then even the most enthusiastic wine lovers can be forgiven for getting cold feet.

In order to simplify the question of appellation, Austrian wineries are focusing more and more on marketing appellations than individual varieties. To this end, the term DAC, which stands for Districtus Austriae Controllatus (Controlled

QUOTE UNQUOTE

»» In just 20 years the Austrian producers have managed to focus international attention on their wines, in conversations, articles and on wine lists. ««



Willi Klinger, CEO ÖWM (AWMB)

District of Austria) was created, based on established models. Given the increasing industrialisation of the international wine industry, it is necessary for Austrian wines to have a clear positioning. Geographical appellations (DAC) are a key component in Austria's response to the industrialisation strategies of other countries. Here, the main focus is on soils, handwork and the origin of the wine.

Since 2002, Austria's growing areas have been able to market their own wines within the framework of a clear appellation system (DAC). The first to move forward was the large Weinviertel district with its Grüner Veltliner variety, a campaign that met with a high level of acceptance from customers. Today, the "Weinviertel" DAC can be found on all wine lists in Austria, and some 1.7 million bottles were produced by hundreds of small estates in 2006.

Mittelburgenland was the first Austrian red wine district to follow suit, presenting typical Blaufränkisch wines from the 2005 vintage onwards under the name "Mittelburgenland DAC". A more full-bodied variant bears the additional designation "Reserve". At the start, a total of 42 producers made some 800,000 bottles of Blaufränkisch, which conveys a clear appellation character as a Mittelburgenland DAC. So far, Traisental is the third of the sixteen Austrian wine-growing regions to have opted for the DAC for the Grüner Veltliner and Riesling varieties. It remains to be seen whether these measures will help to paint a clearer picture of Austrian wines on export markets or whether they simply add to the confusion.

Whatever the future holds, Austria will not be one of the high volume producers of the world. Willi Klinger, head of the Austrian Wine Marketing Board, is adamant that "small volumes and high quality" is the best approach to take.

"In Austria, it is all about identity and tradition first and foremost – but an innovative form of tradition that is not set in its ways," he said. "A second important and positive point is youth and dynamism. People are laid-back and very modern in spite of the traditional environment, whether this relates to the wine architecture or to the truly dynamic development of the country's young people." And just as Austria likes to see itself as the "delicatessen of Europe" when it comes to fine foods, it can also offer international wine lovers a selection ranging from young, fresh Veltliner and elegant, sweet Trockenbeereauslese wines to fruity Zweigelt or mineral Blaufränkisch varieties. ■