

ON THE GRAND DUKE'S TABLE

Although domestic wineries account for almost one in every three bottles sold, Abi Duhr knows that the wealth and thirst of the average consumer in Luxembourg make it an attractive market for producers everywhere.

The wine market in Luxembourg, although small, profits from several anomalies. First, it descends from a very old tradition of viticulture on the Mosel valley adjacent to Germany. Second, 40 % of its residents are foreigners, with more than 7,000 bureaucrats of various European institutions having their headquarters here. Third, its wealthy population has a buying power that is the envy of neighbouring markets. Indeed, at \$87,995 (€60,500) per year its nominal gross domestic product per capita is the highest in the world. Lastly, more than 100,000 people, or 20% of the population, pass the border every day on their way to work.

In addition, the taxes on wine, spirits, petrol and tobacco are considerably lower than in neighbour countries. Neither wines nor sparklers are levied with excise taxes or duties and value added taxes are only 12% for wines with less than 13% alcohol.

As these high rolling consumers mainly drink wines with meals, they are generally looking for quality. French wines are by far the most popular, and all

1 Benchmark Data	www.lu
Inhabitants:	480,000
GDP nominal:	€27.9b (\$40.6b)
Currency:	€
Per head consumption:	56.2 litres
Total consumption:	25.7m litres
Vineyard area (2006):	1,237 hectares
Total production (2006):	12.4m litres
Legal drinking age:	18
Market share imported wine:	70%



its prestigious brands can be found here, but distributors are also trying to satisfy the habits of the numerous Portuguese (65,000) and Italian (19,000) residents

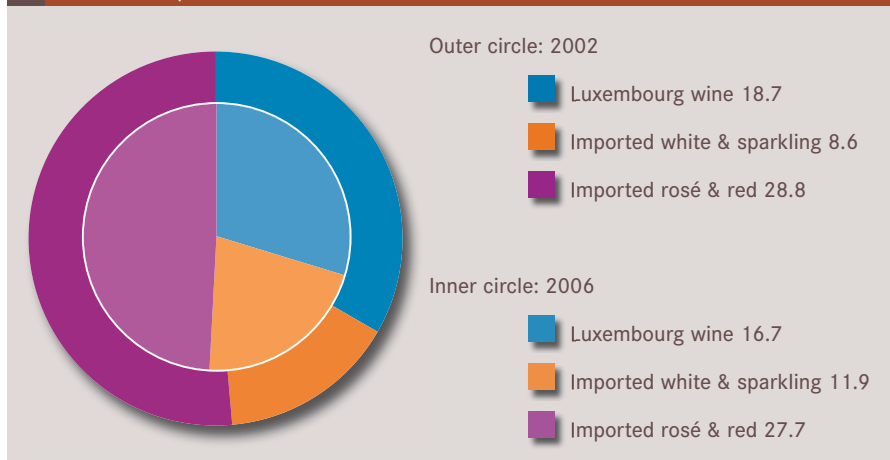
who almost exclusively drink wines from their own countries.

Distribution

Luxembourg has domestic 60 wineries that produce almost one third of what the country consumes. Most importing is handled by about 30 companies, many of whom also sell to private consumers. Supermarket distribution is dominated, in order, by the Cactus group, Cora-Match, Delhaize and Auchan, while the vibrant on-trade sector counts some 200 hotels and more than 1,000 restaurants and cafés. Not bad for a country with only 480,000 inhabitants. Not to be underestimated are some 200 petrol stations throughout Luxembourg, many of which are open 24 hours a day, selling not only fuel and tobacco, but also baguettes, cheese and wine.

The Spring Fair of Luxembourg (www.luxexpo.lu) remains an important event, where almost all domestic producers and wine merchants are present to show their products. For some, this exhibition makes up a quarter of their annual turnover. At the end of the

2 Wine sales per inhabitant in litres



As domestic wine, which is mainly white, accounts for about one third of local consumption, imported wine is predominately red.

3 Wine in Luxembourg

	2003	2006
Number of wineries	60	60
Producing area (ha)	1,251	1,237
Average yield (hl/ha)	98	100
Total production (hl)	123,085	123,652
Export volume (hl)	62,134	61,391
Import volume (hl)	263,486	239,033
Consumption per head	56.1 litres	56.2 litres

year, the local body promoting domestic wines also organises an important wine fair (www.vins-cremants.lu) at the Knuedler in the city centre.

Most popular import: France

France dominates the wine market, accounting for roughly one in every three bottles sold. With a total value almost €50m (\$72.9m), tiny Luxembourg ranks sixteenth on the French export charts, outpacing countries one hundred times its size. The classical regions of Bordeaux, the Rhône and Burgundy have the most pull, but retailers see large fluctuations from one year to the next as consumers tend to cherry pick the finer vintages. Given their high income, local consumers have a lot to celebrate, which probably explains why bubbles account for a quarter of the value and more than 10% of the volume of imported wines, with Champagne being a favourite.

Domestic wine

Luxembourg has just one appellation, Moselle luxembourgeoise, which is granted to practically every wine, both still and sparkling. Luxembourg's quality ratings are not awarded for geographical differences and the influence of soil and climate. The law considers that the best sites should automatically produce the finest wines, which, in theory, is true. Thus, varieties such as Auxerrois, Riesling and Gewürztraminer are ranked as Vin Classé, 1er Cru or Grand Premier

COMMENT

Wines and spirits represent about 20% of our annual €750,000,000 in turnover. A recent analysis our sales showed that, although there is a wide swing in the varietal mix, the percentage of domestic wine sales are stable. French wines are in slight progression. Interestingly, a two week campaign this fall Italian, Spanish, Portuguese and New World wines sold between €3 and €13 brought in an impressive 50% increase in sales.



Philippe Bourtembourg is wine buyer for the Cactus group, the country's largest supermarket chain.

Cru based on the scores the wines get at the annual official blind tasting.

Vin Classé, at the bottom of the pyramid, is not very unpopular, either in Luxembourg or abroad. While Premier Cru does not have a much better image domestically, it is enjoyed by German and Belgian consumers, where its similarity to Burgundian first growths makes it appealing. The Grand Premier Cru, on the other hand, are so popular nationally that few are available for export. ■

4	Wine imports in '000 litres		
Country	1990	2000	2006
France	9,070	8,923	8,062
Belgium	950	5,550	5,621
Italy	3,529	3,576	3,462
Portugal	1,426	2,467	2,859
Germany	3,387	1,751	1,904
Spain	384	1,693	1,665
Other	182	826	330
Total	18,927	24,784	23,903

As imports from Belgium have mostly only passed through on their way from either France and Italy, those two countries dominate the market, but imports from Portugal have doubled and from Spanish quadrupled over the past five years.

Key Player: Cactus	
Cactus-Resuma, Rte des 3 Cantons, L-8399 Windhof	
Phone: +352 39 71 21-1, Fax: +352 39 91 79	
www.cactus.lu	
Turnover:	€750m
Wine's share:	20%
Bottles sold:	6m
Wine Buyer:	Bourtembourg Philippe
Employees:	2,400

The Cactus group, which was founded in 1974 by the Leesch family, is the dominant wine presence in the Luxembourg with 2 hypermarkets, 10 supermarkets and 5 supérettes. Its wine selection boasts more than 1,600 references, of half are French, a quarter from Luxembourg and 5% each from Italy, Spain and Portugal. Most of the French wines are imported directly.