

# REACHING FOR MODERNITY

Although Croatia has an ancient wine history, its current industry is struggling to come out from under its communist legacy. But, finds Zeljko Suhadolnik, the country has a lot to recommend it, including its indigenous varieties.

Croatia, sitting at Europe's crossroads between the Mediterranean, Central Europe and the Baltic, is geographically in the right place for wine. But while the country has had vineyards since before the Romans arrived, and has produced notable ex-pat winemakers like Mike Grigic in California and Nikola Nobile of New Zealand, Croatia's path to a viable industry has not been a smooth one. In the past couple of decades, the country has faced a war of independence and the subsequent collapse of Yugoslavia, among other difficulties.

But today the economy is growing fast, thanks in no small part to a tourist industry that attracted more than 10m visitors in 2006 alone and which has the potential to boost the emerging wine industry. At the same time, sustained economic growth means there's more money to spend on international wines.

## Consumption snapshot

According to the latest figures from the Ministry of Agriculture, Forest and Water Resources, Croatia imported 145,473 hectolitres of wine in 2005. Although official figures aren't yet available, consumption appears to be close to three cases per person and rising.

Croatians are happy to drink wines from both the New and Old Worlds. At both the lower (under €5/\$7.20) and medium (€5-10) price points, Croatians are choosing wines from Australia and Chile, as well as some from Argentina and South Africa. The attraction of New World wines is that they are technically better made, and of a generally higher quality than most of the local wines in the same price categories. Top shelf wines from European producers like Gaja and Antinori, and from well-known regions like Champagne, Burgundy and Bordeaux, are also appearing on wine store shelves—with the emphasis on being well known. While Croatia's consumption has increased in recent years, the population remains relatively unsophisticated about wine and so those wealthy enough to afford fine wine prefer to trust famous labels. Small amounts of ultra-premium wines from France and Italy are also imported directly to the cellars of private collectors and elite restaurants.

At the other end of the scale are bulk wines from Macedonia, which are bottled in Croatia and sold cheaply.

Cheap wines also come from Bosnia Herzegovina, as well as from Italy, Spain and France.

Croatia does export, though in smaller amounts than it imports, and the figures are dropping. In 2005, 29,500 hectolitres left the country, which was 44% less than the year before. Croatia has a quota agreement with the European Union that allows it to export 58,000 hl of wine per year without attracting duty. In turn it has to allow 8,000 hl of wine to

be imported duty free from the EU. This arrangement was devised to allow Croatia to build an export industry, a situation it is still to take full advantage of.

## Croatia's wine regions

Croatia is divided into two major regions: coastal and continental. The inland region, Kontinentalna Hrvatska extends from the north west border with Slovenia and Hungary along southern Hungary to the Serbian border on the Danube River in the east. The coastal region, Primorska Hrvatska, runs from the Istria peninsula on the north, along the Adriatic coast through to Dubrovnik in the south, and which includes islands and the coastal inland. Both of these regions are divided into smaller districts, resulting in more than 300 geographically-defined wine producing areas.

1	Benchmark Data	www.hr
Inhabitants:		4.5m
GDP:		\$60.38b
Currency:	Kuna	1HRK = \$0.20/€0.14
Hectares under vine:		40,000-57,000 (estimate)
Production:		1-2m hectolitres (estimate)
Consumption per head:		approx. 25 litres
Legal drinking age:		18



## Production

White wines, which mainly come from the inland areas, account for two thirds of Croatia's production, while the coastal region produces the majority of reds. As you will see from the list of significant grape varieties below, Croatia boasts a large number of indigenous grapes:

1. Grasevina (pronounced 'Grashevina'), also known as Welsh or Italian Riesling. Far and away the most planted variety, Grasevina has been extremely popular.
2. Plavac mali, or 'little blue', an important red variety descended from a wild Zinfandel and Dobricic cross. As Croatians embrace the global trend towards red, this has become prominent.
3. Malvasia Istriana, white
4. Plavina, red

Any wines offered for sale must display a government mark, the markica (pronounced markitza). Markicas are issued to around 70% of wine produced, suggesting that the other 30% is either produced for private consumption, or sold on the black market.

In international terms, Croatian wines are expensive, especially when their quality is considered, and achieve domestic prices that would not be possible on the export market. This is largely because Croatians will mostly consume wines with well-known names, which means these producers can charge shelf prices ranging from €15 to €30, while less well known wines languish on the shelves. And Croatian producers rarely travel to see what other nations are doing, giving them less incentive to raise their own wine quality. As more well priced, well made wines come into the country, particularly from New World producers such as Chile, this may put pressure on local producers.

### Industry structure

Altogether there are 14,462 vigneron and wine producers, though the majority are grape growers who sell their fruit to wineries. Around 80% of vineyards are in the hands of private individuals. According to market research company Hendall, based in Zagreb, there are approximately 1000 wine producers in Croatia, producing around 1200 different labels under the appellation controllee system. Of the total wine producers, about 20 are big wine houses, 30 are old-fashioned co-operatives and another 50 are family-run wine estates producing more than 500 hectolitres of wine per year. A challenge for the big houses, once state owned but now in private hands, is to modernise their cellars and improve wine quality, in the face of merciless market competition. It's a battle, because their quality is still not as good as that of the most renowned of the individual producers.

Part of the problem is a way of thinking that's a hangover from socialist times, which is not flexible enough to make the major changes that may be necessary. Another issue is that some of the new owners come from unrelated industries like petroleum; they are not refined wine connoisseurs themselves and do not understand the needs of wine consumers.

The largest wine producers are:

1. Roto-promet group, Zagreb
2. Agrokor group, Zagreb
3. Badel 1862, a Zagreb producer of both wine and spirits, which has several estates and wineries throughout the country
4. Kutjevac podrumi d.d., Kutjevo, Slavonia
5. Dalmacijavino, Split, with several wineries through Dalmatia

There are also several significant wineries run by individuals or families, including Ivan Enjingi and Vlado Krauthaker in Kutjevo, a town in the ancient Roman Vallis Aurea ('golden valley') in central Slavonia. Also of note is Zlatan Plenkovic, located on the island of Hvar.

There are two main wine organisations. The first is the Croatia-vino, made up of the big wineries, most of which began life as state-owned enterprises. The second is the Vinum

### COMMENT

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*Petar Budimir of Budimir, German importer*

Each year at the end of harvest the Dalmatian vintners gather together for the Sabatina. Usually held on the last week in October in a fine hotel somewhere in the coastal region, it's a good opportunity to discuss winemaking and marketing opportunities, and to see the latest barrels, equipment and accessories. For many, the equipment is of particular interest, as many wineries along the coast are in need of an upgrade.

It's also the occasion to present awards. In 2006, the award for best trader in export went to Petar Budimir, who imports around 800,000 bottles of wine to Germany. Meininger's asked him what the prospects are for Croatian wine in both Germany and the EU.

"I import mostly the 0.75L bottles in different price ranges, but also some quantities of 1L bottles of cheaper wine," he said. "The opportunity to increase exports exists, especially now that some Croatian wine producers are offering really high quality bottles."

Budimir explains that until recently, Croatian sales people targeted only Croatian shop owners and restaurateurs in Germany. He argues that now Croatia is producing better quality wines, it would be a good time to engage the attention of German wine lovers, including those looking for premium wines. But there are obstacles: Croatia not only lacks recognisable wine brands, but also a government agency or producers' association that's capable of promoting Croatian wines to a wider audience.

"We all know that marketing is extremely important today," said Budimir. "Marketing requires a huge investment, but the burden is falling on particular producers who want to sell abroad and to us, the importers."

Croaticum, made up of individuals or producers that are privately owned. Neither organisation has shown much entrepreneurial spirit as far as promoting Croatian wine either at home or abroad. Croatia has no state-established or run agency organisation to promote wine or wine regions, which means Croatian wines lack a voice.

Solving all of these problems will be a challenge. But as Croatia's natural beauty and heritage encourages a thriving tourism industry, and as Croatian producers learn to take advantage of their continental and Mediterranean climates, and are exposed to both international wines, the industry will evolve. It's definitely a country to watch. ■

