

UP BY THE BOOT HEEL DOING THE ITALIAN JOB

Italy is a patchwork of the world's most diverse microclimates, unusual soils, exciting scenery and anarchic producers. Few doubt that it produces, in small volumes, many of the world's finest wines; but it is also a land where unity, strategy and brands are still taboo, adds Michèle Shah.

Italy's wine culture goes back as far as the Etruscans, yet it is only in the last quarter century that it has made leaps and bounds in quality winemaking. Even as far back as forty years ago, when Italy was still pre-dominantly an agricultural land, wine was produced more in quantity than quality and consumed as part of the daily staple diet.

Over the last two decades, Italy's winemakers have been filled by boundless optimism. New estates, new wines, and new money have been invested in emerging areas, not to mention the continuous improvements in wines already on the market. Various factors have contributed to what has been a remarkable improvement in quality, spurred on by financial success in sales. A new generation of dynamic winemakers has combined inherited know-how with technical innovation, clonal research and scientific vineyard management.

"The research has been critical to quality improvement," stresses wine-maker and consultant Carlo Ferrini. "Italy, however, still needs to carry out more scientific work. We need an authority in viticulture, like Bordeaux University in France. Research here is more or less left to the individual producer, who must carry out his own massal and clonal studies."

The most important changes have come from the greater class found in Italy's traditional wines led by the classic reds of Piedmont and Tuscany, and the elegant whites of Friuli. Today these regions are still looked upon as innovators of quality. More recently a new surge from the south led by Sicily, followed by Campania and Abruzzi with Puglia and Sardinia close behind, are seen as dynamic forward regions, their sun-blessed Mediterranean climate yielding fruit-forward wines able to relate quality to quantity and maintain lower prices, producing well-structured wines that can compete successfully with the growing category of New World styles.

Yet this surge of enthusiasm now inevitably calls for restraint and realism. The so-called international varieties Chardonnay, Cabernet, Merlot, Syrah and Sauvignon Blanc have staked an important place in the vineyards. Even more significant achievements have come from the many native varieties that yield wines of unique and inimitable taste, personality and style; but there are risks. While blends of the two

have given rise to some fascinating wines of great class, the number of international and indigenous combinations seems endless. No one can blame Italy's winemakers for wanting to exploit the possibilities to the full, but the country is near the point where it explodes from an abundance of wines, drowning the spectator in a sea of names.

The past 20 years

In the last twenty years total wine production in Italy has gone from 77 million hectolitres in 1996 to 49 million in 2006. A generation ago it accounted for 20% of global production; today that number is 17%. Of that volume 60% is red and 40% white, with cooperatives accounting for half of the total.

In 1980, 900,000 grape growers cultivated an average of 0.7 hectares; today that number has decreased to 500,000 with an average of 1.5 hectares. According to Giuseppe Martelli, president of the Assenologi, the Associazione

Enologi Enotecnici Italiani, within the next ten years it is likely that there will be a greater consolidation among smaller producers. He foresees an average of 4 hectares per unit accompanied by the according drop in the number of growers.

Italy's annual production is bottled by about 250,000 registered estates or companies. Of these only 20% export a minimum of 100 cases per year. Due to fragmentation in size and portfolio, most struggle to reach a critical mass for exports. The remaining 80% is sold nationally and more often regionally.

In value the total production of Italy today equates to 10 billion Euros, of which 3 billion Euros come from exports.

1	Benchmark Data	www.it
Inhabitants:		58.7 million
GDP:		€1.668 trillion
Currency:		Euro (€)
Per capita wine consumption:		53 litres
Total wine consumption:		31 million hectolitres
Legal drinking age:		16
Vineyard area:		792,000 hectares
Total production:		50 million hectolitres
Imports:		1.8 million hectolitres



ITALY'S TOP 10 WINE COMPANIES

<p>1 GIV (Gruppo Italiano Vini Spa) Turnover: 285m €</p> <p>Villa Belvedere, 37010 Calmasino (Verona) Phone: +39 054 6269600, Fax +39 054 7235772, www.giv.it, com@giv.it</p> <p>Fluctuation between 2004-2005: +9.5% N° of bottles: 70m; Export percentage: 68% Main export markets: 7; 19; 20; 3 Managing director: Emilio Pedron Export managers: Roberto Baciocchi, Stefano Puppini, Alexander Hofer Main brands: Folonari, Lamberti, Melini, Fontana Candida, Rapitalà, Serristori, Santi</p> <p>GIV is a consolidated company with 14 wineries in 7 growing regions. It is also Italy's largest producer and exporter of Italian wines. With a well-established company structure, GIV is able to plan new investments in both emerging areas and established prime vineyards areas. It also provides logistics, marketing, a sales organisation and administrative support to all its products.</p>	<p>6 Gruppo Mezzacorona Turnover: 105m €</p> <p>Via del Teroldego 1, 38016 Mezzacorona (Trentino) Phone: +39 0461 616399, Fax +39 0461 605695, www.cittadelladelvino.it, info@mezzacorona.it</p> <p>Fluctuation between 2004-2005: -4.2% N° of bottles: 26; Export percentage: 70% Main export markets: 3; 6; 12; 16; 18; 19 Managing director: Claudio Rizzoli Export manager: Elena Pasquazzo, Salvatore Ricciardi, Alberto Lusini Main brands: Mezzacorona, Rotari, Feudo Arancio</p> <p>Mezzacorona is a private cooperative plus corporation subsidiaries with 1,500 growers and a total of 2,500 hectares of vines spread over Trentino, Alto Adige in addition to 1,000 hectares in Sicily. Mezzacorona supervises the entire production process from the vineyards to the bottle and produces a range of internationally recognized brands.</p>
<p>2 Cavit S.C. Turnover: 172.1m €¹⁾</p> <p>Via del ponte di ravina 31, 38040 Trento Phone: +39 0461 381711, Fax: +39 0461 912700, cavit@cavit.it</p> <p>Fluctuation between 2004-2005: +6.6% N° of bottles: 60m; Export percentage: 80 Main export markets: 3; 5; 7-10; 19; 20 Managing director: Giacinto Giacomini Export manager: Claudio Gambarotto, Europe & Max Giacomini, USA Main brands: I Masi Trentini, Bottega Vinai, Mastri Vernacoli, Sanvigilio, Pricipato, Lunetta</p> <p>Cavit is a co-operative producer representing more than 4,500 growers and over 7,000 hectares of quality vineyards. Via its growers, CAVIT handles approximately 70% of the total wine production in Trentino, where it continues to bring an outward-looking dynamism to a traditional winemaking area. High-end products from selected vineyards to typical Trentino wines for large distribution.</p>	<p>7 Flli Gancia & C Spa Turnover: 99.4m €</p> <p>Corso Libertà 66, Canelli Asti 14053 Phone: +39 0141 8301, Fax: +39 0141 835341, www.gancai.it, infogancia@gancia.it</p> <p>Fluctuation between 2004-2005: +2.6% N° of bottles: 30m; Export percentage: 25% Main export markets: 2; 5; 6; 10; 14; 15; 18; 20 Managing director: Giuseppe Bottero Export manager: Angelo Morando & Mauro Suani Main brands: Gancia, Pinot di Pinot, Conte di Cavour, Cantine Gancia, Capocroce, Tenute dei Vallarone, Rivera Wines, Mirafiore</p> <p>Gancia was founded in 1850 by Carlo Gancia, the inventor of the Italian first spumante (1865) in sweet and dry from the moscato grape now called Asti spumante. Gancia is a leading company in some categories of sparkling wines. Today it specialises in the production of still estate wines, sparkling wines and aperitifs.</p>
<p>3 Caviro Sca Turnover: 298m €²⁾</p> <p>Via Convertite 12, 48018 Faenza RA Phone: +39 0546 629111, Fax: +39 0546 720531, www.caviro.it, caviro@caviro.it</p> <p>Fluctuation between 2005-2006: +9.5% for total Caviro group, +2% for wine division N° of bottles: 171 Export percentage: 10% of wine division Main export markets: 7; 10; 19 Managing director: Sergio Dagnino Export manager: Cesarini Sforza Filippo Main brands: Tavernello, VoloRosso</p> <p>Caviro is one of Italy's largest wine cooperatives representing 33,000 members with vineyard surface spread over 42,000 hectares. In 1983 the company launched the Tavernello brand in Tetra Brik®, today one of Italy's leading supermarket brands, with a production of 100 million litres, sold to 30% of Italian wine-buying families. International brand distribution includes VoloRosso.</p>	<p>8 Fratelli Martini Secondo Luigi S.P.A. Turnover: 99m €</p> <p>Località San Bovo - Via Statale 26, 12054 Cossano Belbo (CN) Phone: +39 0141 837211, Fax: +39 0141 837205, www.fratellimartini.it, info@fratellimartini.it</p> <p>Fluctuation between 2004-2005: -2.6% N° of bottles: 50m Export percentage: 90% Main export markets: 7; 19; 20 President: Gianni Martini Export manager: Tino Vergano Main brands: Canti, Sant'Orsola, Collezione Marchesini, Il Cortigiano</p> <p>Fratelli Martini, one of the top 3 Italian private companies in the wine and sparkling wines sector, can count on extensive bottling and storage facilities, long term supply contracts with its farmers and annual sales of more than 6 millions cases to support its ambitious plans for Canti, now the first Italian wine brand in UK and ready to conquer the US where it will be launch in the first months of 2007.</p>
<p>4 Gruppo Marchesi Antinori Turnover: 115.4m €</p> <p>Piazza Antinori 3, 50123 Firenze - Italia Phone: +39 055 23 595, Fax +39 055 2359877, antinori@antinori.it, www.antinori.it</p> <p>Fluctuation between 2004-2005: +6.8% N° of bottles: 18m Export percentage: 58.2% Main export markets: 3; 7; 18; 19; 20 Managing director: Renzo Cotarella Export manager: Stefano Leone Main brands: Villa Antinori, Tignanello, Solaia</p> <p>Marchesi Antinori is one of Italy's largest family owned companies with 1.838 hectares of vineyard spread mainly over Tuscany and more recently in Umbria, Lombardy, Puglia, Hungary, Washington State, Chile and Malta. Antinori was one of the key wine producing companies that contributed to the innovation of Italian viticulture in the early 1960s.</p>	<p>9 Cantine Cooperative Riunite Soc.Agr. Turnover: 83,9m €</p> <p>Via Brodolini, 24, 42040 Campegine (RE) Phone: +39 0522 905711, fax: +39 0522 905777, www.riunite.it, comita@riunite.it</p> <p>Fluctuation between 2004-2005: -0.8% N° of bottles: 68m Export percentage: 42 Main export markets: 7; 11; 12; 15; 16; 20 Managing directors: Mr Vanni Lusetti Export Managers: Mrs Elena Lottici, Mr Giuseppe Di Gioia Main brands: Cantine Riunite, Cantine Maschio</p> <p>Founded in 1950 from nine separate cooperatives, which united under one umbrella, Cantine Cooperative Riunite is able to ensure investment in modern winemaking techniques for quality production focusing on Italian and international markets. Today Riunite supervises 1,080 growers over 1,800 hectares and five wineries.</p>
<p>5 Giordano Vini Turnover: 115.25m €</p> <p>Ferdinando Giordano S.p.A, Via Cane Guido 47 bis- 50, 12050 Valle Talloria di Diano d'Alba (CN) Phone: +39 0173 239111, www.giordanovini.it, ordini@giordanovini.it</p> <p>Fluctuation between 2004-2005: +13.5% No of bottles (in millions): 30.5m Export percentage: 40% Main export markets: 1; 3; 4; 7; 8; 10; 18-20 Vice chairman: Gianni Giordano Export manager: Marco Rabellino Main brands: Giordano, Cantine del Borgo Reale, Accademia Selezione Vini d'Italia</p> <p>Italy's largest Piedmontese wine mail order service with two million clients. Their strategy focuses on good quality. International exports are world-wide with a new range Eventi which is an unusual 'cativating' packaging of 8 wines (3 white, 1 rosé and 4 red).</p>	<p>10 Casa Vinicola Zonin Turnover: 74m €</p> <p>Via Borgolecco, 9, 36053 Gambellara (VI) Phone: +39 0444 640 111, Fax +39 0444 640 201, www.zonin.it, info@zonin.it</p> <p>Fluctuation between 2004-2005: +8% N° of bottles: 26m Export percentage: 40% Main export markets: 7; 20 Managing director: Gianni Zonin Export manager: Massimo Tuzzi Main brands: Castello D'Albola, Feudo Principi di Buttera, Tenuta Ca' Bolani</p> <p>One of Italy's largest family owned estates, established in 1821, today with 2,000 hectares of vines planted over seven Italian regions, including 10 estates in Italy and one on the East coast in Virginia, USA. In order to satisfy demand Zonin buys in up to 40% of their production in grapes.</p>

¹⁾Jun 05 May 06; applies to Cavit only; ²⁾Wine 164.8 million ☒

REGIONAL ANALYSIS

2 Export by Country in Value (in 1,000 €)

Country	1998	1999	2000	2001	2002	2003	2004	2005
USA	377,047	447,405	543,018	611,603	718,594	710,145	740,182	770,180
Germany	690,344	749,461	754,994	762,945	755,063	705,560	717,129	705,971
UK	226,477	236,930	239,767	264,254	287,207	295,063	320,471	379,239
Switzerland	122,404	136,185	137,982	167,459	172,789	174,834	192,216	184,182
Canada	73,340	82,898	105,722	113,314	126,691	127,265	140,502	147,809
Japan	149,426	89,116	100,828	112,604	115,780	110,162	104,422	94,503
France	116,861	170,770	136,782	110,809	92,052	75,247	78,719	84,198
Austria	66,739	50,359	55,574	64,049	70,548	65,611	71,885	67,470
Denmark	32,447	37,097	45,885	50,432	60,135	59,605	70,841	80,012
Sweden	30,207	33,246	41,539	50,951	66,993	63,719	58,437	58,880
Holland	42,794	48,583	45,477	50,835	57,596	52,267	56,633	63,331
others	228,121	257,804	264,267	249,801	261,988	261,262	296,008	350,259
Total export	2,156,207	2,339,854	2,471,835	2,609,056	2,785,436	2,700,740	2,847,445	2,986,034

SOURCE: ISMEA/ISTAT/ICE, 2007

3 Export by Country in Volume (in Hectolitres)

Country	1998	1999	2000	2001	2002	2003	2004	2005
Germany	5,509,556	6,356,465	6,201,051	5,562,228	5,669,680	4,786,185	5,156,472	5,683,159
USA	1,387,023	1,494,959	1,628,983	1,785,916	2,003,281	2,032,955	2,090,225	2,237,129
UK	1,320,976	1,358,300	1,363,600	1,389,625	1,647,604	1,558,167	1,709,687	2,225,485
France	2,587,087	4,203,746	3,426,931	2,517,984	1,847,730	983,350	1,026,944	1,204,418
Switzerland	500,258	571,941	577,392	600,548	611,396	545,763	616,735	608,015
Canada	336,952	357,697	402,305	404,584	444,698	446,191	488,778	482,692
Austria	399,921	312,255	340,435	366,224	376,690	335,054	381,541	422,533
Japan	528,243	284,507	318,301	355,234	355,204	303,290	292,505	272,190
Holland	274,495	280,358	287,380	294,286	286,336	266,225	272,719	296,945
Denmark	434,411	153,734	197,293	222,928	237,164	223,490	235,704	266,395
Sweden	178,818	190,496	224,448	260,440	328,398	289,549	234,609	235,169
others	2,112,545	3,093,034	2,671,744	295,644	1,985,848	1,512,428	1,617,165	2,140,111
Total export	15,570,283	18,657,492	17,639,864	15,855,639	15,794,031	13,282,647	14,123,082	16,074,241

SOURCE: ISMEA/ISTAT/ICE, 2007

4 Value vs Volume in Exports and Imports (1994-2005)

Year	Thousands of hectolitres			Thousands of Euros		
	export	import	balance	export	import	balance
1994	17,232	251	16,980	1,397,487	110,625	1,286,863
1995	17,778	289	17,488	1,714,324	136,988	1,577,336
1996	13,939	292	13,647	1,755,479	121,274	1,634,205
1997	14,319	1,153	13,166	1,880,763	152,892	1,727,871
1998	15,570	1,072	14,499	2,156,208	180,760	1,975,448
1999	18,657	623	18,035	2,340,066	188,720	2,151,346
2000	17,640	623	17,017	2,471,835	205,308	2,266,527
2001	15,856	728	15,128	2,609,056	182,491	2,426,565
2002	15,794	1,075	14,719	2,785,436	216,074	2,569,362
2003	13,283	1,613	11,670	2,700,740	240,282	2,460,458
2004	14,123	1,786	12,337	2,847,445	253,200	2,594,245
2005	16,074	1,875	14,199	2,986,034	279,425	2,706,609

SOURCE: ISMEA/ISTAT/ICE, 2007

According to Italy's Assenologi, Italy's winemaking equipment alone is worth an additional 2 billion euros.

More significantly, over the past fifteen years Italy has lost some 178,000 hectares of vineyard, equal to the current vineyard area of Sicily and Piedmont. Over the past generation, the decline paints an even bleaker picture. In 1980, Italy's vineyards covered 1,230,000 hectares, in 1990 they fell to 970,000 and today they stand at 792,000, a drop of 35% over the productive life of a single vine. After the record crops of the early 1980s that contributed to what was known as Europe's "wine lake", it became necessary - given the market's inability to regulate itself and southern Europe's tradition of relying on government for solutions - to curtail production by banning the planting of new vineyards and paying premiums to growers to uproot old vines.

In order to drain this vast lake, the European Union has regularly issued Italy, France and Spain with a 'distillation crisis' permit to turn millions of hectolitres of unwanted wine into unneeded alcohol. In 2006, Italy was allocated a permit to distil 2.6 million hectolitres of table wine - the equivalent of Austria's annual production - with 56.7 million Euros of taxpayers' money. According to Martelli, the Assenologi have actively given their support to the wine regulation that the European agricultural commission recently proposed to the European Union requesting the abolition of distillation in all member countries, which would automatically regulate production yields.

Regions, Varieties and Appellations

Italy is by far the most complex, yet at the same time, perhaps the richest and most exciting wine producing country in the world. The sheer diversity of its wines stems from 350 registered indigenous grape varieties, spread over twenty regions of production, each with their individual styles, unique soils and microclimates. With this vast plethora, Italy is in a position to offer the consumer not only something different, but also to reverse the growing trend of the globalization and standardization of wine. Whether that is what the market wants, remains to be seen.

The other side of the coin is that such a variety of wines from so many sources does not assist effective marketing and can be confusing to the consumer. Italy's wine panorama is, to say the least, incomprehensible and awesome to the consumer. The market sector is led by its hundreds of appellations with their individual grape varieties. Today, where trademarks lead most markets, Italy has virtually no real brand to speak of - and few in Italy have shown any true desire to create one.

The country's classified wines are designated *Denominazione di Origine Controllata e Garantita* (DOCG), *Denominazione di Origine Controllata* (DOC) or and *Indicazione Geografica Tipica* (IGT). To summarize, there are 30 approved DOCGs, 307 DOC zones and 117 IGTs in Italy. In some cases the DOC classification refers to the vineyards of an entire region; in other instances it refers only to a few

COMMENT

»» We need better wines that offer better values. ««

Brian Larky, USA

Italian wines in the States have an exceptional past and a strong future driven primarily by America's on-going love affair with Italy and continuing interest in Italian food and restaurants. However, having said this, the US is swimming in wines from all over the world - and we have our domestic production. America is the land of iPods and channel surfing, a fickle public with Attention Deficit Disorder, far removed from Italy. It is a difficult market to address and yet key to any winery's distribution strategy. We don't need more wine from Italy or anywhere else, we need better wines that offer better values.

Brian Larky, once winemaker for Ca' del Bosco, is the owner and director of Dalla Terra, an American agent for Italian wines based in California.



COMMENT

»» Italian wines have gained ground in the British market. ««

David Gleave MW, UK

Over the past decade Italian wines have gained ground in the British market, where there is now a much greater acceptance that Italy and quality can go together. This works well in the restaurants and the independent off-trade. However, in the multiple retail trade, where the bulk of sales take place, the fragmented nature of the Italian offering, and the lack of any 'hard' brands apart from pinot grigio, will continue to limit the potential that Italy has for growth.

David Gleave MW is the managing director of Liberty Wines, a leading importer of the United Kingdom.



selected sites. While many of these denominations are famous worldwide, others are hardly known, even in their place of origin. And while DOC(G) wines continue to increase in number, only a minority of the country's total production is classed in this, theoretically at least, cream-of-the-crop category. Today, ever more producers of high-quality wine opt out, preferring to market some or all of their range under the more liberal, but theoretically "lesser", IGT designation, which classifies wines from larger geographical areas and

REGIONAL ANALYSIS

from varieties that are not covered under a single or even any DOC or DOCG. Still, the latter have come a long way. In the 1980s the total DOC(G) production amounted to 12% and Vino da Tavola 88%. Today DOC(G) averages 29%, IGT 27% and Vino da Tavola 44%.

At risk of repeating the obvious, and as elsewhere in Europe, it is the name of the producer rather than the appellation which guarantees quality. Unfortunately, again, as elsewhere in Europe, there are very few strong brands, so that consumers looking for good Italian wines have to do a fair bit of homework. For most, by default, the appellation has become the brand.

Italy's brands

Italy has some fairly big companies, but it has few big global brands. There are, of course, wines like Tavernello, packaged for supermarket distribution in Italy, and Santa Margherita, which is almost synonymous with Pinot Grigio in the States, but these are the exceptions to the rule. Perversely, world famous names such as Antinori and Frescobaldi, which are seen as brands - though far from best-selling brands - in England or Japan, seem to prefer not to be considered as such. Antinori is far less overtly branded than Duboeuf or Torres and no modern Italian label in Anglo-Saxon markets currently compares with such once ubiquitous names as Riunite Lambrusco. There are hopes, however, that Canti, which is doing well in the UK, will achieve similar success in the US in 2007.

Market Threats

Most would agree that the appellation system, which was set up in the 60s and has been modified on several occasions since, including the introduction of DOCG and IGT, still needs to be further reviewed and simplified. Although as it

COMMENT

» It is the strong brands that will win the day. «

Ian Ford, China

Italy has not done a very good job of promoting itself in the past years in China. Most importers here simply list Italian wines, in some cases many, many brands, and hope that the pure volume of labels will result in orders and sales. Summergate has been working with Antinori and Allegrini, and more recently Livio Felluga, with tasting events, education, public relations and quality consumer promotions to achieve that goal and we like the results that we are starting to see. China is a brand-conscious market, and it is the strong brands that will win the day.



Englishman Ian Ford is the founder and managing director of Summergate, one of the first major importers to attempt to sell Italian wine in the daunting Chinese market.

stands it may protect some areas of production, it certainly hinders communication.

“Although France and Spain have just as many individual appellations, Italy has a number of what I call UFOs or ‘paper’ appellations - which only exist on paper for political reasons,” states Martelli. Assenologi have ‘denounced’ to the Ministry of Agriculture a number of DOC appellations - at least 20% to 30% of the total, which in their view need to be abolished. This would be an initial step in eliminating some of the confusion in order to highlight those appellations which deserve recognition.

5 Italian Production by Region in '000s of Hectolitres

Region	1995	2004	2005	Region	1995	2004	2005
1. Puglia	10,035	7,782	8,181	12. Lombardy	1,438	1,360	993
2. Sicily	10,391	7,106	7,661	13. Sardinia	698	693	943
3. Veneto	5,953	8,825	7,075	14. Umbria	969	966	862
4. Emilia-Romagna	6,002	6,915	6,082	15. Trentino	591	790	727
5. Abruzzo	3,856	3,689	3,227	16. Calabria	968	613	497
6. Piedmont	2,709	2,938	2,937	17. Basilicata	532	473	341
7. Tuscany	2,808	2,540	2,533	18. Trento-Alto Adige	362	387	324
8. Lazio	3,207	3,733	2,243	19. Molise	377	310	295
9. Campania	2,115	2,013	1,784	20. Liguria	131	169	87
10. Friuli-Giulia	1,086	1,152	1,143	21. Valle d'Aosta	28	27	18
11. Marches	1,946	1,609	1,123	Italy Total	56,201	54,088	49,074

SOURCE: ISMEA-ISTAT I.L. CORRERE VINICOLA, 2006

Another obstacle in Italy, particularly when it comes to communication, is a complex labelling system that some producers make even more confusing with odd colours, trademarks, coats of arms and their consortium seal. Generic communication is yet another sore point, which should be easier to solve. More than any country, Italy needs an institute to effectively communicate and promote its history, culture and diversity of production. Ostensibly this role falls under the responsibility of the *Istituto Commercio Estero* (ICE), the government's office for External Commercial Relations, but little is actually done. The office has a reputation among importers and producers of being at best absent or ineffectual, but at times even damaging, to the image of Italian wine.

"We need an institute which can support and assist with export strategies. Italy's main problem is its fragmentation. Until Italy can communicate its wine as a unified force we are at a disadvantage," says Ettore Nicoletto, export manager of Gruppo Santa Margherita.

Instead, communication has been left largely to the individual companies. Recently, however, some of the more progressive wine grower associations, such as the Chanti Classico, Brunello and Prosecco Consortia, the Alto Atige Chamber of Commerce and Trentino Spa, have begun to stage tasting events and promote their producers and wines with annual regularity to export markets in different countries. Moreover, aided by Vinitaly's recent trade fairs in China and India, exports are slowly beginning to show a positive trend.

Among the success stories have been pinot grigios, such as those from Santa Margherita and Ecco Domani, whose sales have exploded in recent years. In Great Britain, for example, sales of pinot grigio have tripled to 2.1 million cases in just three years. For some observers, however, the brand pinot grigio is vulnerable to competition. This variety, which is generally associated with Italy, is already being produced

COMMENT

>> Currently Italian wines are growing at 40 percent. <<

Aman Dhall, India



Italian wines continue to grow, led by a strong demand from premium on trade Italian restaurants across Delhi, Mumbai and Bangalore. Currently the industry is growing at approximately 30%, but Italian wines are growing at 40%. At present the 5 to 7 Euro per bottle ex cellar price points are ideal for the premium on-trade, which represents more than 50% of consumption.

Aman Dhall is the owner and managing director of Brindco, one of India's top importers.

elsewhere. Not only in Hungary and Slovenia, for example, but also in Oregon and New Zealand, and when sold under an Italian-sounding name these wines create confusion. While this probably would not necessarily affect most consumers, many of whom would neither notice nor care where their pinot grigio came from, cynics respond that Italian producers are already taking advantage of consumer carelessness - by labeling and exporting genuinely Italian trebbiano as pinot grigio.

On the subject of global warming and its effects on viticulture, Assenologi's President Martelli warns of the seasonal changes and its irregularities which could in the long-term affect the quality and the growth cycle of the vine. "If we look at the climatic conditions in Italy over the past few years, with above normal temperatures in spring and

6 Main Export Markets

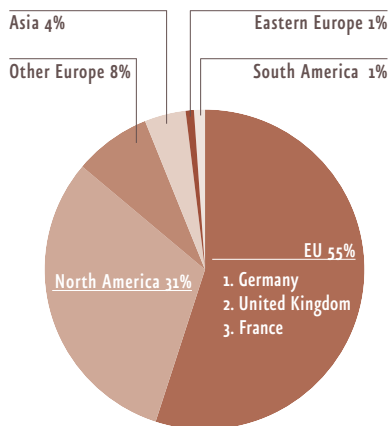
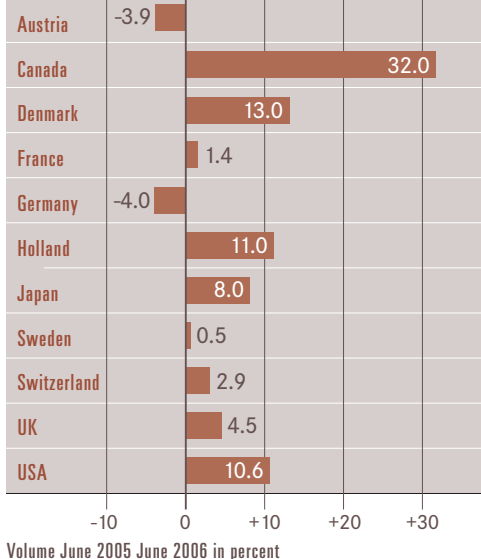


Table 6 shows that more than half of all Italian wine is still exported to other EU countries. USA and Canada are growing faster. In Asia Japan accounts for the lion's share.

7 Changes in major Export Markets



8 Grape Plantings

Varietal	Hectares
Trebbiano	96,000
Sangiovese	86,000
Catarratto	76,000
Malvasia	50,000
Barbera	47,000
Merlot	32,000
Montepulciano	31,000
Negroamaro	30,000
Primitivo	17,000
Nero d'Avola	14,000

Although they are Italy's most successful branded varieties, prosecco and pinot grigio are missing from the top 10

SOURCE: ICE, 2006

bizarre weather conditions in August and September, both months which are fundamental to the natural cycle of the fruit, there are questions that need to be asked.” Indeed, should average temperatures rise by another one to two degrees centigrade, as some forecasts predict, the warmer Italian regions will be hard pressed to adapt and even the cooler regions may need to rethink their varietal mix.

Market Trends

“Lifestyles are changing rapidly throughout the world, consequently, so is the production of wine,” comments Andrea Sartori, president of Unione Italiana Vini, editor of *Corriere Vinicolo*, and managing director of the Sartori Veneto wine company. “Wine is a commodity which needs, without forgetting its ancient roots, to adapt its profile to fit in with the ‘lifestyle’ of the present era.”

Perversely, Italy’s strength and weakness lie in the same factor. The diversity which wine enthusiasts find so exciting is a handicap when dealing with overseas’ consumers who are looking for simplicity. However, there is no denying the overall improvement in quality in recent years and the willingness of consumers to follow the encouragement of influential wine journalists to try new products. Within Italy, there has also been a successful promotional focus on regional wines and food.

Tastes in Italy are changing, too. According to Renzo Cotarella, the phase of powerful, anonymous, pumped-up muscular wines or soft, flabby, sweet wines is no longer in vogue. “Today’s Italian consumer is looking for a wine that is not overly concentrated and that expresses the personality of its growing region. It is important to use our ‘diversity’ as a point of difference, yet at the same time produce wines which please the consumer,” says Cotarella. Whether his views reflect trends in North America is rather less certain.

COMMENT

Italy has surpassed France on the red wine sales statistics

Arne Ronold MW, Norway



Italian wines are increasingly successful on the Norwegian market. Sales by volume are more than six times higher today than ten years ago, and while France is still the overall market leader, Italy has surpassed it on the red wine sales statistics during the first six months of 2006. As sales of Italian white, rosé and sparkling wines are also increasing, the market share for Italian wines in Norway is now approaching 20%. And it is not just the inexpensive Italian wines that sell. Yes, even if Puglia is by far the leading region in terms of volume, and Rosso Salento dominates the list of best-selling Italian brands, the fact that Tuscany and Piedmont are doing increasingly well is a clear indication that premium Italian wines are also attractive to the Norwegian consumer.

Arne Ronold MW is editor of *Vinoforum*, Norway’s leading wine magazine

Indigenous varieties versus international varieties are a hotly debated issue. “Indigenous wines are important, but our top wines other than Brunello and Barolo are Bordeaux blends, such as Ornellaia, San Leonardo and Sassicaia,” comments Ferrini.

Southern Italy, in particular Sicily and Campania, are probably the two most exciting emerging stars, especially with estates from the north investing there and bringing with them their established expertise and a dynamic approach to exports. Estates such as Planeta, which first made its name with

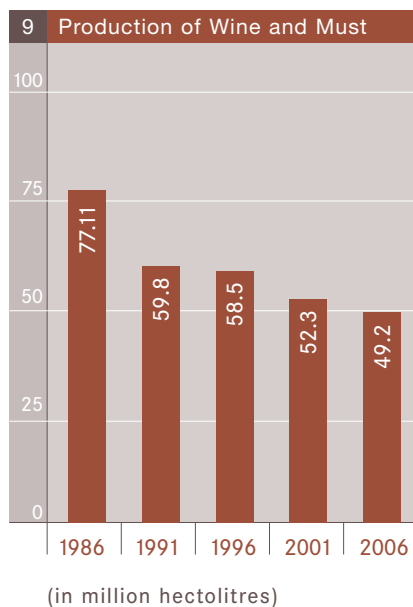


Table 9 shows the evolution of Italy’s production, which in line with the decline in its vineyard hectares, has fallen since 1986, when Italy was producing some 77 million hectolitres, to the 49.2 million hectolitres of 2006. In line with this fall in production, crop yields have more recently been curtailed to produce better quality. If we look at the current national consumption, which has decreased to 49 litres per capita as shown in 2006 Assenologi statistics, it would be fair to assume that Italians are drinking less but better. Wine is no longer part of the staple diet.

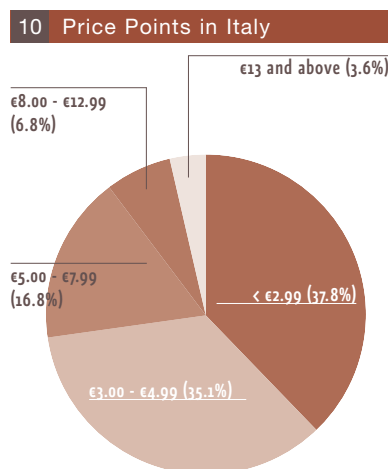


Table 10: Italy’s domestic sales are divided into three main price point groups: the first caters for wines below €3 a bottle; the second focuses on value for money at €3-€8, featuring well-structured, easy drinkable wines; the third encompasses well-known wines from reputable estates, which during the euphoric boom on the 90s were often priced between €18-€30. Above €13 are the premium icon wines. In the domestic market, hypermarkets account for 22%, large supermarkets for 19% and small supermarkets for 28% of total wine sales. The on-trade does 27.7% of the volume, but 34.1% by value.

Chardonnay, realize the importance of their indigenous Nero d'Avola, capitalizing on its market appeal. "Sicily has emerged thanks to research in improving the quality of its indigenous varieties such as Nero d'Avola. Speaking for Planeta and Settesoli, we have chosen to concentrate both on international and indigenous varieties," comments Francesca Planeta. In simple terms, however, wines made from indigenous grapes generally work well in other markets only when produced and marketed by firms with international prestige like Planeta or if they come under well-distributed brands that were often created by an importer for its own market, such as Da Luca and Tre Uve, both of which were created by Western Wines for sale in British supermarkets. Gallo's Ecco Domani essentially did the same thing for pinot grigio in America.

Export Markets

Italy's present export value is worth 3 billion Euros. While wholesale prices have fallen by an average of 5.5% in the first six months of 2006, Italy's exports have grown by 12% in volume to 7,839,000 hectoliters and 7% in value over the same period. For all the good cheer, exports in volume are still far below their peak of 18,657,000 hectoliters in 1999. At the same time, wine imports shot up seven-fold from 251,000 hectoliters in 1994 to 1,786,000 in 2004 and domestic consumption dropped, putting the Italian wine industry under further pressure to export more. The higher export value, which in 2006 is expected to have topped 3 billion Euros for the first time in history, and at that almost double the value of ten years ago, is a boon only for those who have a market.

Italy's main exports rely on the on-trade overseas, a myriad of Italian restaurants where 'Made in Italy' is the main selling point. However, competing in the international arena, especially in the off-trade sector, Italy faces two major hitches. The first is that most Italian companies are small in size and often so fragmented in their offer that they lack the significant volumes of single wines or ranges needed for brand building. The second is that many producers are still very short-sighted and have no idea what export markets entail - the need to promote consistently, work together with their importer, build a relationship and create a strategy.

"What Italy lacks is effective market research and studies. It makes little sense trying to conquer new markets such as Russia or China. We need to consolidate our exports," says Sartori. "Let's see what Italy's promotional Buonitalia is capable of achieving."

What the Future holds

For many the future of Italian wine lies in its diversity, which is a strong point, as we have seen with Sangiovese and Barolo, but as Renzo Cotarella stresses, "we must take care not to go out on a crusade over the 'indigenous' cause." As most would agree, international varieties are still very important in opening the doors to some of the lesser-known areas and regions of production. ■

COMMENT

»» Moscow has more super Tuscans than any other European city. ««

Eleonora Scholes, Russia

Fine Italian wines have been in vogue in this country for some years now. In fact, Italian exports are based on high value rather than volume and grow by two-digit figures year-on-year. Russian fine wine importers have played a crucial role by introducing exciting ranges and educating the trade. One can probably find more super Tuscans in Moscow than in any other European city. Italians are keen to support this interest. Vinitaly editions in Moscow and St Petersburg, Chianti Classico public relation's campaigns and regular visits of top Italian producers have all been beneficial for building a strong image for Italian wines in Russia. Asti has also become a leading 'brand', being synonymous with a festive sweet bubbly drink, which ideally suits many unpretentious Russian drinkers who yearn for their flicker of the Italian dream.

Eleonora Scholes is a well-known Russian journalist who now lives in Italy.



COMMENT

»» More than brands, I see varieties as a new force. ««

Ettore Nicoletto, Italy

More than brands, I see varieties as a new force, especially Nero d'Avola blended to Merlot or Cabernet or Syrah. In the whites Alto Adige is undoubtedly one of Italy's most exciting regions for varietal character, with Muller Thurgau, Sauvignon and Traminer. However, as I see it, the biggest growth will come from our sparkling wines - from Prosecco to Franciacorta. To be successful in the domestic market one needs to be dynamic, creative and innovative. Nationally we sell to 10,000 clients and internationally to 40,000. Canada is top market in value though Vintages in Ontario, but we are also strong in the UK, Germany and US.

Ettore Nicoletto is the export manager for Gruppo Santa Margherita, which holds estates in five regions. It sell 14.5 million bottles annually at an average price of €4.85.

