OENOBIO

Summer school Torino

June 2021

Economical context of organic wine in France and in the world

VIGNERONS BIO
NOUVELLE AQUITAINE

Vignerons Bio Nouvelle-Aquitaine : our missions

VIGNERONS BIO
NOUVELLE AQUITAINE

Regional union representative of the organic wine sector created in 1995
Counts today more than 200 organic winemakers members
Support from harvest to commercialisation

DEFENSE & REPRESENTATION

Defends interests of organic winemakers amongst regional, national and European bodies related to viticulture and organic agriculture

PROMOTION

Promotes and develops the collective image and notoriety of organic wines and spirits to professionals and individuals

RESEARCH & DEVELOPMENT

Initiates and collaborates with research programs to improve the quality of organic wines

OENOLOGY

ECONOMY

Contributes to the economic and technical development of organic wine production, by accompanying organic winegrowers individually and collectively

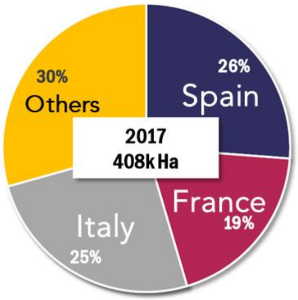
Organic wine production

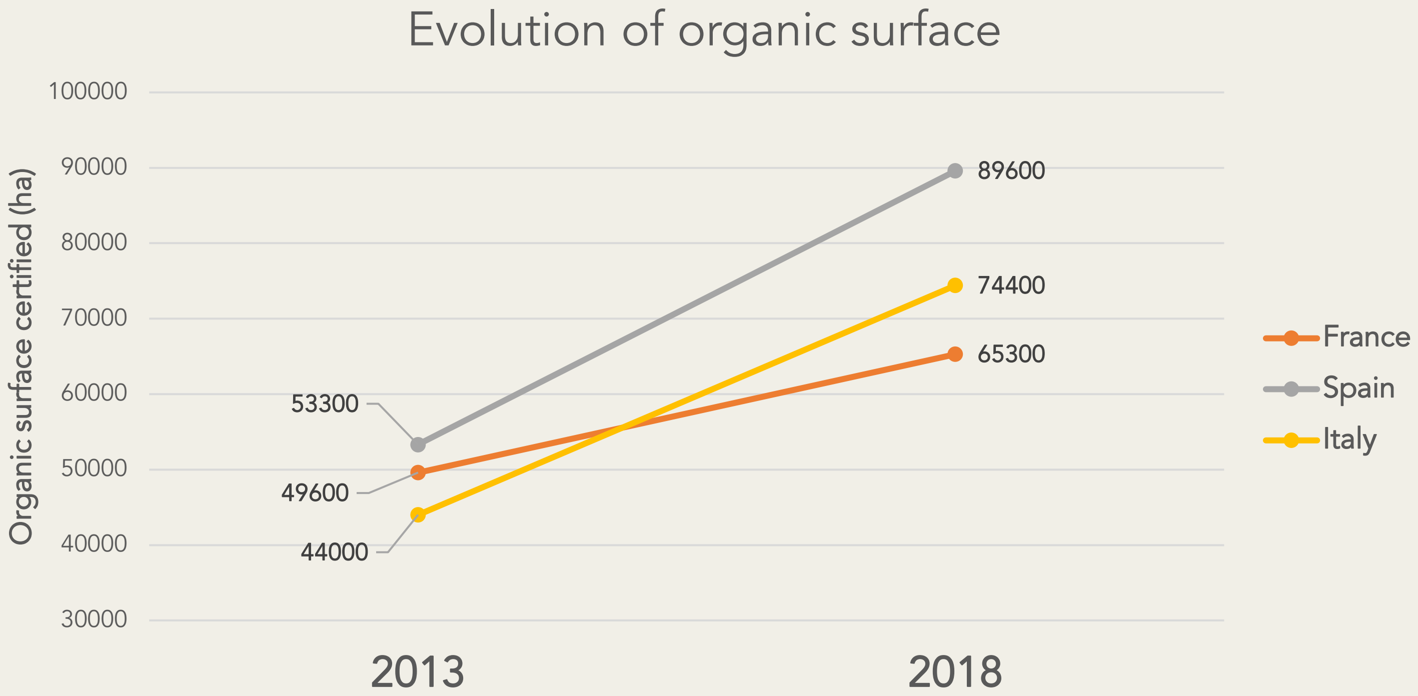
Organic wine production in the world

6% of world vineyard was organic in 2017

80% of organic wine was produced in Europe

10,6 millions hL of organic wine in 2018





IWSR SudvinBio 2019, Agence Bio « L'Agriculture Bio dans le monde » 2019

Organic wine production in France

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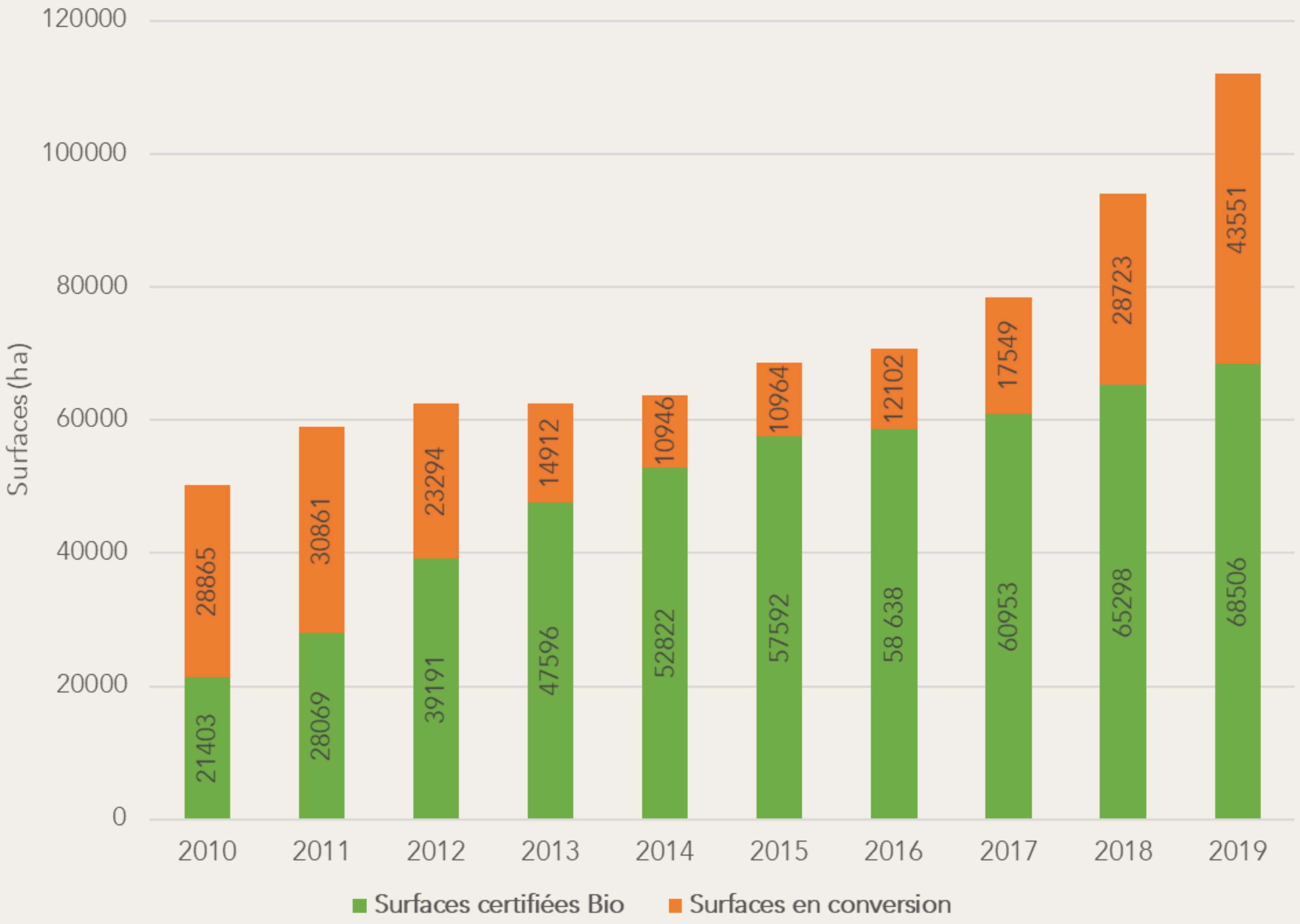

112 057
Hectares with 39% in conversion

8 039
organic wine farms

14%
of french vineyard

Agence Bio, 2020

Focus on french regions

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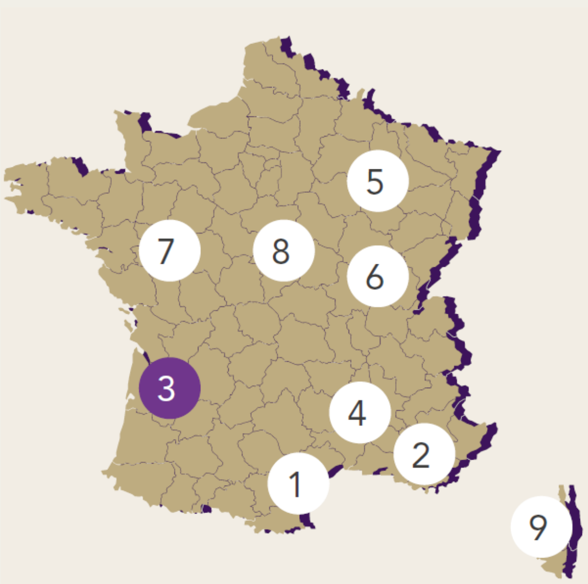
3 wine regions produce 75% of french organic wine :

Occitanie (42 424 ha), **PACA** (23 011 ha) and **Nouvelle-Aquitaine** (19 696 ha)



		En Bio et en conversion	Vignoble en Bio*
1	Occitanie	42 424 ha	13%
2	PACA	23 012 ha	23%
3	Nouvelle-Aquitaine	19 696 ha	8,5 %
4	Auvergne Rhône Alpes	7 570 ha	12%
5	Grand Est	5 017 ha	8%
6	Bourgogne Franche Comté	4 538 ha	11%
7	Pays de La Loire	4 335 ha	12%
8	Centre Val de Loire	3 674 ha	15%
9	Corse	1 698 ha	22%

Agence Bio, 2019
**data 2018*

Export competition in 2018

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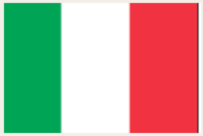
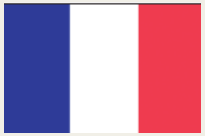
Share of organic volumes sold on the national market		Share of organic volume exported
12%		88%
9%		91%
58%		42%

IWSR SudvinBio 2019

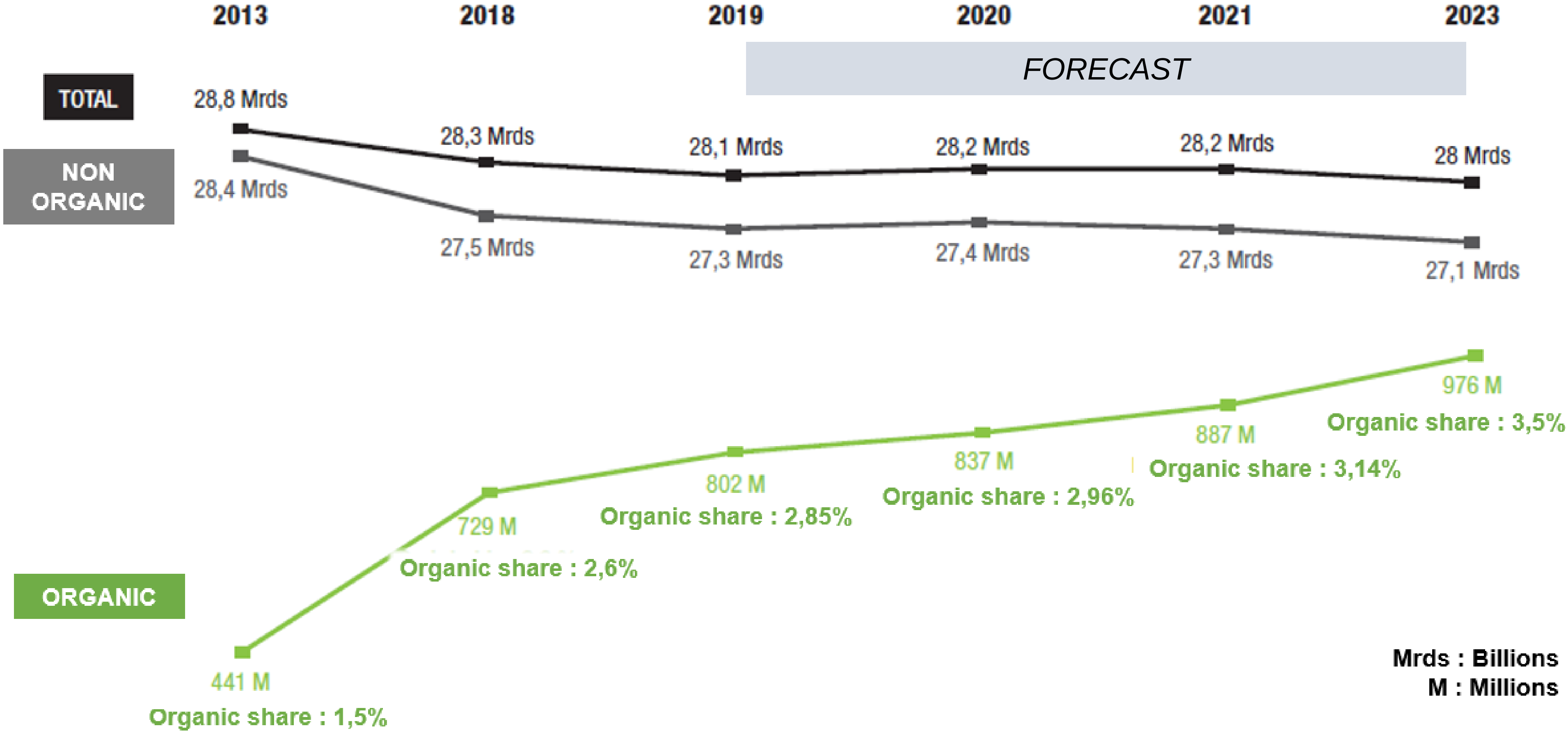
Organic wine and consumption

Growing demand around the world

VIGNERONS BIO NOUVELLE AQUITAINE

Evolution of global consumption of organic and non-organic wine in the world

(in number of bottles)



IWSR Sudvinbio 2019

Same phenomenon in France

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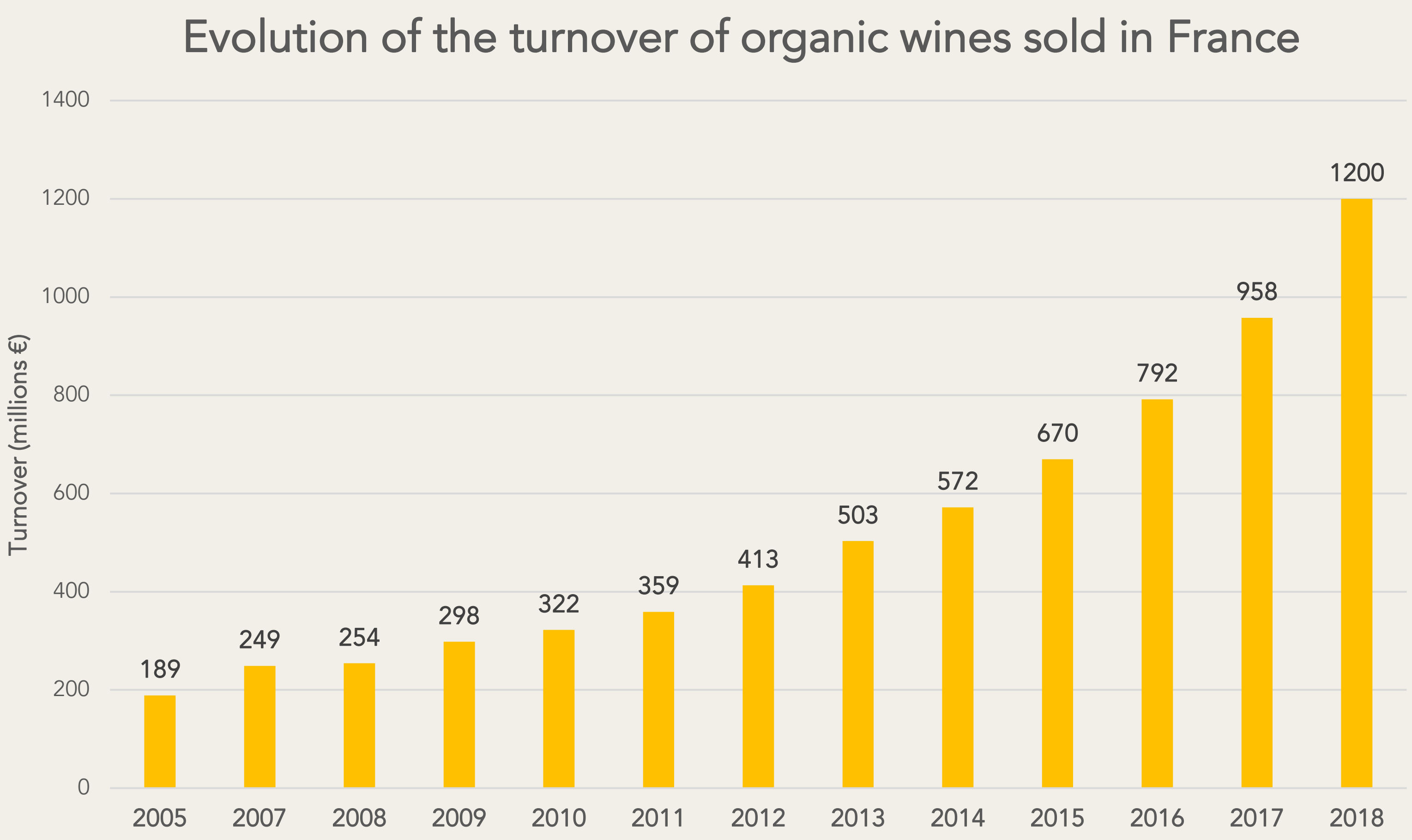

1,2
Billions €
in 2018

x 4
in 10 ans

Agence Bio - AND international 2019 ; IWSR Sudvinbio 2018

Organic wine remains wine

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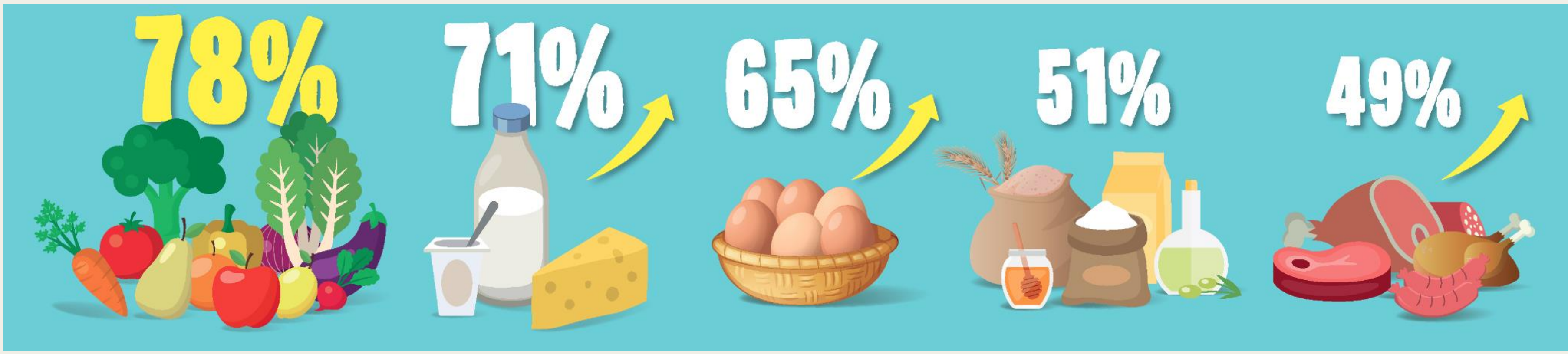
Organic consumers prefer

1) Fruits and vegetables   2) Dairy product   3) Eggs   4) Grocery   5) Meat



18% of organic consumers buy organic wine.

- In 16% of cases, their wine consumption is only organic
- In 50% of cases, organic consumers still mostly buy conventional wine.

In fact, the organic consumer is not necessarily the target ...

Agence Bio - baromètre de consommation et de perception des produits biologiques en France - Edition 2020

The consumer of organic wine is above all… a wine consumer!

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What are your purchasing criteria for …
- A bottle of wine?
- A bottle of organic wine?

	Organic wine	Wine
Origin of production (region, country)	57%	63%
AOP notoriety	37%	36%
Advice (salespeople, entourage)	25%	25%
Indication of grape varieties on the label	24%	21%
Medals, awards	19%	28%
Vintage	16%	24%
Brand	12%	14%
Promotions	11%	15%
Respect for the environment, environmental label	43%	7%
Price	30%	50%

The consumer wants organic wine… but not only?

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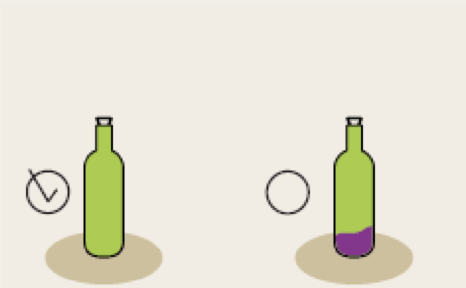
Democratization of environmental and health "performances" in complement to those of organic farming: vinification without added sulphites, resistant grape varieties, biodynamics, vegan ...

Will the consumer be satisfied with an "only" organic wine?



Organic without sulphites | Organic with sulphites

Consumers are prepared to pay more for a bottle of organic wine without sulphites than with sulphites

On the other hand, organic remains a more important criteria!

In the study, conventional wine without added sulphites remains less valued than organic wine with sulphites.

Défis environnementaux de la viticulture : une analyse comportementale des blocages et des leviers d'action (thèse), Yann Raineau, 2018

Organic wine market

Target export markets

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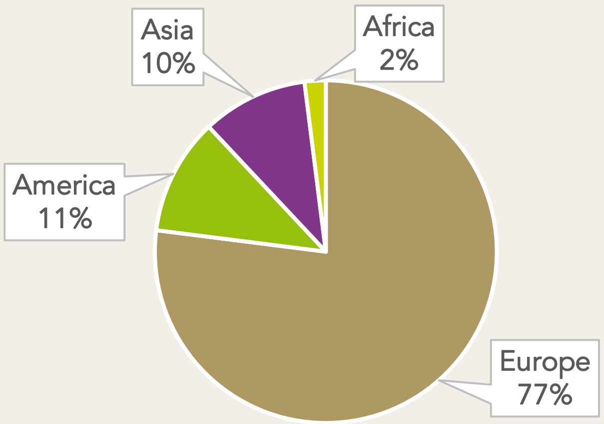
World importation of organic wine repartition



- Export between EU countries facilitated by the same organic regulations
- France consumes 99.5% of French organic wines

World rank	First importers of organic wine	% of global organic wine imports*
1rst	Germany	24%
2nd	France	16%
3rd	United Kingdom	10%
4th	USA	8%
5th	Sweden	7%
6th	Japan	6%

Data 2017

*in volume

IWSR SudvinBio 2018 ; Agence Bio l'Agriculture Bio dans le monde, 2019

Focus on USA

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Organic wines production:
The United States are the 6th largest producer of organic wine in the world. In 2016, its organic vineyard reached 11,071 ha representing approximately 2.7% of the national vineyard.

Organic wines consumption:
In the United States, sales of organic wines have doubled in 10 years. The wine consumed is mainly imported: in 2014, French organic wines represented 20% by volume and 40% by value of imports from the United States.

Organic regulation:
EU organic regulations are recognized as equivalent to NOP outside of winemaking. To be recognized as "NOP equivalent", a wine produced in the EU must be certified organic and processed in accordance with NOP rules (compliance with rules on sulphites, restricted list of inputs and specific labeling rules).

USDA ORGANIC

Analyses des filières vitivinicoles des principaux pays producteurs dans le monde – Etats Unis ; France Agri Mer ; décembre 2016
Agence Bio ; édition 2014
Conjoncture vitivinicole mondiale 2017 ; OIV ; avril 2018
Observatoire mondial des vins biologiques – chiffres 2012 ; agrex consulting ; juillet 2014

Focus on USA : building the selling price to export

VIGNERONS BIO NOUVELLE AQUITAINE

Price departure cellar (€ HT)

2,67€*

+ average transport cost = 0,25€/bottle

2,92€

+ customs duty = 0,051€/bottle

2,98€

+ excise duties = 0,24€/bottle

3,22€

+ import and distributor margin (+ 89% if departure price <3 €/bottle) = 2,87 €/bottle

6,09€

+ TVA (+8,49%) = 0,52€/bottle

Final consumer price (€TTC)

6,61€

X 2,7

**Bottled price, based on a barrel price of € 2,000*

Focus on China

VIGNERONS BIO NOUVELLE AQUITAINE

Organic wine production:

In 2017, the Chinese organic vineyard was ranked 4th in the world with 6% of the global organic vineyard. It increased by 22% in 2017 compared to 2016. Almost 3% of Chinese vineyards were grown organically in 2017.

Organic wine consumption:

With demand currently growing, China is expected to enter the top 10 of the main organic wine markets in 2022

Organic regulation:

There is no equivalence between the European regulation and the Chinese regulation on organic products. An organic winegrower wishing to export to China must make a request to a certification body accredited by the Chinese authorities, the CNCA (Certification and Accreditation Administration of China).

The Chinese organic logo is mandatory. Only the Chinese logo must be affixed on the bottle, the European organic logo is prohibited.

La Bio dans le Monde ; Agence Bio ; édition 2017
Le marché des vins bio en Chine : Perspectives dans 20 ans ? – Millésime Bio ; Ubrifrance ; 2013
Le marché mondial du vin bio 2012-22, Novembre 2018, SudVinBio IWSR
Ecocert, 2019

Focus on China : building selling price to export

VIGNERONS BIO NOUVELLE AQUITAINE

Price departure cellar (€ HT)

2,67€*

+ average transport cost = 0,15€/bottle

2,82€

+ custom duty (+14%) = 0,40€/bottle

3,22€

+ excise duty (+10%) = 0,32€/bottle

3,54€

+ import and distributor margin (+160%) = 5,66 €/bottle

9,20€

+ TVA (+17%) = 1,56€/bottle

Final consumer price (€TTC)

10,76€

X 4

**Bottled price, based on a barrel price of € 2,000*

Guide export Inter Rhône 2018

Focus on Japan

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Organic wine production:

The wine is not part of the Japanese organic regulations "JAS". Concerning wine production, Japan has 850 hectares of vines. Organic farming production remains low within the country (0.2% of surfaces in 2015).

Organic wine consumption:

3/4 of organic wines imported by Japan come from France. But there is a strong competition from more accessible organic Spanish, Italian and Chilean wines. The organic wine market is to date a “niche market” with a difficulty for the consumers to understand the different types of so-called “natural”, organic, biodynamic wines, etc.

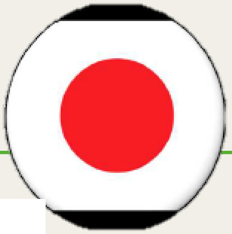
Organic regulation:

Wine cannot claim this certification because it has not been included in Japanese regulations. Thus, it will not be possible for a winemaker to have his wine certified as “organic JAS”. On the other hand, it is possible to export it by keeping the AB logos and the Euroleaf, a logo recognized by the Japanese consumer.

JAS

OIV Eléments de conjecture mondiale Avril 2018
Le marché des produits biologiques au Japon ; FranceAgriMer ; février 2017
Les règlements internationaux du vin bio (Hors Europe) ; SudVinBio, Juin 2016
La Bio dans le Monde ; Agence Bio ; édition 2017
Le marché mondial du vin bio 2012-22, Novembre 2018, SudVinBio IWSR
Note : marché des produits biologiques au Japon ; Ambassade de France ; février 2017

Focus on Japan : building selling price to export



Price departure cellar (€ HT)

2,67€*

+ average transport cost = 0,15€/bottle

2,82€

+ custom duty (+15%) = 0,42€/bottle

3,24€

+ excise duty (67 JPY/L) = 0,42€/bottle

3,66€

+ import and distributor margin (+96%) = 3,51€/bottle

7,17€

+ TVA (+8%) = 0,57€/bottle

Final consumer price (€TTC)

7,74€

X 3

**Bottled price, based on a barrel price of € 2,000*

VIGNERONS BIO NOUVELLE AQUITAINE

In France : who sells to who ?

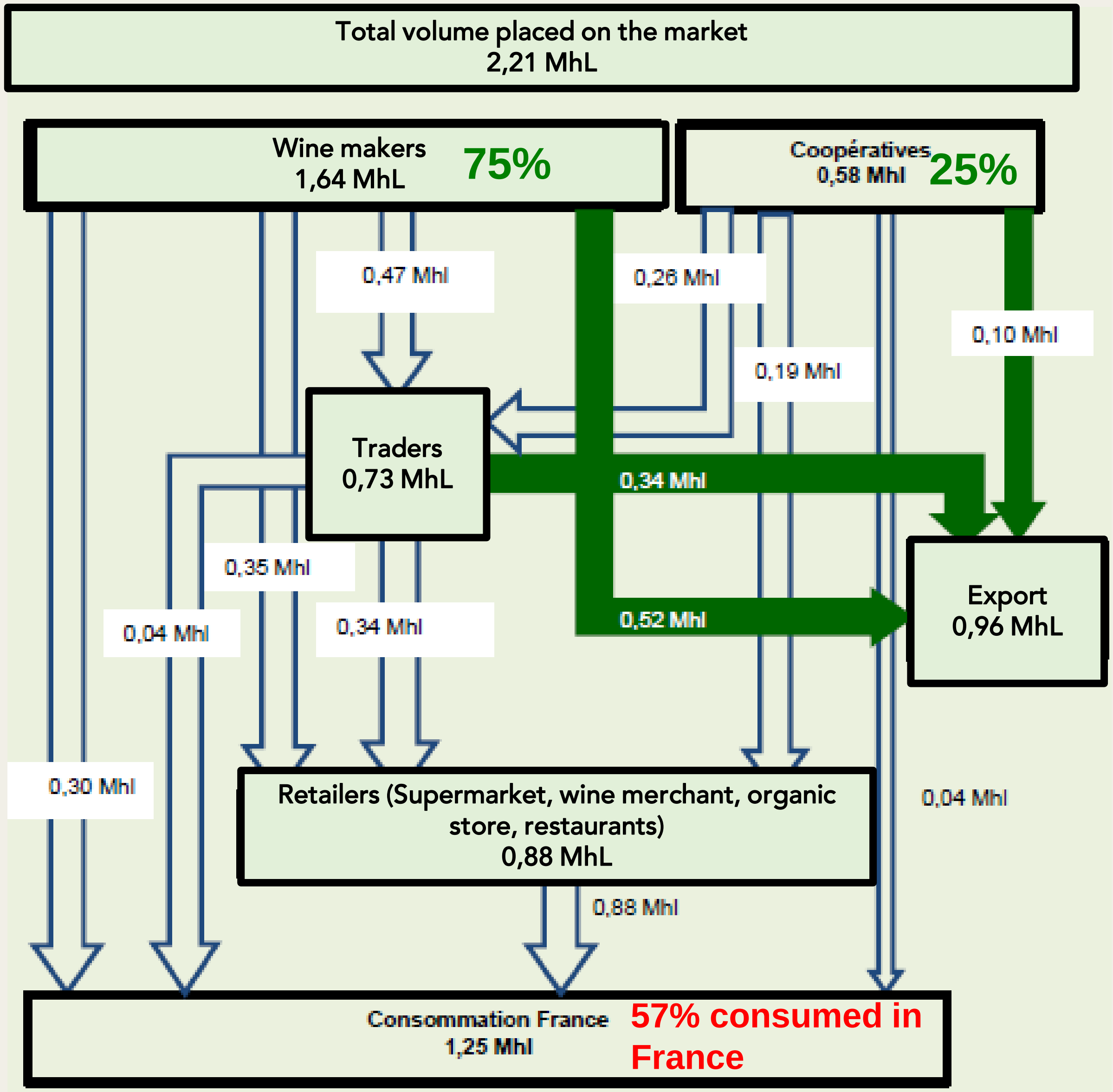
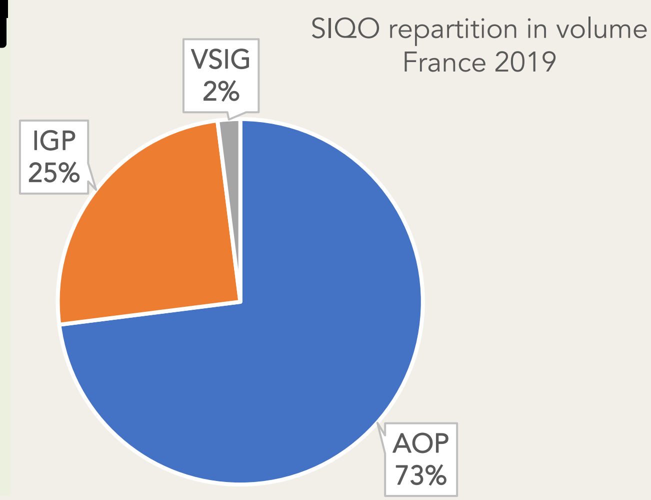


Diagram of the marketing of organic wines in France in 2019

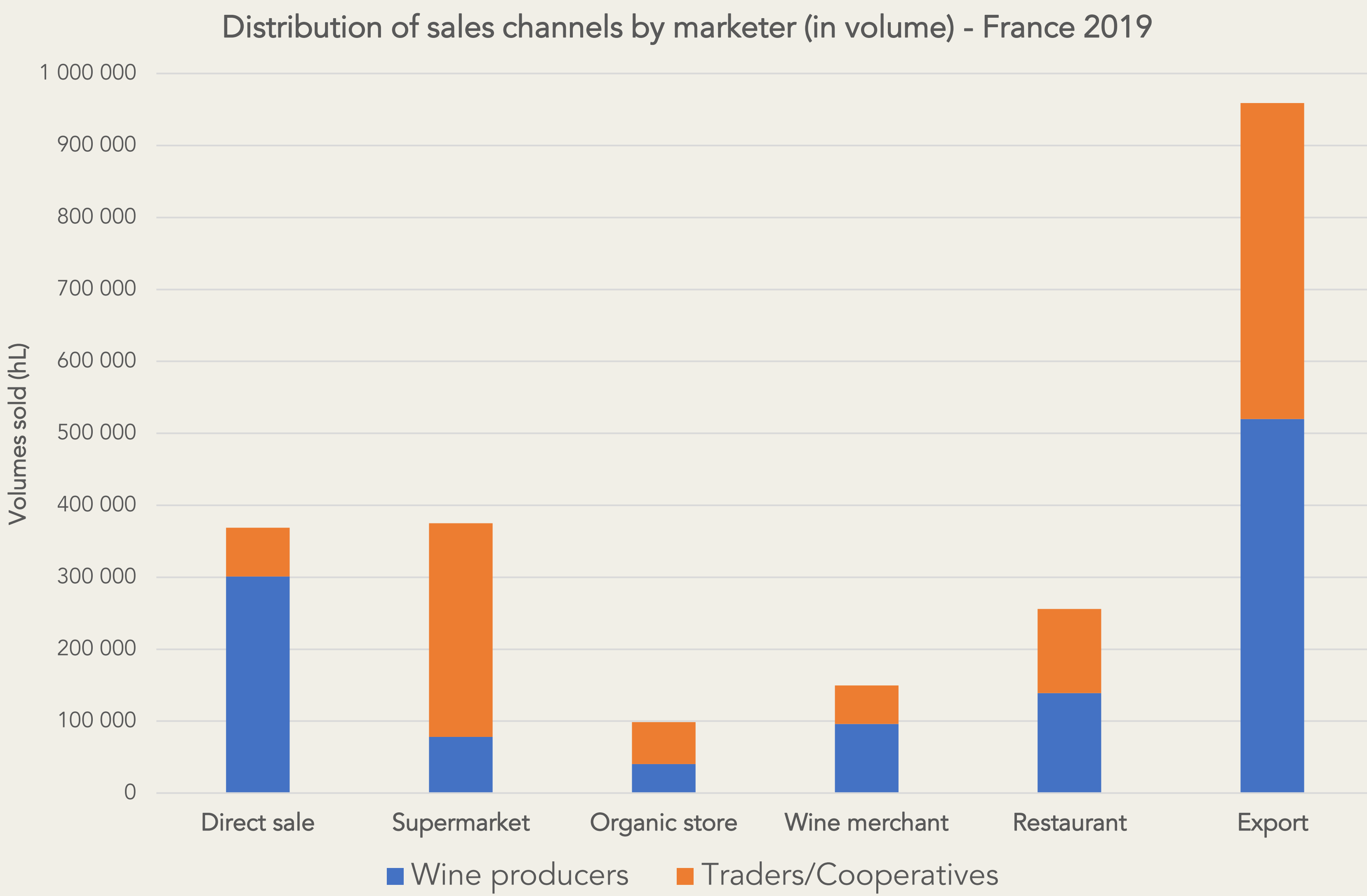
43% exported



Agence Bio - AND international 2020

Commercial autonomy sought by winegrowers

VIGNERONS BIO NOUVELLE AQUITAINE



Agence Bio - AND international 2020

Which marketing channel to choose?

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B TO C	Direct sale at the winery	Direct sale in consumer fair	Direct sale by mail order and e-market
Opportunities	- Direct contact with the consumer - Better valuation of the product - No intermediary, great autonomy	- Direct contact with the consumer - Better valuation of the product - Touch private customers in areas other than its production area	- Reach distant customers - Dematerialized sales that can be carried out in all circumstances (case of confinement) - Possibility of relying on platforms to avoid having your own e-commerce site: greater exposure
Constraints	- Very time-consuming, requiring significant permanence - Requires providing choice, a varied range - Quantity purchased very dependent on the customer	- “Fair” audience who do not travel for a particular winegrower but for the fair itself - Marketing costs (travel, accommodation, stand) - Absence from the domain and tiredness: the shows are held on weekends	- Time-consuming order preparation and follow-up - Logistics sometimes difficult to control, (delivery deadlines, possible breakages in transport, etc.) - Costs to be expected

Vignerons Bio Nouvelle-Aquitaine, Le marché des vins Bio, Mémorandum économique du vin Bio, 2020

Which marketing channel to choose?

B TO B	Wine sellers and Restauration	Organic stores	Traders	Supermarkets	Export
Opportunities	- France network accessible directly - Development of wine shop and restaurant with only organic wines - Lovers of original wines, which have a story to tell	- Market dedicated to organic, no competition with conventional wine - Increasing demand - More attractive prices than in supermarkets	- Inexpensive means of marketing - Possibility of large volume	- Possibility of reaching different referencing scales: national, regional, local - Large volumes	- Expanding market, in a wide variety of countries - Large volumes - Technical support (wide range of training courses) - Financial support (subsidy)
Constraints	- Strongly marketed for a strike force limited in terms of volume - Payment deadlines not always respected	- Low volumes sold except on franchise networks - Risks of competition with organic beers - The conditions of negotiation are not always easy to understand	- Contractualization and price to be negotiated - Difficulty in mastering the rest of the wine distribution chain	- Reduced margin - Requirement of a particular type of wine - Little control over positioning and final price for the consumer	- Personal and financial investment, over time - On-site representation essential - Strong competition with foreign organic wines (Italy, Spain, New World)

Vignerons Bio Nouvelle-Aquitaine, Le marché des vins Bio, Mémorandum économique du vin Bio, 2020

Thinking about price

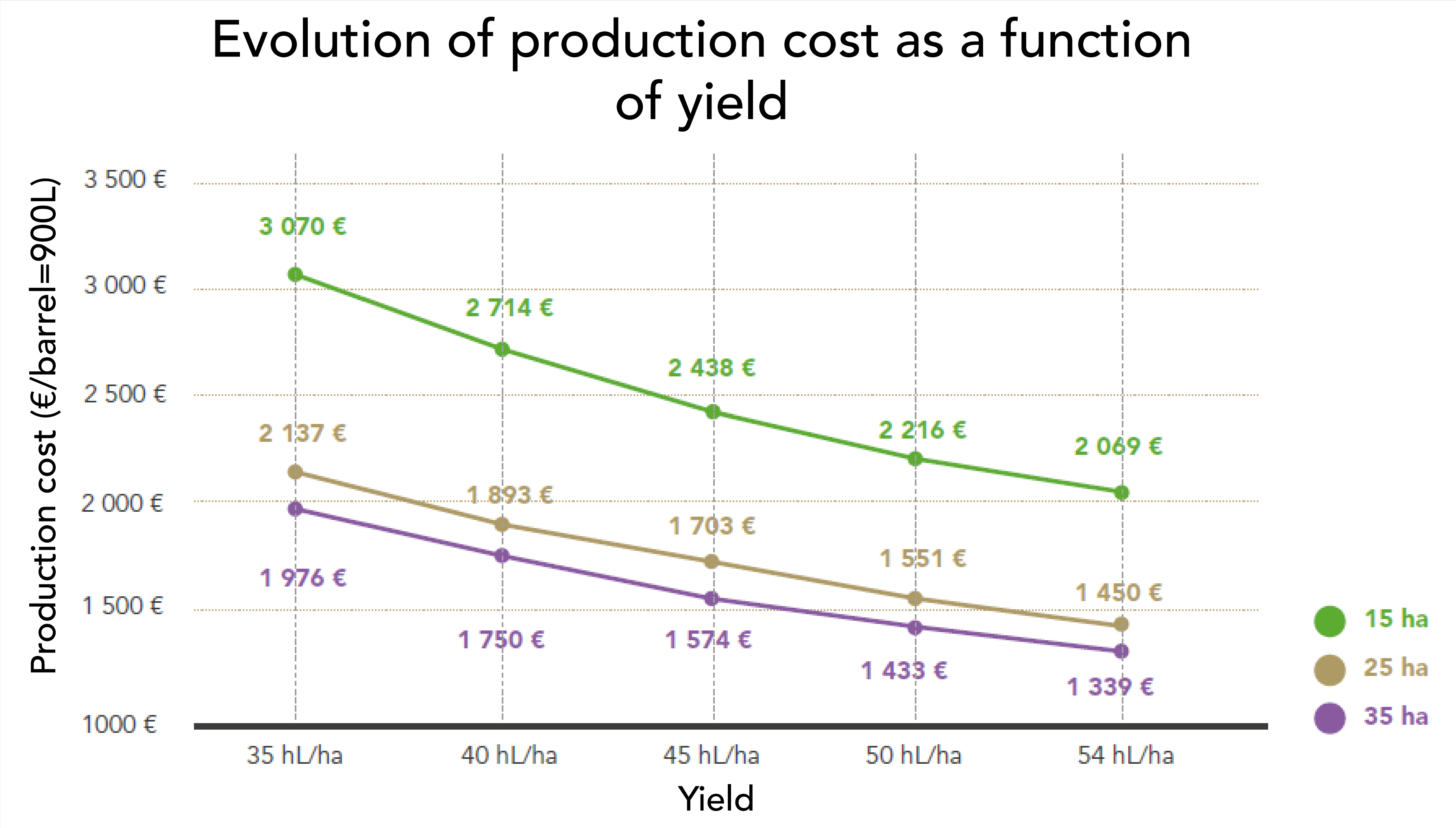
Producing organic is more expensive

VIGNERONS BIO AQUITAINE

Production costs for a farm of 15 ha at 54 hL / ha	Non organic	Organic
Labor hours (hours)	149 h	190 h
Labor (€ / ha)	2 493 €	3 162 €
Supplies (€ / ha)	1 307 €	1 684 €
Services (€ / ha)	495 €	565 €
Mechanization (€ / ha)	1 058 €	1 763 €
Bare land farming for wine-growing 1.5 hL / ha (€ / ha)	209 €	209 €
Depreciation of the vineyard (25 years) (€ / ha)	1 449 €	1 421 €
Restructuring of the vineyard (grant) (€ / ha)	-400 €	-400 €
Climate insurance (grant deducted) (€ / ha)	110 €	110 €
General vineyard costs (€ / ha)	782 €	782 €
TOTAL VINEYARD COST (€ / ha) (A)	**7 503 €**	**9 296 €**
Non organic versus organic differential	-	+ 24%
TOTAL VINIFICATION COST (€ / ha) (B)	3 116 €	3 116 €
TOTAL WINE COST IN BULK (€ / ha) (A + B)	10 619 €	12 412 €
TOTAL WINE COST IN BULK (€ / barrel)	**1 770 €**	**2 069 €**
Non organic versus organic differential	-	**+ 17%**
Total cost of wine for 0.75L (€ / 0.75L)	1,47 €	1,72€
Bottling and packaging costs (€ / bottle)	1,25 €	1,25 €
BOTTLE COST BEFORE MARKETING (€ / bottle)	**2,72 €**	**2,97 €**
Non organic versus organic differential	-	+ 9%

Chambre d'agriculture de la Gironde, Référentiel économique du vigneron Bordelais, 2019

Yield: direct impact on production costs



Production costs must be calculated over a period of several years, in order to take into account weather variations.

Chambre d'agriculture de la Gironde, Référentiel économique du vigneron Bordelais, 2019

Example of price construction

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Price per barrel (900L)	Price per bottle (0,75L)	Conditioned bottle price	Price at the intermediary	Final sales price excluding tax	Estimate final sale price all taxes included
2100€	1,75€	3€	3,90€	5,85€	7€

/ 1200

+ 1,25€
Bottling and packaging costs

x 1,3
Trading margin

x 1,5
Large distribution margin

+ 20%
V.A.T

Vignerons Bio Nouvelle-Aquitaine, La construction du prix du vin Bio, Mémorandum économique du vin Bio, 2020

How to build a price list?

VIGNERONS BIO
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- Knowing production cost: pay attention to variation in yields!
- Identify marketing channels to work with: take care of their specificities!

- Setting a price for each channel: respect the buyer's margin!
- One golden rule: price consistency !

What about the consumer's willingness to pay?

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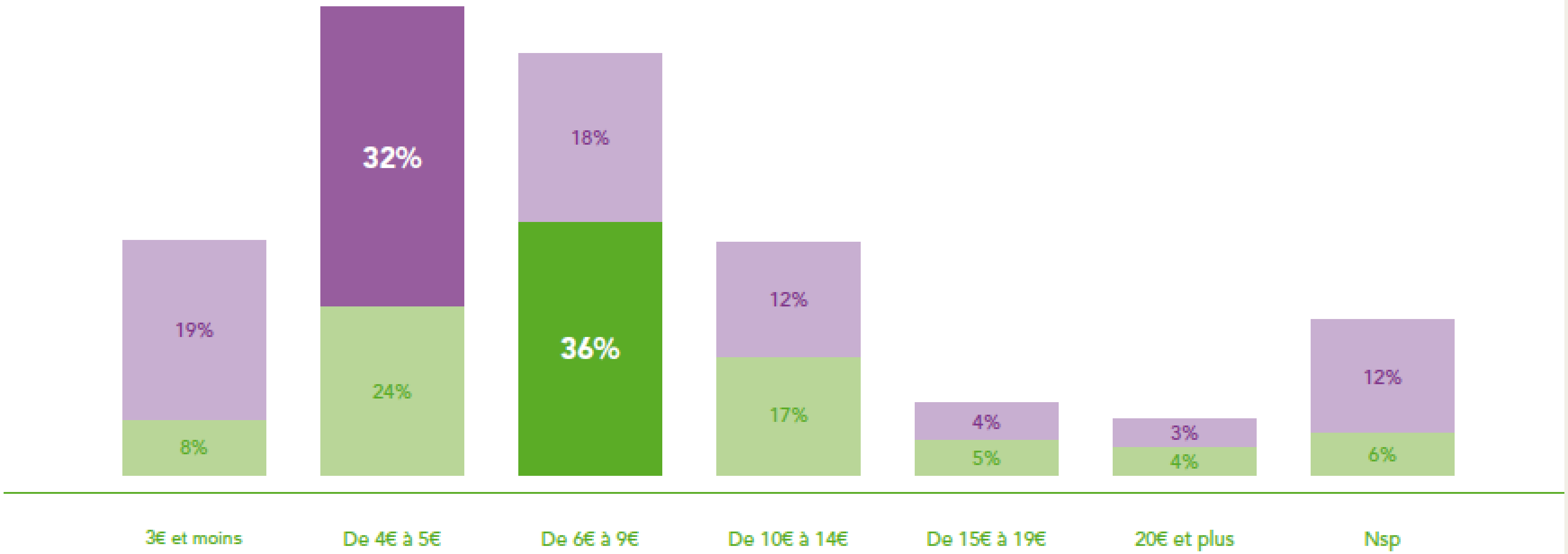
How much do you spend on average for the purchase of a bottle of …



Organic wine
For everyday consumption (average 8,70€)

Non Organic wine
For everyday consumption (average 6,90€)

Source : Etude IPSOS / CGI pour Sud de France / SudVinBio ; Octobre 2013

THANK YOU FOR YOUR ATTENTION

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VIGNERONS BIO
NOUVELLE AQUITAINE

UNION EUROPÉENNE
FONDS EUROPÉEN AGRICOLE POUR LE DÉVELOPPEMENT RURAL
RÉPUBLIQUE FRANÇAISE
MINISTÈRE DE L'AGRICULTURE ET DE L'ALIMENTATION
RÉGION Nouvelle-Aquitaine
Gironde LE DÉPARTEMENT
AGENCE DE L'EAU ADOUR-GARONNE
ÉTABLISSEMENT PUBLIC DU MINISTÈRE DU DÉVELOPPEMENT DURABLE