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GUIDANCE BOOK
"SELLING WINE IN THE EU"

PROJECT: „WINEBIZZ- INCREASING TRADE AND COOPERATION IN THE WINE SECTOR BETWEEN THE BULGARIAN AND ARMENIAN SMES AND BSOS "
/PROJECT NO: ENI/2019/411-865 – EU4BCC - ID 1002/

ЯМБОЛ

ENTERPRISE ARMENIA

The project "WineBizz" is supported by the EU4Business: Connecting Companies (ENI/2019/411-865 – EU4BCC) project, which is managed by EUROCHAMBRES and funded under the EU4Business initiative of the European Union.

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THE HANBOOK IS ELABORATED AS PART OF THE IMPLEMENTATION OF THE PROJECT
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PROJECT PARTNERS:

ENTERPRISE ARMENIA

THE PROJECT IS SUPPORTED BY THE EU4BUSINESS: CONNECTING COMPANIES (ENI/2019/411-865 – EU4BCC) PROJECT, WHICH IS MANAGED BY EUROCHAMBRES AND FUNDED UNDER THE EU4BUSINESS INITIATIVE OF THE EUROPEAN UNION.

The EU is the first producer, consumer, exporter and importer of wine in the world, representing:
- 57% of the global wine consumption

FOR THE PROJECT:

Name: *"WINEBIZZ- INCREASING TRADE AND COOPERATION IN THE WINE SECTOR BETWEEN THE BULGARIAN AND ARMENIAN SMES AND BSOS".*

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More information: https://connectingcompanies.eu/

Leading partner: *Yambol Chamber of Commerce and Industry, Bulgaria*

Partner: *Enterprise Armenia*

Project main aim: *the project aims to facilitate trade between the European Union and the Eastern Partnership in the wine sector, to improve the competitiveness of the sector and to enable the establishment of partnerships between Bulgarian and Armenian business in the wine industry.*

By implementing the activities envisaged in the project, the partners seek to facilitate and motivate the international exchange of information and trade opportunities in order to create a favorable environment for partnership in the wine sector between Bulgaria and Armenia.

I. THE EU SINGLE MARKET …of WINES

The European Union (EU) is a hybrid intergovernmental and supranational organisation of 27 member countries. It has its own flag, currency and laws and operates a single market with free movement of goods, services and capital. The EU is the world's largest trading bloc and the world's largest economy.

The EU has created complex requirements for wines imported from so-called 'third countries' (i.e. any non-EU countries), of which Australia is one. Set out below are guidelines designed to explain those requirements and assist wine exporters. Individual domestic requirements may also apply and can be found under country specific headings. Exporters should be aware that individual EU Member States reserve the right to exercise sovereign legislation in a way which can impact on wine imports, thus imposing additional requirements. EU market is ruled by a set of uniform rules which allow producers to access the common market fairly easy and to distribute the products to all 27 member states without duties and within an uniform system.

EU uniform rules govern different sectors related to wine distribution, with the exclusion of regulations on age limits for buying or drinking alcohol, wine advertising or retailing and other aspects of national social or public health policies of each EU member.

The EU is the world's major wine producing region in volume terms, with an annual average production of 167 million litres and accounting for 65 per cent of global production.

EU is the largest producer of wine in the world, with most of this production concentrated in the southern countries (e.g.: France, Italy, and Spain). The main importers (e.g.: Germany, Netherlands, Austria, Denmark) are historically those where domestic production is not sufficient to cover demand. The Eastern European wine market is still quite small in terms of sales, but is gaining momentum while the standard of living increases.

Looking at the import flows, the EU Member States imported a total of €13.4 bn of wine in 2018. Only 20% of this came from non-EU countries, notably from Chile (€0.6 bn, 22% of extra-EU imports), Australia (€0.45 bn, 17%), the United States (€0.43 bn, 16%), South Africa (€0.4 bn, 15%) and New Zealand (€0.37 bn, 14%).

Among the EU Member States, the largest importer of wine was Germany (€0.3 bn, 11%), followed by the Netherlands (€0.2 bn, 9%) and France (€0.2 bn, 8%).

Enforcement of EU food legislation is carried out by the competent authorities in individual Member States. Oversight of member states' control systems is the responsibility of the *Directorate-General for Health and Food Safety (DG SANTE)*, through *its Health and Food Audits and Analysis Directorate*. EU food legislation consists of **'Regulations'** and **'Directives'** and rules for their implementation. Regulations are binding in their entirety and automatically enter into force in all Member States. Directives outline results that must be achieved in each Member State, but the state is free to decide how to transpose directives.

Until 2008, wines were divided into two macro-categories of quality: table wines and quality wines produced in specific regions. In 2008 the EU decided to harmonize the categorization of wines (and other alcoholic beverages) to that of other food products and, in therefore, distinguished between wines with or without a protected designation of origin: the first ones (among them, PDO and PGI) are those marked by a territorial link and a production specification; the latter have neither a territorial link nor a production specification and match, in principle, those previously defined as "table wines".

There are, to date, 1306 protected denominations of origin in the EU (474 in Italy, 380 in France and 102 in Spain) and 460 protected geographical indications (of which 129 in Italy,116 in Greece and 75 in Spain).

Even non-EU countries can request the use of these quality categories; in fact, the EU recognizes two wines with protected designation of origin (1in Brazil, 1 in the USA) and 442 wines with protected geographical indication (of which 153 in South Africa, 78 in Australia, 37 in Switzerland and 36 in Albania).

The PDO and PGI logos in their English-language forms:

PDO
Protected Designation of Origin
Appellation d'Origine Protégée
Denominazione di Origine Protetta
Denominación de Origen Protegida

PGI
Protected Geographical Indication
Indication Géographique Protégée
Indicazione Geografica Protetta
Indicación Geográfica Protegida

PDO (Protected Designation of Origin)

According to the EU definition, PDO products are "produced, processed and prepared in a given geographical area, using recognized know-how". Their quality and properties are significantly or exclusively determined by their environment, in both natural and human factors. The category is named *Appellation d'Origine Protégée* (AOP) in French, *Denominazione di Origine Protetta* (DOP) in Italian and *Denominación de Origen Protegida* (DOP) in Spanish.

PGI (Protected Geographical Indication)
The EU definition of a PGI product is one closely linked to the geographical area in which it is produced, processed or prepared, and which has specific qualities attributable to that geographical area. The category is named *Indication Géographique Protégée* (IGP) in French, *Indicazione Geografica Protetta* (IGP) in Italian and *Indicación Geográfica Protegida* (IGP) in Spanish.
Each EU country has its own quality categories which correspond to PGI. The most significant are:

- France: *VDP (Vin de Pays*)
- Italy: *IGT (Indicazione Geografica Tipica*)
- Spain: *VT (Vino de la Tierra*)
- Portugal: *VR (Vinho Regional*)
- Germany: *Landwein*
- Austria: *Landwein*.

II. EU TRADE MARK

If you think to trade on the EU Single Market it is, advisable to register the trademark before entering the EU market, in order to enable protection against counterfeiting and any attempts to register or use similar brands.

In the EU, the same trademark can be registered at EU and/or national level, but - especially for extra-EU producers - it is advisable to register at EU-level, as one single registration grants the owner an exclusive right in all 27 countries.

The procedure is normally completed within about 10 months (5 months, under certain conditions), and the precedence on the trademark is acquired once the application is filed. Registration lasts for 10 years and may be renewed indefinitely.

Another advantage of registration at EU-level concerns fees: the filing charges for a European trademark are much lower than filing separate national applications in all member states. One should consider national registration only when operating in less than three or four member states.

On the downside, filing for an EU trademark, given the size of the EU, makes conflicts with pre-existing trademarks more likely: the best practice is to rely on a qualified professional for conducting a clearance search for names and trademarks before filing the application.

You can receive more information on how to register an EU trade mark on the website of *European Union Intellectual Property Office* - https://euipo.europa.eu/ohimportal/en

III. LABELING THE WINE FOR THE EU MARKET

Labelling information is divided into compulsory and optional. If not listed in any of these two categories the information may not be displayed on the bottle. The lists vary depending on the wine categories and is specified differently for some particular types of wines. Nevertheless, all labels must provide at least the following information:

- the sales designation of the product (the information will vary depending on the wine);
- the nominal volume;
- the actual alcoholic strength by volume, followed by the symbols "% vol" and optionally preceded by the words "actual alcoholic strength" or "actual alcohol" or "alc";
- the lot number;
- the presence of sulphites, if any;
- for imported wines: the country of origin, the original name, and indicate whether the product is a blend of wines and whether the grapes were harvested in another country.

All the compulsory information must be indicated in the same visual field on the bottle and be clearly legible. However, the reference to the ingredients, the lot number and the importer, where applicable, may appear outside this visual field. The additional information that may be indicated on the label must be clearly distinguishable from the compulsory information referred to above.

The EU laws also define the use of most common appellations (e.g.: "wine", "table wine'), terms referring to certain production methods, sweetness (from dry to sweet), grape variety and vintage, certain bottle shapes and types of closures, restricting them to products conforming to strictly defined requirements.

Compulsory information shall appear in an easily understandable language to the consumers of the member state where a food is marketed and each member state may stipulate that the information shall be given in one or more languages.

Besides these legal requirements, wine importers can have specific labelling and packaging preferences. These preferences are generally based on packaging trends, taxes and additional requirements of specific European countries.

For example, in conservative European wine markets such as the Czech Republic and Poland, cork stoppers are still the preferred type of closure. However, in more mature wine markets such as the United Kingdom, Germany and the Netherland, screw cap stoppers are a 'must'. One must be flexible in type of stopper when supplying these markets. Wine importers follow market and consumer trends. Being able to adapt to packaging preferences makesone a more interesting business partner for wine importers.

IV. IMPORT OF WINE FROM EXTRA-EU COUNTRIES

The imports of food and drink related products in the European Union are strictly regulated to ensure the provision of safe products to consumers in the European market. If one's wine does not comply with European legislation and requirements, it will not be accepted on the European market. European buyers need to know that the wine is compliant with European legislation before closing a deal. They will ask for up-to-date documentation and certification to make sure one is able to meet these requirements.

One shall be aware of quality and food-safety management systems (such as HACCP, ISO 22000 or BRC/IFS), as these may be required to demonstrate ability to control food safety hazards. This also applies to certification for quality control and traceability. A thorough approach to compliance demonstrates reliability and is welcomed by potential buyers.

Third-countries exporters need to produce a certificate and an analysis report (both drawn up by a country of origin's competent body) proving compliance of exported wines with oenological practices allowed by the EU: the so-called VI1 document ,which certifies that the product is compliant with EU regulations. This is a paper document (except for wine from USA in which case the form is electronic) that has to be completed by the business exporting the wine, signed off by the relevant competent authority in the exporting country and, in most instances, has to include the results of an analysis of the wine from an approved laboratory.

The certificate and the analysis report are not required for products in labelled containers of less than 5 litres fitted with a non-reusable closure and forming part of a total consignment not exceeding 100 litres.

The European Union is a Customs Union, meaning that there are no customs duty barriers between member states and they all have a common customs tariff for imported goods. Moreover, once customs duties have been duly paid and compliance with import conditions has been ascertained, imported goods are free to circulate within the rest of the EU without any further customs control.

All products are classified according to a tariff code, which carries information on:

- duty rates and other levies on imports and exports;
- any applicable protective measures (e.g. anti-dumping);
- external trade statistics;
- import and export formalities and other non-tariff requirements.

The following documents must be presented for customs clearance:

- commercial invoice, containing all the basic info, such as: names and addresses of the exporter and the importer, description of the goods (name, quality, etc.), quantities, unit value, total item value, total invoice value and currency of payment, terms of payment, delivery and means of transport;
- customs value declaration, which must be presented when the value of the imported goods exceeds € 20.000,00;
- freight documents (Transport Documentation);
- the packing list, a commercial document providing information on the imported items and the packaging details of each shipment (weight, dimensions, handling issues, etc.);and
- customs import declaration: all goods imported into the EU must be declared to the customs authorities of the respective member state using this document, which must be drawn up in one of the official languages of the EU. The custom import in declaration form common for all the member states is the Single Administrative Document (SAD), which contains: data of the parties involved in the operation (importer, exporter, representative, etc.);customs approved treatment; identifying data of the goods (Taric code, weight, units), location and packaging; information referred to the means of transport; data about country of origin, country of export and destination; commercial and financial information (Incoterms, invoice value, invoice currency, exchange rate, insurance etc.);list of documents associated to the SAD (Import licenses, inspection certificates, document of origin, transport document, commercial invoice etc.); declaration and method of payment of import taxes (tariff duties, VAT, Excises, etc.).

Taxation - except for custom duties - is established by each member state, with the only limitation - regarding internal market (i.e.: exports within the customs union) - not to impose, directly or indirectly, on products of other member states internal taxation of any kind in excess of that imposed directly or indirectly on similar domestic products.

Customs Duty Tariff: it is calculated on the basis of the Customs Value Declaration and it depends on the type of wine and its bottling. Some third-countries (e.g.:Chile) may have a tariff preference.

Wine becomes subject to excise duty as soon as it is produced, or imported into the EU. But this duty can be suspended and does not have to be paid until the product is "released for consumption". This means the moment when products are no longer under duty suspension arrangements. Note that to be able to produce store and move excise goods without paying excise (under excise duty suspension) requires a special authorization from the country in question. Excise duty is paid by:

- the person or business who is the "authorized warehouse- keeper" of the place where wine is produced, dispatched or received;
- any other person who caused the goods to leave the duty-suspension arrangement;
- the person declaring the import, if the goods are imported and not immediately put under the duty-suspension arrangement.

To enable you - as a seller -to transport goods, but maintain the suspension of excise duty (the duty will be paid by the buyer in the country of destination according to that country's rates) the seller must: (i) guarantee the products against the transport risks; (ii) send an electronic administrative document (e-AD) to the responsible excise authority using the Excise movement & control system (EMCS); meanwhile the buyer must (iii) confirm receipt of the goods in the EMCS system within 5 working days.

If you sell wine directly to private customers and the place of sale is your country, you' ll have to charge excise duties according to the rates valid in your country; on the contrary, if you sell wine to your private customers on the internet, you must pay the excise duty and rates of the country where the customers live.

EU legislation does not impose minimum rates of excise on wine (unlike, for example, beer). This means that EU countries are free to apply excise duty rates or not, according to their own national needs.

Value Added Tax (VAT) : rates vary from one EU country to another; therefore it is necessary to check case by case. As of today VAT rates range from a minimum of 17% (Luxemburg) to a maximum of 27% (Hungary). For Bulgaria, it is 20%.

V. DISTRIBUTION OF IMPORTED WINE IN THE EUROPEAN UNION

When considering a distribution system in different EU members states, it is also worth considering the applicable EU competition legislation, which prohibits agreements between two or more independent market operators having the effect of restricting competition (with particular reference to vertical agreements between firms operating at different levels, like the case of an agreement between a wine producer and its distributor(s) in the European market).

The following covenants are prohibited under EU competition law:

- fixing the resale price charged by the distributor;
- restricting sales of the products to customers in other countries, which are not exclusively reserved to another distributor or to the producer himself, in case such customers have not been directly targeted by the distributor;
- prohibiting the distributor to sell the products via e-commerce and/or on third party market places.

If you are negotiating a distribution contract in Europe for your wines, you shall need to consider the following issues:

- clearly define the business model. Commercial agency, one-off sales ,distribution, license to open single-brand stores or sell online through a virtual store. it is essential to have clearly defined how the distributor or business partner will operate in the market, before starting to negotiate any contract ,especially when there may be various players operating in different areas or through different channels.
- Conferring exclusivity rights under certain conditions only. Exclusivity in favor in of the distributor should be considered carefully and, if needed ,may be limited to certain geographic areas or distribution channels (e.g. an online marketplace), in which the distributor guarantees to achieve a certain minimum turnover. It is also essential to draft a seamless online and offline strategy, in order to avoid conflict of interests among different players in the distribution network.
- applicable law and jurisdiction. This choice should be made expressly in the contract, keeping in mind actual case law on goodwill indemnity for the distributor existing in some countries. Arbitration can be a valid alternative,

as all member states are part of the New York Convention of 1958 and enforcement of an arbitral awards is in most cases easier and faster than the recognition of a foreign court decision.

VI. FINDING A PLACE ON THE EUROPEAN WINE MARKET

Wine markets in Europe vary from country to country and there are various ways in which one can find potential buyers. Even though it is one single market, there are differences in each country in the European Union. Wine buyers are contacted by potential suppliers every day, making it difficult to convince them to buy specific wine. They expect the wine seller to understand their needs and wishes before contacting them.

Almost all wine buyers prefer personal meetings to emails. Sending generic emails introducing one's company to a potential trading partner will not work for European wine buyers. Since they have no reference of one's capacities, such an email is often perceived as unreliable or spam email.

- ***Do a preliminary EU market research***

Market research can help a company to find out which wine market in Europe offers the most promising opportunities for their wines. Wine buyers align their portfolio to taste preferences and trends in their market, which differ per country. There are many available trade statistics and trends on the European wine market for an overview of the European wine market. A good desktop research could offer country-specific studies on wine markets, which is a good starting point for own market research.

- ***International wine trade fairs***

They are valuable platforms for developing contact base, meet buyers and build brand recognition. At these trade fairs one can exhibit their wine at a stand and play host for important representatives from importers, distributors and retailers from across the world. This can give a big boost in finding interested buyers for one's wine.

This is a preliminary list with the most important international wine fairs in Europe:

- ✓ *Prowein (Düsseldorf, Germany)* - the largest industry meeting for professionals from viticulture, production, trade and gastronomy. This annual wine trade fair is growing rapidly and is an attractive business platform in the wine industry.
- ✓ *Vinexpo (Bordeaux, France)* - a bi-annual wine trade fair that plays a significant role in the popularization of the wine industry and culture in Asia and Africa.

- ✓ *World Bulk Wine Exhibition (Amsterdam, the Netherlands)*- serves as a meeting place for both buyers and sellers of bulk wine. If one is producing bulk wine, this trade fair may be the best possible opportunity to promote and market their bulk wine.

Besides these international wine trade fairs, there are many local and niche trade fairs in various EU countries:

- ✓ *Biofach (Nuremberg, Germany)* - the most important international exhibition for organic food and fair-trade products, held every February. It is an important niche trade fair for companies that sell natural wines.
- ✓ *London Wine Fair (London, United Kingdom)* - an annual wine fair, predominantly focused on the wine trade in the United Kingdom.
- ✓ *Vinaria (Plovdiv, Bulgaria)*- the most prestigious stage for premieres in the industry in Southeast Europe. It demonstrates a rich selection of drinks: from authentic local products to world brands, combinations of ancient and modern technologies, modern equipment and materials. The exhibition also shows the future of the wine industry with new grape varieties, methods and equipment for processing, quality control systems.

When you want to participate as a visitor at a trade fair, make sure you have identified your potential buyers beforehand and thoroughly studied their websites. Visit their exhibition stand, introduce your company and establish initial contact. Make sure that you can explain to them in no more than two minutes why they should purchase your wines (it is called - sales pitch). Keep in mind that it is costly to participate as an exhibitor at a trade fair. Find other wine producers/brand owners in your country and team up for a country pavilion. This way you can share the costs of an exhibition stand and make a greater impression at the trade fair.

- ***Wine magazines and Social Media can be used to promote one's wine to a wide public***

International wine magazines are a good opportunity to promote one's wine and/or winery. Through an article one can communicate Unique Selling Points to a wide public within the wine industry, ranging from wine experts to wine importers and wine specialty shops. It is a good way to brand one's production origin and generate interest and recognition for the wine region.

Examples of EU wine magazines are Meininger's, Harpers and The Drinks Business.

Social media are increasingly being used as a medium to discuss wine among wine consumers. Additionally, social media are becoming increasingly popular for marketing and promotional purposes. Therefore, social media can be a good channel to promote wine locally and regionally, build brand and generate support. Having a stronger brand helps one to find interested European buyers for wine.

Besides social media, wine apps, such as Vivino and wine searcher, are becoming more popular among wine consumers to find a specific wine and/or to find additional information. Presenting wines in these apps helps to gain feedback from consumers and increases brand's visibility.

- ***Join matchmaking programmes and trade missions and cooperate with Sector associations***

Embassies and chambers of commerce can provide interesting business opportunities, as they are usually involved in trade missions and matchmaking programmes. These platforms have strong relations with businesses in target market and can help.

Wine sector associations are national organizations, which represent businesses from their own country to various ends. These associations are a good source of information about target markets and potential buyers, as many include a list of their members which can be potential buyers. Members of these associations can range from small wine producers to multinational wine traders.

The Comité Européen des Entreprises Vins (CEEV) is the representative body of the European wine industry and trade. Its members consists of 23 national associations, a group of leading European wine companies and two non-European Union observer associations (from Switzerland and Ukraine). Focus on associations in the countries that might offer the best opportunities.

- ***Use a storage facility in Europe to ensure on-time delivery in the right volume***

Wine traders and retailers sometimes need wine at short notice but transport to Europe can take a long time and can be costly. This can result in delayed or inadequate supplies or even out-of-stocks. A storage facility where one can store their wine in the European Union might prevent supply issues, as wine can be transported quickly throughout Europe. Being able to store one's wine in a storage place or depot in Europe will be very well received by wine importers. However, this shall be done, if one already has at least one customer. Storing wine in a warehouse without a customer could be a disaster if one does not manage to sell wine within the limited shelf life.

- ***Talk about your success stories in other export markets when approaching a new market***

Wine buyers value reliable and knowledgeable suppliers to avoid risks. They want to ensure that potential suppliers can add value to their business and are able to deliver agreed quality and volumes. If one already supply wine to other

(European) markets, this means that they already convinced buyers in other countries that they comply with legal and quality standards of the export market and can add value to their business. It also shows that one is able to consistently meet agreements on wine volumes and quantity, which indicates reliability.

Last but not least, it is paramount to live up to the agreements when exporting wine to Europe. Wine buyers in Europe are looking for reliable suppliers. Wine exporters new to exporting wine to Europe would do well to focus on being able to deliver on their promises. This might be easier when starting with small order sizes. This enables suppliers to live up to their agreements on wine volume and quality. Small order sizes, as initial orders, may result in increased transport costs because one might not be able to fill a shipment container on their own. To lower these transport costs one could find other exporters from their country and ship wines together. This way one can fill a shipment container and share transport costs with other wine exporters.

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Connecting Companies

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