



WINE INDUSTRY AS A SOURCE OF RURAL GROWTH AND DEVELOPMENT

Strategies for the agri-food sector and rural
areas - dilemmas of development

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AUTHORS

- Ph.D. Drago Cvijanović, Full Professor and Principal Research Fellow, Dean of the Faculty Of Hotel Management And Tourism, Vrnjacka Banja, University in Kragujevac, Serbia
- M.Sc. Djurdjica Jojić Novaković, Ph.D. Candidate, Faculty Of Hotel Management And Tourism, Vrnjacka Banja, University in Kragujevac, Serbia
- Ph.D. Željko Vojinović, Assistant Professor, Faculty of Economics in Subotica, University in Novi Sad, Serbia



GOAL OF THE ARTICLE

- Main source of raw material for wineries are vineyards, which are by default situated in rural areas.



- Wine business is integral part of rural area
- This article aims to explore whether wine industry can generate growth in rural areas and if so, in which way



LONG TRADITION: FROM AGRICULTURAL PRODUCTION TO CONTEMPORARY LIFESTYLE SYMBOL

- Earliest traces of wine production found in Iran in 5,000 BC
- During medieval dark era, craft of winemaking preserved thanks to monasteries
- In 20th century and afterwards it grew into important industry, export product, and brand ambassador of a destination



INDICATORS OF RURAL DEVELOPMENT

- OECD classification recognizes 4 groups of indicators:
 1. **DEMOGRAPHIC**: population and migration, density, change, structure etc.
 2. **ECONOMIC PERFORMANCE**: labour force, employment, productivity, investment etc.
 3. **SOCIAL WELL-BEING**: income, housing, education, health, safety
 4. **ENVIRONMENT and SUSTAINABILITY**: land use, habitats and species, soil, water and air quality etc.



FINDINGS

- We identified a number of indicators to which wine industry can have impact, either directly or indirectly.
- Conclusion: wine industry is an important source of development and growth of rural areas



WORLD'S WINE PRODUCTION

Country	Volume (thl)
Italy	50,9
France	43,5
Spain	39,3
<i>Rest of World</i>	25,4
United States	23,9
Australia	13,0
China	11,4
South Africa	10,5
Chile	10,1
Argentina	9,4
Germany	9,0
Portugal	6,0
Russia	5,6
Romania	3,3
New Zealand	3,1
Greece	2,6
<i>Total</i>	267

Source: Italian Wine Central (2016)

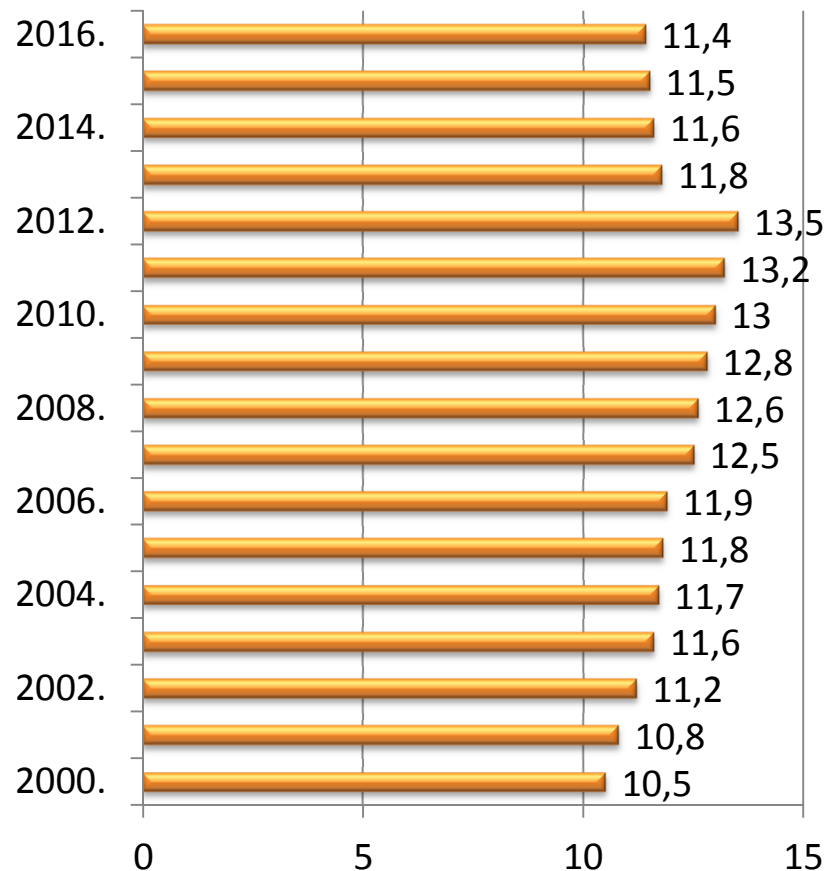
- Among the world's largest wine producers 4 developing countries stand out:
- China,
- South Africa,
- Argentina,
- Romania.



WINE INDUSTRY IN CHINA



Wine production in China (thl)



Source: OIV database

- Total wine production grew up to 29% between 2000. and 2012.
- Represents 4% of world's total wine production.
- 5th largest importer of wine



WINE INDUSTRY IN CHINA



- **Key participants in China's wine market**



- **Key indicators**

in 1000 hl	2000.	2010.	2015.
Export	52	146	273
Import	523	3.482	5.536
Consumption	5.855	6.979	16.000

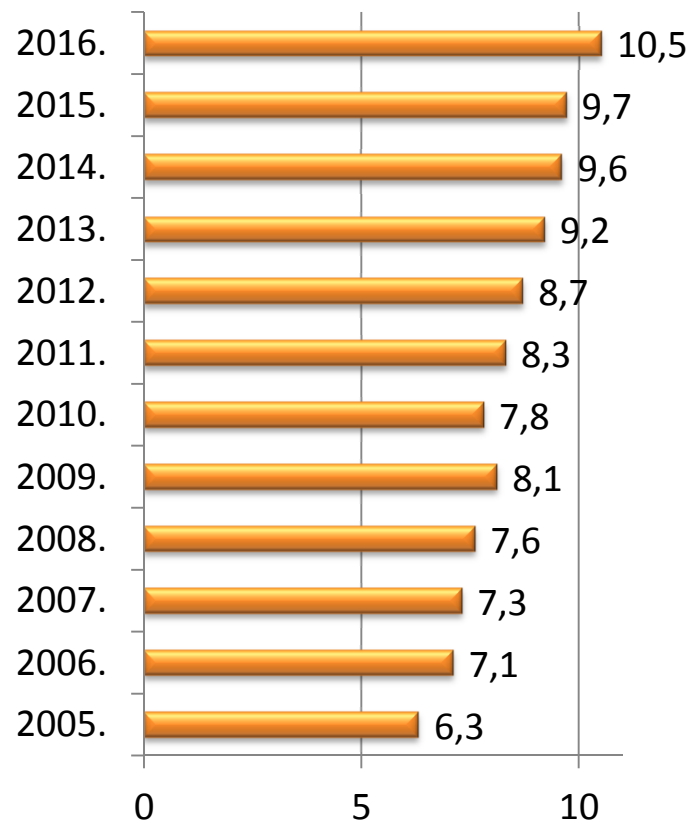
- China has the 2nd world largest vineyard area (11% in 2015.)

Source: OIV database

WINE INDUSTRY IN SOUTH AFRICA



Wine production in South Africa (thl)



Year	Export (thl)	Trend Δ
1996.	0,99	-
2000.	1,38	39%
2006.	2,72	97%
2011.	3,51	29%
2015.	4,13	18%

○ South Africa is the 6th wine exporter in the world.

Source: Wines of South Africa (WOSA)

WINE INDUSTRY IN SOUTH AFRICA



SA Wine Industry Strategic Exercise (WISE)

Six main work streams of development:

-  Socio-economic development and upliftment
-  Economic empowerment and development
-  Market development and promotion
-  Knowledge and information development
-  Technology innovation and transfer
-  HR development and training

WISE is driven by 5 industry bodies:
VinPro
Salba
Sawis
Wosa
Winetech

2015	Target	2025
2%	Producer return on interest	CPI + 5%
325 million litres	Local wine sales	425 million litres
1%:2%:5%	Export markets USA:China:Africa	7%:7%:10%
275 000	Employment levels	375 000



Source: PwC

WINE INDUSTRY IN ARGENTINA



Wine production in Argentina (thl)



Argentina's primary wine export destination

U.S.

Canada

U.K.

Brasil

Netherlands

- Argentina is the 10th wine exporter in the world.

WINE INDUSTRY IN ARGENTINA



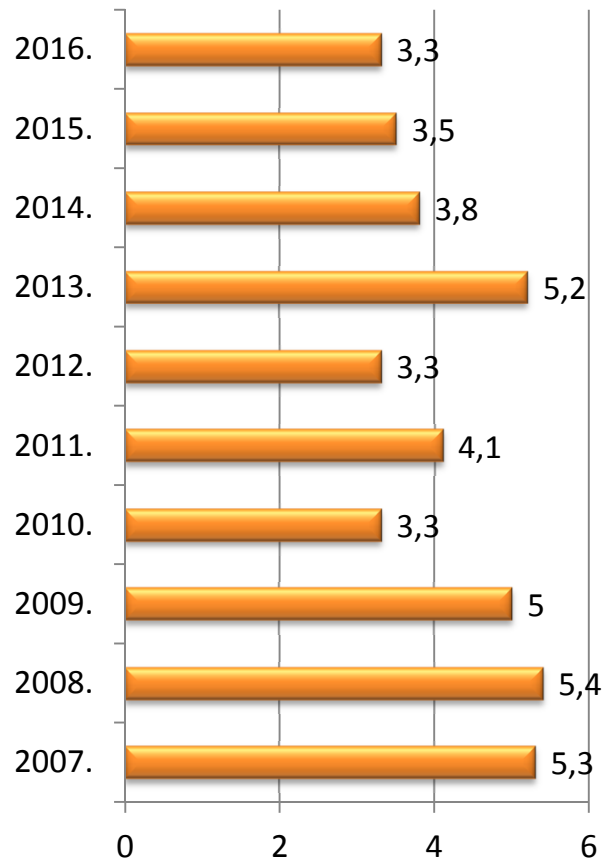
- *Wine strategic plan*
- Primary goals:
- Better position Argentine high-quality wines in the Northern Hemisphere markets,
- Develop the Latin American wine market and promote wine consumption in the domestic market, and
- Support the development of small grape producers, and incorporate them into the wine business.



WINE INDUSTRY IN ROMANIA



Wine production in Romania (thl)



Major constraints of development.

- Degradation of existing vineyards
- Financial Constraints
- Inadequate Production Facilities

○ Romania is the 13th wine producer in the world (6th in EU).

WINE INDUSTRY IN SERBIA



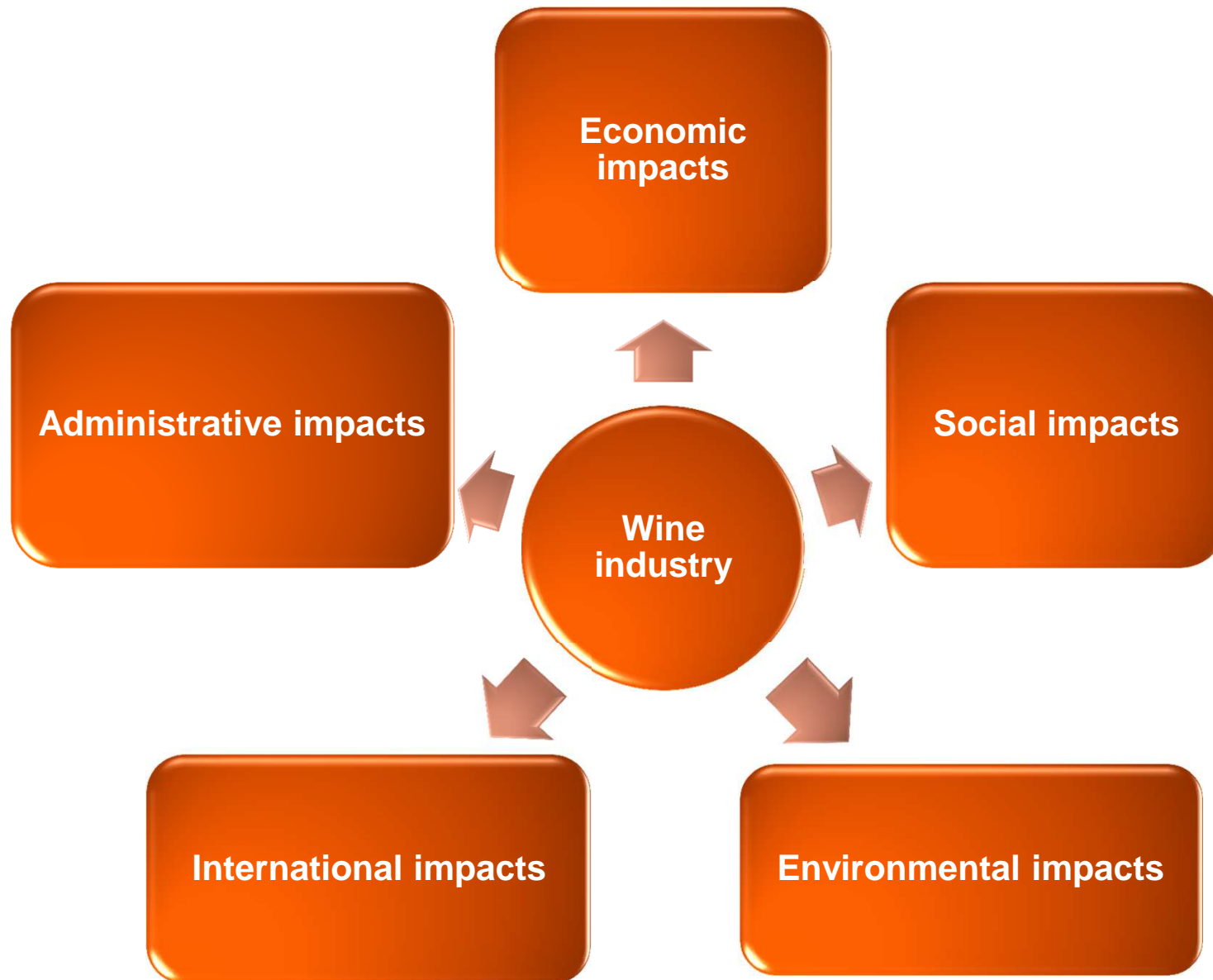
Key indicators

Year	Vineyards area (000 ha)	Wine production (hl)
2006.	62	1.292
2007.	59	1.670
2008.	58	1.929
2009.	58	2.392
2010.	58	2.382
2011.	57	2.244
2012.	54	2.196
2013.	-	2.306

- Favorable natural conditions for wine production.
- Strategy of Agricultural and Rural Development (2014.-2024.)
 - *Constraints of development:*
- High production costs,
- Unsupportive market conditions,
- The absence of adequate legislation.



KEY AREAS OF WINE INDUSTRY IMPACT



CONCLUSION

- Unpretentious preconditions of grape and wine production are a potential for agricultural development of underdeveloped areas.
- National production, employment and the development of related economic activities are allocated as direct area of influence of the development of the wine industry.
- National regulation is crucial in building an adequate support system to foster wine industry.





THANK YOU FOR YOUR ATTENTION!