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CROSS CULTURAL CHALLENGES IN THE EUROPE WIDE MARKETING: THE WINE INDUSTRY

ESCEM-Minor « B&M in the New Europe »
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Introduction

Wine is an alcoholic beverage made from fermented grape juice. Growing grapes for wine production is one of the world's most important agricultural activities, and the industry represents a major component of the economy of many wine-producing countries. Wine represents not only a drink to have with food, but also a series of traditions and culture trends that identify and distinguish wine-producing countries from the rest of the world.

The European Union is the leader producer, consumer, importer and exporter of the world. Within the Community, there are some of the oldest wine-producing countries with different climate, vines and procedures to make wine and therefore with a huge variety of tastes, colours and uses for it. Some of these countries are the leaders and focus their production to quality and fame; others choose to concentrate in vast production and high quantities.

To describe the wine market in different parts of Europe, we have chosen three countries with different characteristics. France represents the Western European wine power with very old traditions, and concentrated generally in the very high quality. Hungary, once concentrated in mass produced table wines under communism, is undergoing big changes in the market and a transition to more advanced production practices and new techniques. Bulgaria, probably the oldest wine producing country, also undergoes very drastic changes through its history, from mass production and exports to a more closed market nowadays.

During the following project we will analyze the wine market in each of the countries, using the “Strengths, Weaknesses, Opportunities and Threats” Method and Political, Economical, Social, Technological, Environmental and Legal relevant aspects.

I. The Wine Industry

1. Wine Grape: Species and Varieties

There are thousands of different grape varieties used in the wine industry, varying in color, size, and shape of berry; juice composition (including flavor); ripening time; and disease resistance. The climate under which they are grown also varies, as well as the processes applied for production. The fact that these variations exist gives us as a result the immense variety of wines available.

Vitis vinifera, is used in most of the world's wine production in many of its different varieties. One of the most important reasons why this plant is chosen by wine producers is its high sugar content at maturity. The natural sugar gives enough material for a good fermentation, which enables wines with a 10 percent or higher alcohol content. These levels of alcohol are necessary to avoid bacterial spoilage.

Another reason for using this plant is the enormous range in composition. The skin color can vary from light greenish yellow, to pink, red, reddish violet, or blue-black. The juice generally doesn't have any color, although some varieties have pink or reddish, and the flavor can vary from basically tasteless to strongly aromatic.

2. Cultivation

Grapes are normally a regular climate plant, but sometimes they can be grown in semitropical conditions. It is very important to have enough warm growing seasons so that the fruit can reach maturity. If the temperature goes too low (below -7 C), the plant can die. Climate is a very big influence in the maturity of grapes. This is why there is a very big variation depending of the areas and the amount of sunlight and heat received by the vines during the growing season. Other things to take into account are differences in night and day temperature, hours of sun, and soil temperature.

It is in spring that the grapes start the growth cycle, this being because the average daily temperature is about 10 C. The vines require a certain amount of heat above this average throughout the growing season. If the heat summation is less than required, the grapes will not ripen. This means that the grape will not have enough sugar and it will be very acid. This happens often in eastern United States, Switzerland, and other cool regions, and it can be fixed by adding extra sugar to the crushed grapes. On the other hand, if there is too much heat as in Algeria and parts of California, the maturity is reached earlier and with less acidity and color. Seasonal conditions can also be critical, especially in regions of low heat summation, as found in parts of France and Germany.

Some cultivation practices like weeding and pruning may also influence the mature fruit composition. Even though the composition of the soil has an influence on soil temperature, root penetration, water-holding capacity, and vine nutrition, the effect that it has in the quality of wine is barely understood.

3. Wine Regions: Varieties

The region of production, maturity of the fruit, variety of grape, year of production represent a very important part in the label of wines. They can also be differentiated by color, sweetness, and aroma. In Europe wines are primarily distinguished by the region where they are produced.

In France, for example, the best wines are given the “appellation d'origine contrôlée” (AOC; "controlled name of origin") title, which is based on a hierarchy of specific geographic areas that are recognized to produce the finest wines. The first classification in the hierarchy is the region, within the regions are districts, within the districts are communes, and within the communes are vineyards, or châteaux.

4. Choosing a grape vineyard location

<u>Sunlight</u>

In order to produce fruit, grape vines need sunlight. Grape vines will certainly grow in shaded areas but sunlight is the catalyst for fruit producing vines! Shade will limit a vine's ability to format buds and cause flowering buds to drop to the ground.

<u>Flora and fauna</u>

Nearby trees can produce shade that affects the vines, along with a host of other problems. Birds, deer, rodents, rabbits and raccoons all pose a threat to the vines. Nearby trees can also steal soil and moisture that is needed. The different trees beside may have wild grape vines that might have diseases and dangerous insects for the plantation.

<u>Soil and the lay of the land</u>

Grape vines have very long root systems that can reach more than 30 feet long. They usually require fairly fertile soil, but soil that drains thoroughly can produce fine grapes.

<u>Climate</u>

Climate is the most important factor when it comes to quality wine gapes and the actual vine longevity. Hot and cold climates can negatively affect wine quality. People must have a grape variety that ripens during the growing season. They should keep from growing grape varieties that produce mature wine grapes during the hot months of summer.

5. The Uses of Wine

There are many classes of wines, but there are six specific classes under which they can be classified. These are: *aperitif* (or appetizer wines), red dinner wines, white dinner wines, sparkling wines, table wine and dessert wines.

Aperitif (Appetizer Wines):

These wines have the purpose of drinking them before eating a meal.

Red Dinner Wines:

These wines are usually dry, meaning they don't contain sugar. These go extremely well with main-course dishes. Another classification of red wines is the rose wines. These are also better known as the pink dinner wines.

White Dinner Wines:

These wines are usually either very dry or rather sweet. As recommended, the white wines should be served chilled.

Sparkling Wines:

These wines are totally different from other types of wine. Unlike the others, they contain bubble of carbon dioxide, as do the soft drinks. These are most frequently served at banquets, formal dinners and weddings.

Table Wines:

Light wine is fermented grape juice whose alcohol content falls within a certain range defined by law. Furthermore, table wine is not bubbly.

Dessert Wines:

These wines are only classified under Dessert wines because they are sometimes served with desserts. They range from medium-sweet to sweet.

6. The present and future of the wine sector in Europe

European vine cultivation and wine production has a world reach. The European Union (EU) leads the wine sector in terms of:

a) **Production**: European vineyards account for approximately 45% of the areas under vines in the world and produces, on average, 60% of world wine production;

b) **Consumption**: the EU accounts for almost 60% of world consumption;

c) **Exports and Imports**: the EU is both the leading world exporter and importer.

Wine represents an important contribution to the value of final agricultural output in most of the producer countries, members of the EU. Moreover, at the regional and local levels, the wine-growing sector appears to have a decisive role in agricultural activity and the economy.

European wine-growing varies from one member country to another and even from one region to another, not only the degree of specialization, but also the size of the vineyard, the type of wine produced, the oenological practices, and the soil.

Vineyards contribute to the conservation of the environment, preventing soil erosion and ensuring the presence of men in fragile areas from an environmental point of view and which often don’t have any economic alternatives. But wine production may also have harmful effects, if not done the right way. The use of unsuitable machinery, the excessive use of plant health products and fertilizers, all harm the soil.

Since 1975, following the introduction of a ban on new plantings and abandonment premium, European wine producing areas have gradually decreased.

The EU is, by far, the world's leading wine producer. Wine production is characterized by very marked annual fluctuations due to climatic effects and to cultivation methods.

Furthermore, a general significant negative trend in wine production over the last twenty years has been observed.

Wine consumption in the EU-15 in 1996 was an average of 34 liters per person in a year. However, the EU average hides important differences between Member States: especially in wine producing countries of southern Europe, the consumption is almost doubles the Community average. Wine consumption has also fallen significantly during the last twenty years, more clearly in the producer states where the levels of consumption had been the highest. From 1986 to 1996, the total wine consumption in the EU 15 decreased. The fall remarks a significant downward trend connected in particular to changes in lifestyles, in consumer behavior, the role of wine in food, etc.

For all alcoholic drinks, the tax policy in the wine sector shows a great variability from one member to another. The directives have aimed at harmonizing the tax legislation for the completion of the internal market. The VAT rates on wine can go from 5% to 25%.

The exports have had a net increase since 1997 exports in both volume and value. This confirms the EU as the world's leading exporter of wine. The principal destinations are the United States, Switzerland, Canada and Japan. Most of these quantities (representing more than 75 %) are exported without refunds.

The EU also is the world's premier wine importer. The principal countries of origin are Australia, Chile, the United States, Hungary, Bulgaria, South Africa and the former Yugoslavia. In addition, imports from Argentina leaped to record levels in 1995 and 1996 together with a fall of production in Spain and the suppression of the reference price in the European Union.

The common market organization for wine (CMO) is among the most complex and important in the common agricultural policy. This is because this CMO covers not only the traditional measures (prices, intervention, trade, etc.), but also other more technical matters that are specific to the wine sector (ie. provisions concerning production, trade and the release to the market of the wine products and oenological practices).

Community legislation classifies wine in two main categories: "quality wines produced in specific regions" (or "quality wines PSR") and "table wines". However, since the responsibility to classify and control the quality wines was left over to Member States, many differences exist. Furthermore, different classification of wines has risen according to each Member State. For example, Germany, Luxembourg, and, partly, the United Kingdom and Austria have indicated that almost all of the wines produced are classified as "quality wines", while the other Member States have followed a much more strict approach. Though, this classification is still very relative, and does not necessarily reflect the real quality of the wines. Certain table wines, like the ones identified by a geographical area, can compete in price and in quality with the top classified quality wines. On the other side, certain quality wines PSR can encounter some difficulties, getting lower prices on the market. The majority of market measures within the CMO for wine are directed to table wines. Quality wines PSR do not have some benefits like price regimes from direct intervention measures or from export refunds. On the other hand, quality wines benefit from the protection of their appellations within the EU.

Distillation is the instrument used for intervention on the market within the CMO for wine. The objective is to withdraw from the market production surpluses at a guaranteed minimum price. After that, the wine is transformed into alcohol which is destined, in big part, for the potable alcohol market and the rest for the fuel market.

The Community legislation mentions six different forms of distillation, three of them obligatory (on producers) and three voluntary. The purchase price of the wine for distillation varies from one type of distillation another. The price of preventive distillation is higher than that of obligatory distillation.

The two main measures within the CMO to control wine production potential are:

a) A ban on new plantings and limiting the interval of the right to replant (8 years)

b) A permanent vineyard abandonment premium system.

The limitation on new plantings has been very serious, both from an economic and legal point of view. For example, certain producers are in favor of more liberalization of plantings, partly because producers in third countries do not suffer from these restrictions. Moreover, several irregularities have been proved when applying these planting limitations, with problems to control them.

Since the entry into the GATT agreement, the reference price has been deleted, as a protection system at the border, and customs duties have been reduced by 20% over five years, meaning that the Community wine market cannot be regarded as more or less isolated from the rest of the world. It became exposed to imports at low prices from the third countries, especially when prices on the Community market are high. A further significant consequence of the entry to GATT is that it is more difficult to improve market conditions and to support prices in an open market.

The wine sector benefits from the agri environmental measures adopted under the accompanying measures of the CAP reform.

The medium-term plans and forecasts for the wine sector in the European Union are significantly different from those before the beginning of the 1990s. Until this period, the wine sector had by significant and persistent production surpluses and they were predicted to continue. Since the beginning of the1990s, and on an average basis, the market remains unbalanced and with more sustainable limits. The future expectations in the midterm do not have a better outlook by the moment. It is estimated that wine production will stabilize, because there is an assumption that wine production potential will continue to decrease and that yields will not increase significantly, as in the last ten years.

In the situation of a market that is characterized by low production surpluses, or in which production could be lower than demand, the idea of reducing vineyards is expected to be less important in the future. On the other hand, in view of the instability of this market, a complete annulations of the ban on new plantings could be questioned.

In the past, the Community intervened in the wine sector primarily in reducing production potential and establishing market measures. In view of the situation which will characterize the wine sector in the future, they should be focused on improving the competitiveness of EU products, both on the internal and world markets. This would not only mean the permission of qualitative adjustments of supply and demand and the acceleration of the rate for the renewal of the vineyards, but also the modernization at all levels of the wine production chain from bottling to sales and marketing, passing renovating caves, producers organizations and promotion.

7. The easternalization of the EU wine market

The European Union has just welcomed 10 new members. Within these, six are wine producing countries: Cyprus, The Czech Republic, Hungary, Malta, Slovakia and Slovenia, with some of the world's oldest wines and winemaking traditions. By 2007, the EU will include Romania and Bulgaria, which are Eastern Europe's biggest wine producing countries.

Most of the winemakers in the new member states share are enthusiastic about this. In these countries, during the communist rule, there was constantly an underproduction and poor quality wines. Since the fall of the Soviets, there have been many positive changes, but there is still a fragmented and under-exploited industry. High taxes on imported goods and weak purchasing power have limited most consumption to local wines.

Joining the EU will eventually change this. Since May 1, the trade tariffs have been suppressed throughout the EU, shaving up to 70% excise duty on wine in some countries. In many cases, tariffs on non-EU imports have also been reduced. Shoppers from the 25 countries can now buy wine throughout the union and bring as much as they want home, as long as it is for personal consumption.

As the markets open up to competition, winners and losers will emerge. With the appearance of better and cheaper imports from some of Europe's larger wine producing countries like Spain, Italy or France, it is likely that some wine producers will not be able to compete. Furthermore, strict EU laws on the replanting of vines will force some of the old vineyards out of business, and producers of poor quality wine will find it difficult to stay in the market with cheaper and better imports.

This is maybe the negative side of the process. Strong competition will force some wine producers to adapt by improving on the quality of their wines. Some people will benefit the most of the new situation by focusing on a specific niche. Today, most of the region's specialty wines are destined for export.

EU funding schemes for wine making, which new members are now capable of using, will also help to change the wine sector. Apart from some top quality vineyards, most Eastern European wine producers depend on their old machinery and methods inherited from the country's communist past. The new members are already benefiting from pre-accession grants from the EU to help bring their wine industry up to standards.

The fall of communism had already driven the attention of some private foreign investment into these countries, especially the vineyards of Hungary and Bulgaria. EU funding, along with the facilitation of commerce and trade, will hopefully draw foreign investments together with modern technology and techniques. The industry hopes that being part of the EU will not only improve tourism in the region, but also the poor image that wine exporters in these areas have suffered from in the past.

The growing for the wine industry is very positive in the new member countries, but what will change in the exports of wine elsewhere? By now, addition is not likely to increase consumption significantly within the union. Beer remains a more consumed drink in most countries, and the purchasing power is still very low. The entire GDP of the new members is less than 6% of the previous EU-15. In 2001, wine consumption in the 10 new members represented only 10% of the old EU's. For example, in Hungary, a person spends only US $11 per year on wine.

The New World's impressive marketing techniques, strong brands, clear labelling and quality standardization, will help them to penetrate the market. In the last few years, exports from the New World have risen steadily, mostly in Poland and Hungary.

Very old traditions of drinking home-produced wines in some countries will take some time to change, but tastes will evolve. The people from each country usually prefer to drink their own country’s wine, especially when it is known to be a very good, but the New World wines will at some point penetrate with their aggressive techniques.

A good thing is that liking for wine is increasing in the region. Between 1990 and 2002, consumption rose 11% in the Czech Republic and by a third in Hungary. In Poland, it is growing from 10% to 15% every year. The trend is all over, even in non producing countries such as Sweden and Finland, where consumption rose 6.2% in 2003

(For more detail about this part, see Appendix 2)

II. Countries analysis

1. The Hofstede Model

"For those who work in international business, it is sometimes amazing how different people in other cultures behave. We tend to have a human instinct that 'deep inside' all people are the same - but they are not. Therefore, if we go into another country and make decisions based on how we operate in our own home country - the chances are we'll make some very bad decisions.

Geert Hofstede's research gives us insights into other cultures so that we can be more effective when interacting with people in other countries. If understood and applied properly, this information should reduce your level of frustration, anxiety, and concern. But most important, Geert Hofstede will give you the 'edge of understanding' which translates to more successful results.

To assist you in better understanding the renowned work of Prof. Geert Hofstede, Stephen Taylor has developed a comprehensive series of Cultural Dimension analytical graphs."

The 5 "indexes" of this model are:

- the power distance index (PDI)
- individualism (IDV)
- masculinity (MAS)
- uncertainty avoidance index (UAI)
- long-term orientation (LTO)

➢ Explanation of the notions

"Power Distance Index (PDI) focuses on the degree of equality, or inequality, between people in the country's society. A High Power Distance ranking indicates that inequalities of power and wealth have been allowed to grow within the society. These societies are more likely to follow a caste system that does not allow significant upward mobility of its citizens. A Low Power Distance ranking indicates the society de-emphasizes the differences between citizen's power and wealth. In these societies equality and opportunity for everyone is stressed.

Individualism (IDV) focuses on the degree the society reinforces individual or collective achievement and interpersonal relationships. A High Individualism ranking indicates that individuality and individual rights are paramount within the society. Individuals in these societies may tend to form a larger number of looser relationships. A Low Individualism ranking typifies societies of a more collectivist nature with close ties between individuals. These cultures reinforce extended families and collectives where everyone takes responsibility for fellow members of their group.

Masculinity (MAS) focuses on the degree the society reinforces, or does not reinforce, the traditional masculine work role model of male achievement, control, and power. A High Masculinity ranking indicates the country experiences a high degree of gender differentiation. In these cultures, males dominate a significant portion of the society and power structure, with females being controlled by male domination. A Low Masculinity ranking indicates the country has a low level of differentiation and discrimination between genders. In these cultures, females are treated equally to males in all aspects of the society.

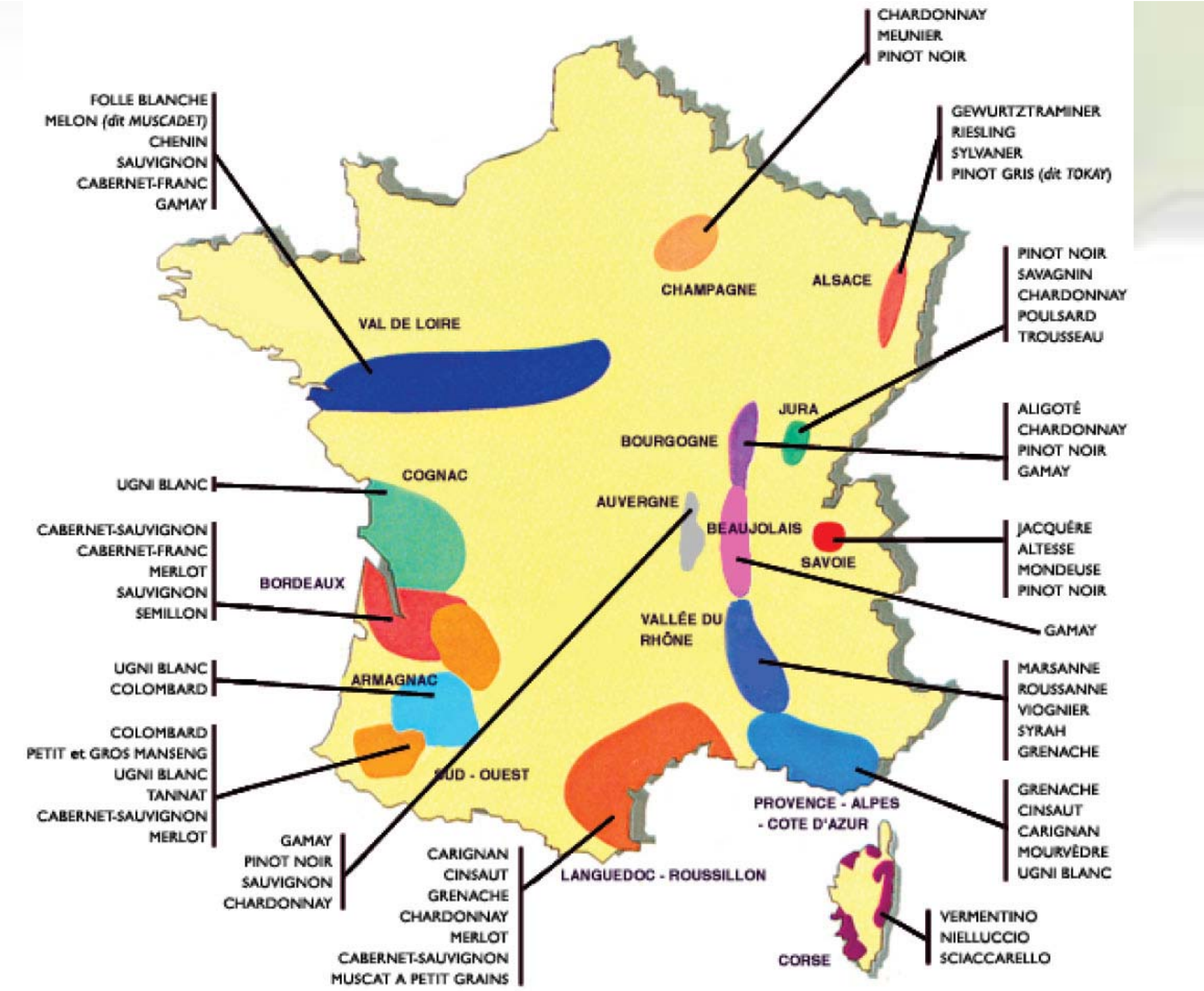
Uncertainty Avoidance Index (UAI) focuses on the level of tolerance for uncertainty and ambiguity within the society - i.e. unstructured situations. A High Uncertainty Avoidance ranking indicates the country has a low tolerance for uncertainty and ambiguity. This creates a rule-oriented society that institutes laws, rules, regulations, and controls in order to reduce the amount of uncertainty. A Low Uncertainty Avoidance ranking indicates the country has less concern about ambiguity and uncertainty and has more tolerance for a variety of opinions. This is reflected in a society that is less rule-oriented, more readily accepts change, and takes more and greater risks.

Long-Term Orientation (LTO) focuses on the degree the society embraces, or does not embrace long-term devotion to traditional, forward thinking values. High Long-Term Orientation ranking indicates the country prescribes to the values of long-term commitments and respect for tradition. This is thought to support a strong work ethic where long-term rewards are expected as a result of today's hard work. However, business may take longer to develop in this society, particularly for an "outsider". A Low Long-Term Orientation ranking indicates the country does not reinforce the concept of long-term, traditional orientation. In this culture, change can occur more rapidly as long-term traditions and commitments do not become impediments to change."[1]

[1] Source http://www.geert-hofstede.com/index.shtml

2. The French Wine Industry

a) History and Background



It is good to know that France wasn't the first country to produce wine; the French were the very first to give modern winemaking a quality control assurance. French wine regions have become "brands", such as Chabilis, Muscadet, Bordeaux, Sancerre, Champagne, Beaujolais, Nuits St. George, etc, because of the AC. France invented the Appellation Controlee system- a set of rules and regulations to be adhered by winemakers and grape growers, with the aim of guaranteeing quality and creating a recognizable brand name that consumers can trust.

Champagne

This one is known for being the most prestigious wine of all. It represents a lot of things such as success and celebration. This wine is used for very special occasions such as weddings, birthdays, etc. The region of Champagne has done the most successful job of branding in the world of wine.

Burgundy

The region of Burgundy is known for being one of the loveliest wine producing regions to visit in France. With medieval villages and beautiful vineyards abound. Sub-regions and towns have themselves essentially become brands such as Chablis, Mâcon, Pouilly-Fuissé, Gevrey-Chambertin, etc. Burgundy is divided into sub-regions, from north to south being: Chablis, the Côte de Nuits & Côte de Beaune (together, the two form the heart of Burgundy's Côte d'Or), Côte Chalonnaise, the Mâconnais and finally, Beaujolais.

Bordeaux

The region of Bordeaux produces images of beautiful Chateaux and expensive wines, both of which are true. Bordeaux makes some of the most known wines in the world such as Mouton-Rothschild, Château Latour and Château Margaux. The history making began in 1855 when Bordeaux was the first wine region to lay boundaries and classifications of their wines, creating the groundwork for the AC system, used all over France today and emulated in all other wine producing countries.

Rhône

The amazing city of Avignon lies at the southern of the famed Rhône wine region. The Rhône is divided into 2 subcategories "northern" and "southern". The northern Rhône produces nearly all red wine (apart from Condrieu, which makes famous white wines from the

Viognier grape), from the spicy Syrah varietal. The southern Rhône's most famous wine has got to be Châteauneuf-du-Pape, located just in the north of Avignon and named after the "Pope's new castle".

b) Wine in France

http://www.discoverfrance.net/France/Wine/DF_wines2.shtml

www.winemag.com/issues/dec04/france.htm

During the year 2002, France was ranked as number 1 within the top 20 wine producing countries. France produced 5,199,930 metric tons of wine, and was ranked number 2 in per capita wine consumption after Luxemburg with 57.17 litters. Nevertheless alcohol consumption in France is falling considerably; young people are rejecting wine in favour of beer in particular.

Therefore, sadly but true, nowadays France is having lots of problem regarding to their wine market. Such as imports of French wine into the US market during August 2001 went down 19.77 percent in value to $57,940,049. This decline was paralleled by a comparable 13.74 percent decrease in the total reported volume for an August total of 7,627,522 litters (2,007,242 gallons).

Regarding the price for the nominal units for the French wine imports, they as well continued to decline. During the period of August 2001 the price of the nominal unit value was $68.37 per case, meaning that during that period there was a 7 percent decline from the August 2000 value. For that same year through August, the nominal unit value decline 9.8 percent from the average nominal unit valuation seen in 2000. The value of French wine imports into the US market during the first eight months of 2001 was worth almost $71 million less than the total reported value for the same period in 2000.

Let's look at some other important facts. We all know that France has long been the world's largest producer of wine, although even now that the crown is under constant threat from Italy, but its dominant position in export markets has been steadily eroded in the last decade by wines from the New World which have been far more adept at marketing and tailoring their wines to modern consumer tastes.

But it is a fact that many French wine producers have not take this into importance or have been extremely slow to react to this threat, because for many years of simply ignoring it off as a temporary blip and taking refuge in their long held belief that the whole world knows that French wine is the best which now it has become their main problem.

However, there are other reasons such as that the new world wines have being gaining recognition all around the world in the terms of quality, for instance other countries in Europe like Spain in particular and the past few years have seen a change in French attitudes, with even the most rigid producers in Bordeaux realising that something had to be done to stop the problem.

It seems, however, that the new marketing campaigns introduced by many of the French wine regions have done little thus far to stop the decline outside France. Although the country remains the second largest exporter of wines in the world, its share of exports has been dropping steadily, almost entirely due to the rise of the New World.

Wines from South Africa, Argentina, Australia, Chile, the US and New Zealand have seen a massive increase in sales over the last few years, increasing in a 169 per cent since 1994. These new competitors in the market have the capacity and possibility to take France's leadership in Europe.

The French wine is not in question; the problem is that many New World producers are copying the French methods to make their wines, resulting in wines of high quality sometimes of a quality higher even than the French itself.

c) Shrinking demand in an era of increased production

Before the 2004 harvest, which was the largest in years throughout Europe, there was the equivalent of 800 billion bottles of wine globally looking for a table to sit on. Put another way, laid end to end these bottles could circle the globe almost 20,000 times.

Demand for wine in the U.S. is not the problem for France. As wine drinkers, Americans are holding up their end, with consumption approaching 260 million 9-liter cases. Yet, of the 7,000 brands on sale in the United States, 26 brands sold 2 million or more cases.

Considering that so many French brands are small and don't have national distribution in the U.S., it is no coincidence that French space on American retail shelves has been shrinking.

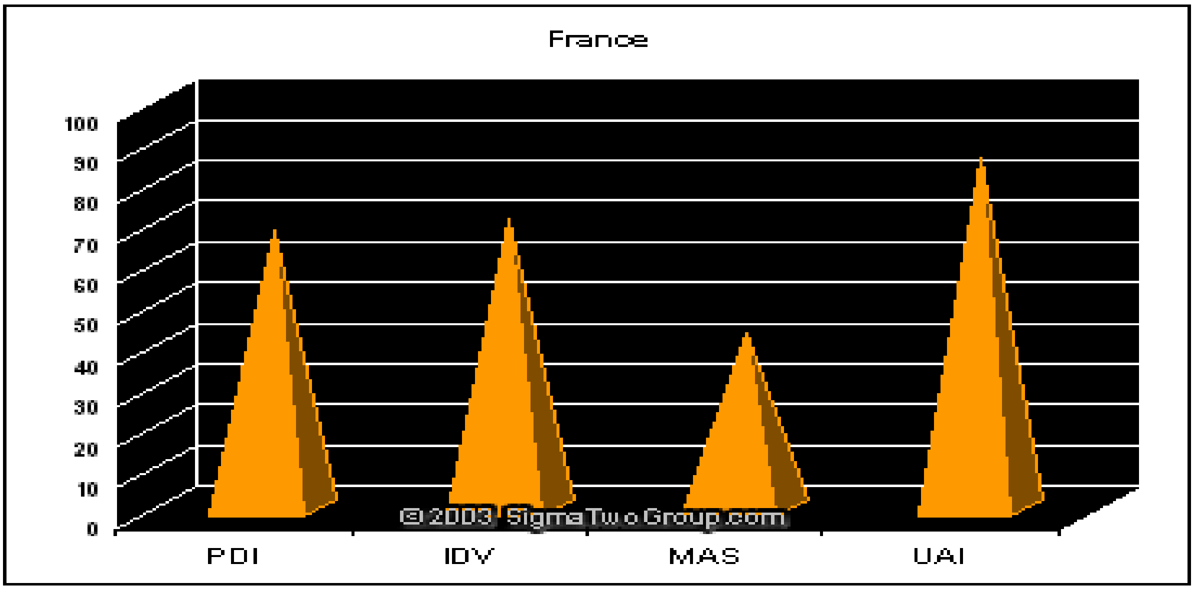
While the market for French wines is shrinking dramatically, there is still a lot of wine being sold. In the first six months of 2004, France exported 913.4 million bottles; this put $3 billion back in the coffers of the 200,000 winemakers and their brokers. Of course, that sounds impressive until the reality hits: That is an average of only $3.28 per bottle. Given the high prices some Bordeaux, Burgundy and Alsace wines sell for, it's clear that many, many bottles sell for very little.

Right now the 2000, 2001 and 2002 French wines are on the shelf in the U.S. Their prices are higher than what we can buy from California or Australia for the same quality. An example: The 2000 Bordeaux vintage was exceptional, pretty much across the range. Prices for the top wines shot up; for the basic Bordeaux onward, it inched up at the very least. At that time the euro was worth around $0.80. By the time the entry-level wines were released in 2002, the euro had edged to parity with the dollar.

Another year, another vintage, another economic situation: The 2001 was a very good vintage, though it didn't get as much hype as the 2000. But when it was released, in 2003, the euro had surged ahead of the dollar, in a range between $1.15 and $1.28. So while those good 2001 wines should be cheaper on the shelves than 2000, they are not.

At the bottom range of the wine market, only very big companies with shrewd foreign exchange analysts can afford to export what can only be described as "loss leaders" in the $3 to $7 retail range. Add in the Japanese yen, the Australian dollar, the British pound and it becomes easy to see that once the harvest is over, wine has little to do with what's in the bottle and an awful lot to do with currency and marketing.

d) Hofstede analysis



Source: http://www.geert-hofstede.com/hofstede_france.shtml

The analysis for France illustrates their emphasis on uncertainty avoidance. The high ranking indicates that France is very concerned by rules, regulations, and issues with career security. In addition to uncertainty avoidance, both individualism and power distance are also ranked fairly high. So, we can say that French people are individualists and that the society is stratified. As regards masculinity (the lowest ranking), that means that France is not a country where discrimination is high. No results were found about the long term orientation, but it is known that French people do not like changes so much.

(See Appendix 4)

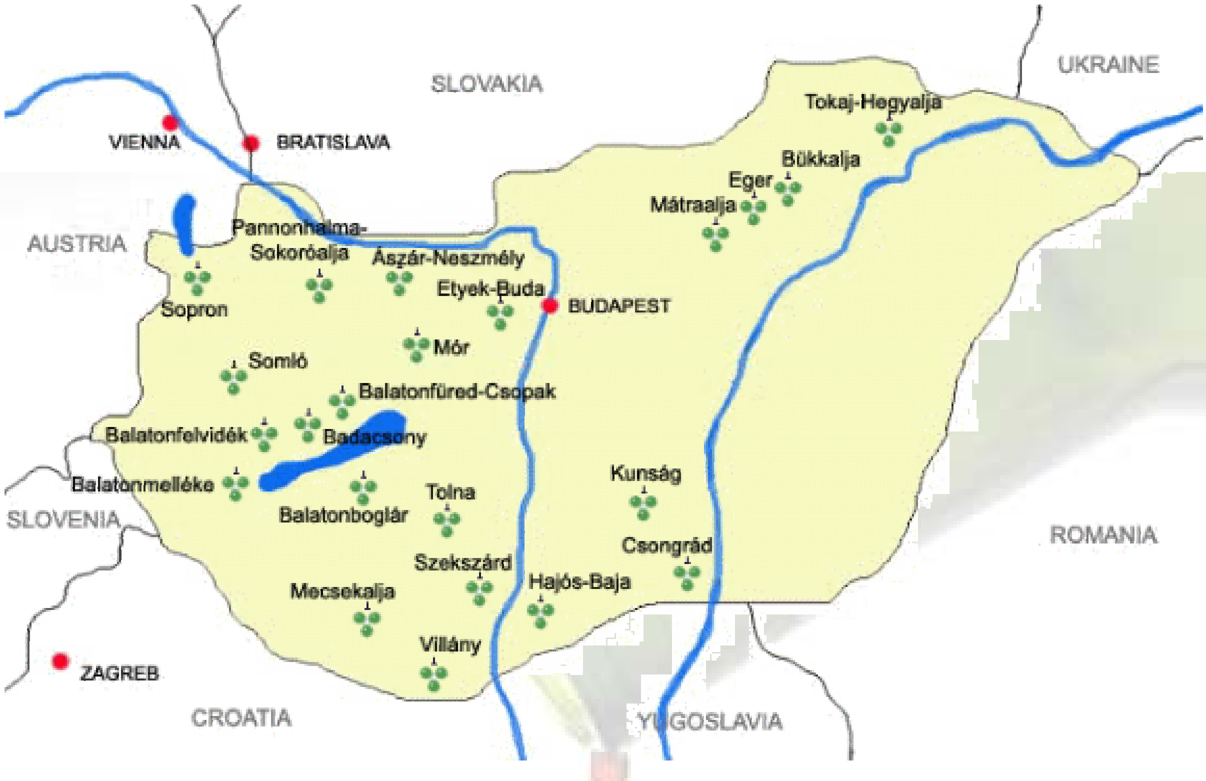
3. The Hungarian Wine Industry

a) <u>The Sector</u>

In order to introduce the Hungarian wine sector, it is important to remind that , as explained by Sandor Toth in a book called Terra Benedicta: The Land of Hungarian Wine – Tokaj and Beyond, Hungary has been one of the major wine producing countries since antiquity. Although during the communism, Hungary supplied Eastern countries with mass produced table wines, local wine industry is now developing. However, “wine has remained at the core of hungarian culture throughout the last 1000 years”, Marta Karenova (June 2004).

Janos Arvay, wine master and recipient of the vintner of the year 2003 award, affirm that “wine experts are finally realizing that wine production during the communist era was subjected to the regime’s quantity-oriented economy and had little to say about [the] enormous potential” of the Hungarian wine regions. In addition he exposed that local wine producers combine modern methods in winemaking and tradition. This combination makes a highly qualitative wine: “wine of unique taste and quality”.

b) <u>The Different Wine Producing Regions</u>



Source : http://www.budapesthotels.com/touristguide/wineregions.asp (Annexe 1).

A very good proof that the Hungarian wine production is part of the Hungarian culture is that there is about twenty one wine regions in the country.

As far as Csaba Horvath, deputy secretary general at the Hungarian National Council of wine communities, is concerned, the injection of foreign capital has been very successful in the improvement of grape growing and winemaking procedures in the Tokaj-Hegyalja wine region. In addition, other wine regions such as Villany and Neszmely regions have also penetrated the international wine market, while Szekszard and Eger wine regions are performing nicely. Finally regions like the Sopron and Balatonkornyeki regions are experiencing higher quality.

c) Economical Aspects

In 1990, just after the communist era, the number of wineries in Hungary accounted for fifty seven firms. These firms were divided in “seven state companies, eighteen state farms, twenty old style co-operatives, six state-owned foreign and domestic trade companies and six independent and joint companies working in old structures”. (WinesofHungary.com)

In an article published in January 2005, Diana Sidlovits of the National Council of Winemakers (HNT) said that Hungarian wine production was highest in 2004 (4.5 million hectolitres produced) than in 2003 and 2002. Hence, “2003’s harvest was 3.8 million hectolitres and 2002 came in at 478,000 hectolitres”. However, although the wine production has been increasing over the past few years, the important lack of wine marketing led to a drop of exported Hungarian wine. In the same article, Kristen Schweizer explains the impact of the diminution of the wine marketing budget on the export: “in 2002, 890,000 hectolitres of wine were exported, but by 2003 this figure fell to 743, 000 hectolitres. Estimates were for an annual export of 700,000 hectolitres of Hungarian wine in 2004”.

	2002	2003	2004
PRODUCTION (Hectolitres)	478,000	3.8 million	4.5 million
EXPORT (Hectolitres)	890,000	743,000	700,000

d) **Political Issues**

In an article published in June 2004, Laszlo Romsics, who has finished the master of wine training in London (few people achieve this level), said that today in Hungary, there is no effective wine marketing and that the government seems to be a complete stranger to this issue: “the wine industry is not a high priority for the government”. And he exposed that in order to reach foreign markets, it is highly important for Hungarian wines to be financially sustained by the government.

During an interview led by Business Hungary in June 2004, Janos Arvay was talked about the fact that bureaucracy and the organization of state support are a real problem. Hence, there is no official structure for the management of the marketing of Hungarian wines. This is a shame in the sense that it would provide a good country's image: "the current tactic of promoting Hungary with the face of a beauty queen or Hollywood actors fails to appreciate the country's national resources and beauty as well as local talents and values" (Janos Arvay, 2004).

e) General Problems

An article published in June 2004 by Gabriella Meszaros shown that according to the geology and climate of the area, "prime-quality grape species [should] allow for much higher quality products than currently produced".

This first issue is completed by the fact that the concept that professional skills are necessary in winemaking as well as marketing and promotion, is not something crucial for Hungarian winemakers.

f) The Market

a. The Impact of Hungarian wines in Different Countries

In 2004, Romsics exposed the fact that the perception of the Hungarian wine in the different foreign countries differ a lot according to historical and cultural traditions that are a major impact in consumers' habits. Thus it seems obvious that promotion and marketing should take this into consideration.

In Scandinavian countries such as Norway but also Finland, Hungarian white wines have reached a strong market position.

However on the American market, Hungarian wines are almost non-existent because of weak brand names and a lack of information on Hungary and its products.

In the UK in 2003 importation of Hungarian wines knew a 11% decrease. According to Romsics “there is fierce competition in the UK market and these days Hungarian wines are not en vogue any longer, while overseas wines are becoming increasingly popular. We are an interesting but rather limited presence on the British market, mainly in the lower categories”.

b. <u>The Impact of the EU Accession</u>

In the 90s Hungary acceded to the European Union (EU). This accession has had an important impact on the wine market.

First it is important to mention the fact that it has conducted the Hungarian wine industry to important changes with an impact on the quality requirements. These changes are crucial in order to reach the European standards (Csaba Horvath).

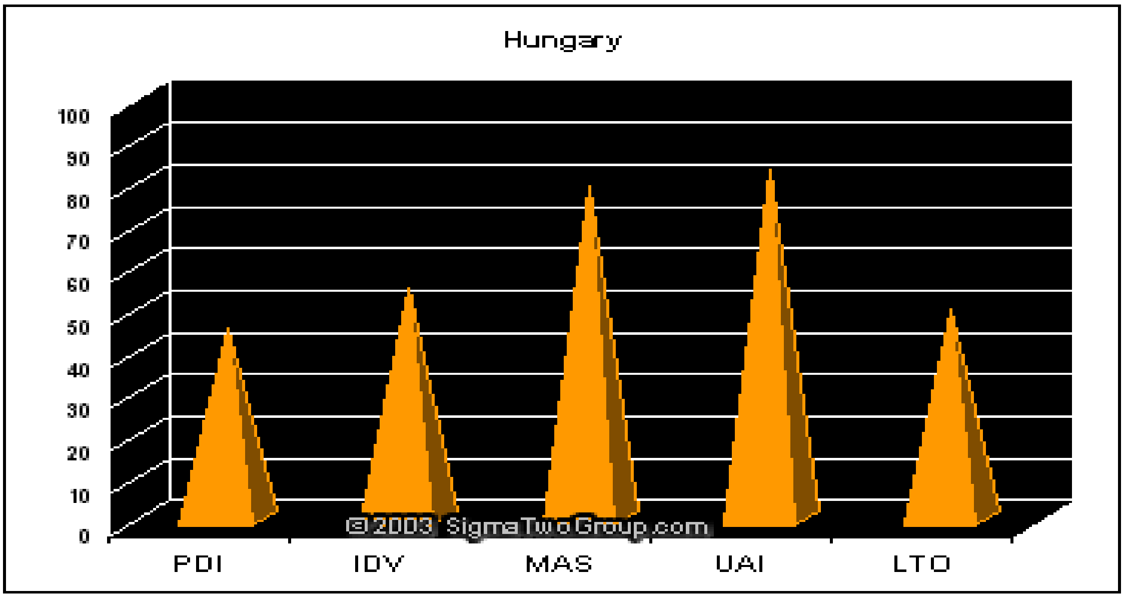
In the other hand, Janos Arvay mentioned a few things on what the accession to the EU seems to have had a major impact on. Hence it allows a better access to other foreign markets such as a presence in Japan, Italy and Sweden. He also talked about the fact that wine-producers keep an eye on the UK and Chinese markets and that they want to be back to the Polish and the Russian markets. Then he mentioned its impact of the abolition of custom duties. Thus this abolition allows foreign consumers to take advantage from the enlargement of the EU. However he reminds us that Hungary remains a very interesting market because of the increasing Hungarian spending power. Finally he is convinced by the fact that the targeted group should be consumers that can afford good quality wines: “smaller Hungarian wineries that produce medium quality wines will be the biggest loser of the EU accession”.

c. Consumer Behaviour

Peter Szalay is the owner of IFDT International Food and Beverage Trade Kft, and has dealt with the wine import business. According to him in an article published in June 2004, “Sangria, cheaper frizzante and spumante, and well-decorated Spanish wines are the most popular with Hungarian consumers”. However he added that this consumption will not necessarily increase in the coming years. Hence, he shows that local wines are very appreciated by Hungarian people. In addition tourists are also always seeking Hungarian wines. And he also says that only “gourmands, technocrats, young managers or people woo spend a considerable amount of time abroad” are interested in import wines. So he concludes affirming that although imports are quite substantial, they will not have a very important impact on domestic wine sales. Moreover it is interesting to remind that the wine consumption has been slightly rising these recent years.

In addition as far as Szalay is concerned, “drinking Hungarian wines is becoming increasingly en vogue in Hungary”. Hence, this consumption became “a social criterion among the young and better-off Hungarians”. This social group is a potential loyal consumer to top Hungarian vintners. According to Gabriella Meszaros, author of the article called Survival of the fittest published in June 2004; it seems obvious “producers of mid-to-low category Hungarian wines […] are most endangered by the influx of foreign wines”. She thinks that consumers of this wine category will understand very soon that “the quality of foreign-made wines is far superior to Hungarian products.

g) Hofstede analysis



Source: http://www.geert-hofstede.com/hofstede_hungary.shtml

In the case of Hungary, the highest scores are uncertainty avoidance and masculinity. This means that the country is highly regulated and that gender differentiation is also high. Individualism is not so high ranked so we can guess/say that the Hungarian society is fairly collectivist, so the group is more important than the individual. The PDI is also very low and it is good because it means there are not so much inequalities within the society. Finally, concerning the long term orientation, we can see that it is located in the middle of the rank, so even if tradition still has a role to play, Hungarian people are not against changes and doing business with them may thus be possible.

(For more detail see Appendix 3)

4. The Bulgarian Wine Industry

a) Wine history in Bulgaria

Bulgaria is probably the oldest wine producing country. Some studies show that some wine was produced there between 6000 and 3000 years before J.C. A thousand years before the Roman people, the Thrace people set up the first vines on the North and South slopes of the Balkanizes Mountains. They invented some techniques as well as some tools to cultivate vines and produce wine.

During the Middle Age, monasteries had the majority of the vineyards.

Thanks to a quite hot climate and a varied geography, Bulgaria kept on producing quality wines, despite the difficulties brought up by the nationalization of the lands after 1945. Under Communism, this country became the fifth producing country, and the second exporting country (after France) in the world. It was exporting each year 5 millions hectoliters of wine in USSR. The beginning of the exportations toward the Occident successfully introduced the Cabernet Sauvignon in Bulgaria, and then the Chardonnay and the Merlot.

After the fall of the Iron Curtain in 1989, Bulgaria is only selling 800 000 hectoliters per year to the foreign countries, that is to say mainly to Great Britain, Germany and Russia. The fall of the exportations can be explained by the return of the lands taken by the State under Communism, and a privatization of the caves in 1998. They evolved from 140 million euros in 1998 to 64 million euros in 2001.

In the same time the size of the Bulgarian vineyard decreased from more than a half (56%) in fifteen years, and the country has now to import some plantations from France or Italy to renew its vines. Indeed in Bulgaria more than 70% of the vines are older than 20 years.

Next to that, the privatization in the 90's allowed the Bulgarian vine growers to invest in an equipment of good quality to change the way of producing wine in the country and enter on the European market.

The first consequence is that for 10 years, the Bulgarian wines clearly improved their quality. Some wine specialists even see these wines as future competitors for the “New World” wines. (Sources: http://www.vitisphere.com/dossier-1-49313-49902.htm)

b) Consumption and production in Bulgaria

The official figures for the wine consumption are an average of 5 litres per person and per year, but they can not be considered as reliable because we know that 50% of the grapes converted into wine are directly aimed at the domestic consumption.

In the same time, we know that Bulgarian people are more and more interested in foreign wines, a little more expensive than the local quality wines. For these wines indeed, the price is between 2 and 4 euros.

In 2002, the vineyard represents 145 200 hectares, which means than the Bulgarian vineyard is bigger than the Australian one. 56% of this vineyard is composed of varieties aimed at red wines production. One third is devoted to the Pamid.

44% of the vineyard is used for the white wines production, and one quarter is for the Rkatziteli’s variety production.

In 2002, the Bulgaria produced 1 982 158 hectolitres of wine. The average yield is 17, 29 hectolitres per hectare, which represents a 4% increase compared to 2001.

More than 200 types of wine are produced in Bulgaria: 24% are “quality wines” and the other 76% are considered as “domestic wines”.

After the return of the lands taken by the State under Communism and the privatization of the State’s caves, eight companies are dealing with most of the wine production.

For several years, Bulgaria is trying to buy the agricultural lands and is implementing an investment program to create new vineyards as well as small caves (South of the country). This strategy is increasing the internal and external competition, and enables the creation of new quality wines.

c) **Wine varieties and wine-producing regions**

- Bulgarian varieties of wine

The most famous are the Pamid and the Gamza. The first one gives light and fruity wines, whereas the second one gives tannic, strong and tasty wines.

We can also find the Mavrud, which gives dark and spicy wines, with a plump taste.

The Chiroka melnishka loza is a particularity of the Melnik region, and the wine produced there is generally very colored and tannic.

Finally, the Rubin was recently found by a mix between the Syrah and the Italian Nebbiolo.

Concerning white varieties, the most famous are the Dimyat with a vanilla taste, the Misket and the Vratchanski Misket.

- Other varieties of wine

The different lands and climates that we can find in Bulgaria enable the culture of international varieties. The main red varieties cultivated are the Cabernet Sauvignon and the Merlot, which compose 75% of the red vines. Bulgaria set up 18 000 hectares of Cabernet Sauvignon, that is to say as much as in Gironde. Finally, we can also find a small quantity of Pinot Noir.

Concerning white wines, the Chardonnay seems to be the most famous as well as the most interesting. The Rkatziteli, the Muscat Ottonel, the Traminer, the Riesling, the white Ugni, the white Sauvignon and the Aligoté can also be found but in smaller quantities.

➢ The regions

The Bulgarian vineyard is composed of 5 main regions:

- ***North region***: it benefits from a continental climate, generally with sun, and a hot summer. We can divide this region in 3 parts:

- The Central part: the varieties are the Aligoté, the Rkatziteli, the Muscat Ottonel, the Dimyat, the Gamza, the Cabernet Sauvignon and the Merlot. Table wines and sweet white wines are also produced, as well as strong colored and tasty red wines.
- Danube’s South coast: the varieties in this part are Rkatziteli, Muscat Ottonel, Cabernet Sauvignon, Merlot and Senzo.
- North-West part: this one also concerns the West part of the Danube’s plain. The varieties are the Gamza, the Cabernet Sauvignon, the Vratchanski Misket, the Tamyanka, the Senzo and the Merlot.

- ***The East region and the Black Sea's shore***: this part represents 30% of the vineyard. It can be divided in 3 other sub-regions:

- North coast of the Black Sea: the main characteristics are a hot autumn and quite long, which is good for the culture of white and sweet wines. The wines produced are the famous Evksinograd wine, the Rkatziteli, the Tamyanka, Dimyat wines, as well as Riesling, Chardonnay and Ugni Blanc.
- Central Coast: this one is higher than the two others. The production is mainly composed of dry and semi-dry white wines, as the wines from the Rkatziteli, Dimyat, Riesling varieties, but also Chardonnay, Sauvignon blanc, Traminer and Sylvaner.
- South Coast of the Black Sea: the cultivated wines are Dimyat, red Misket, Tamyanka, white Ugni, Riesling, Pamid, Cabernet Sauvignon and Merlot.

- ***The Under-Balkanises region (Centre)***

- East part: this region takes into account the Sungurlare Valley, which main variety of wine is the red Misket, for tasty and sweet white wines.
- West part: here is located the famous Roses' Valley with the Misket Karlovo's variety. This variety is very particular because it can only be found in this region. We can also find Riesling, Rkatziteli, Cabernet Sauvignon, and Merlot. The wines generally have fresh and fruity tastes.

- ***The South- West region***: this region is not quite large but is close to the Mediterranean region by its climate. We can find the local variety of Shiroka melnishka loza, as well as the Pamid, Cabernet Sauvignon and Merlot

- ***The South region***: 35% of the Bulgarian wine is produced there. The climate is generally moderated and continental, with quite a lot of precipitations. This region mainly concerns the Thrace 's Plain and the Sakar Mountain, and can be divided into 3 parts:

- East part with the Cabernet Sauvignon, red Misket, Muscat Ottonel, Rkatziteli and Merlot varieties.
- Central part: the production there is generally an industrial production of dry white wines and red wines, as the Aligoté, red Misket, and Muscat ottonel, Mavrud, Cabernet Sauvignon and Merlot.
- West Part: we can find the Pamid, Cabernet Sauvignon, and Merlot varieties, which gives a high quality production of red wines.

d) <u>Exportations in Bulgaria</u>

Bulgaria is exporting 70% of its industrial production of wine. In 2002, according to the Bulgarian customs, the country exported 785 470 hectolitres, which represents a 2% decrease since the previous year. This lingering trend is mainly due to the competition of the New World wines, and also to a bad image linked to a bad communication campaign. As a consequence Bulgarian wines are today less present on the European market than 5 years ago.

- <u>Exportation of Bulgarian wines in bottle</u>

http://www.vitisphere.com/dossier-1-49313-49905.htm

In 2002 the exportations of bottled Bulgarian wine was equal to 785 470 hectoliters, a 5% increase since 2001. The average price per bottle decreased from 0, 87 US dollar in 2001 to 0, 85 US dollar in 2002.

The exportation level for the European Union only decreased to 190 162 hectoliters. It is 26% less compared to the previous year. The biggest decrease is the one concerning France, about three times and a half less.

- <u>Exportation of Bulgarian wines “in bulk”</u>

The most important clients for the exportations “in bulk” is Germany (84 463 hectoliters), Japan (23 529 hectoliters), Great Britain (18 142 hectoliters), Russia (13179 hectoliters), and France (12 376 hectoliters).

The exportations of Bulgarian wines registered by the French customs in January 2004 are equal to 10 000 hectoliters.

e) Importations in Bulgaria

http://www.vitisphere.com/dossier-1-49313-49906.htm

According to the Bulgarian customs, 40 282 hectolitres have been exported in the country in 2002, that is to say about 2 times and a half more than the previous year. This increase is mostly due to the increase of “in bulk” imported wines.

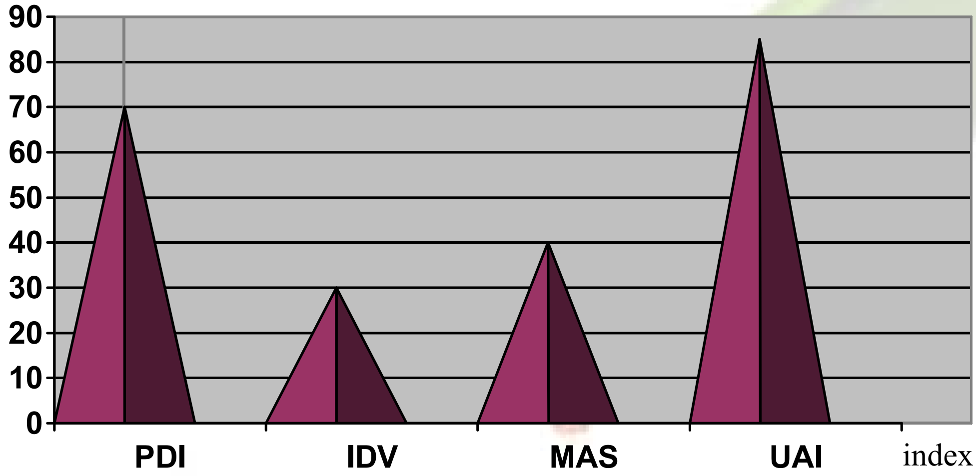
- <u>Importations of bottled wines</u>

Compared to 2001, the imported bottled wines’ quantity knows a 62% increase in 2002. The importations from the European Union is about 1 369 hectolitres, which is close to the previous year. The most part of the importing countries is held by France (44%) and Italy (26%)

- <u>Importations of “in bulk” wines</u>

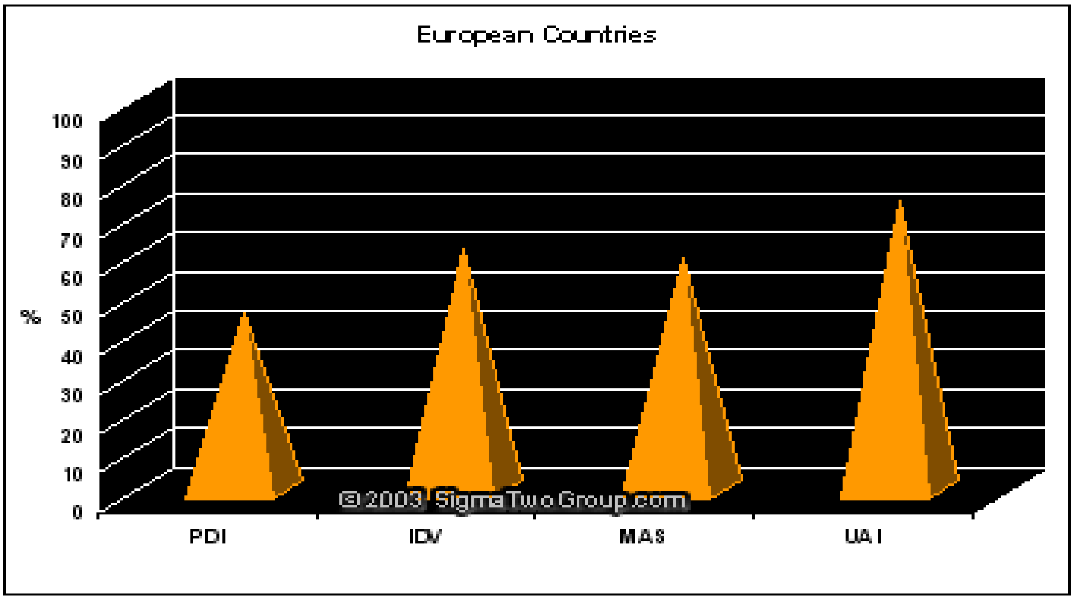
The majority of the imported wines are “in bulk” wines: 87%. In 2002 it is equal to 34 874 hectolitres which is 3 times more than in 2001.

f) Hofstede analysis



We can see here that the most important index is the uncertainty avoidance which means that, like France and Hungary, Bulgaria has a high level of regulation. About the PDI, we can see that Bulgaria (like France) is a country where inequalities are strong. The other two indexes show that discrimination is low in Bulgaria and that the notion of group (opposed to individualism) is very strong because the score is here very low.

III. Comparison of the three countries



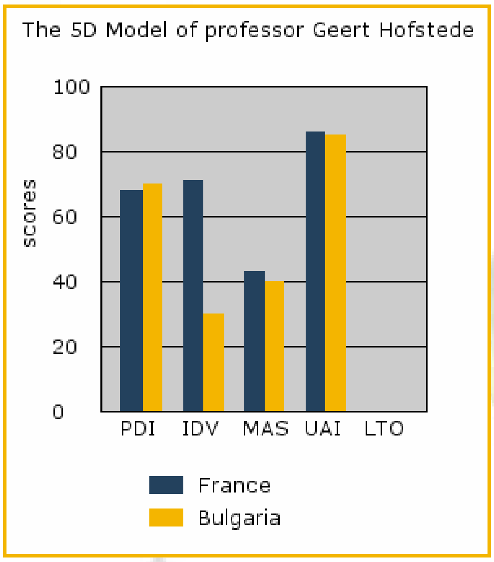
Source: http://www.geert-hofstede.com

The first thing to notice is that France, Bulgaria and Hungary are above the European average as regards the uncertainty avoidance index which shows once again that regulation and control are high in these three countries. Concerning masculinity, France and Bulgaria are below the average but Hungary is much higher than the average European countries, and discrimination is high in this country with a society largely dominated by males. With an IDV index of about 70% in average, European countries seem to be very individualist countries or societies. This affirmation is confirmed by the results of France. The results of Hungary are a little bit different and show that this society is more collectivist but the most relevant example of a collectivist society remains Bulgaria (about 50% under the average).

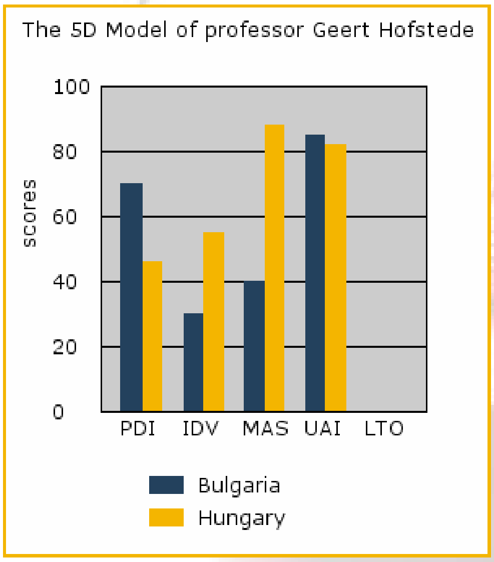
Finally, as regards the PDI, France and Bulgaria are largely above the average whereas Hungary is in the average.

All these remarks show us how people are different within the EU. These differences have to be taken into account when we want to do business because it is essential to understand the behaviours of people if we want to develop in these countries. The consumer behaviours, needs and habits are key success factors to understand to succeed.

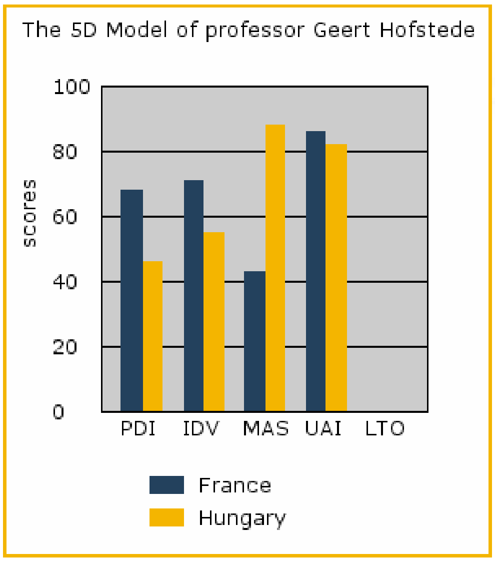
- **Comparison:**



As regards this graph, we see that the results of France and Bulgaria are pretty much the same except for the IDV index, which shows that France is more an individualist country whereas Bulgaria is more collectivist



On this graph, the only index having the same results (or approximately), is the uncertainty avoidance. Concerning masculinity, we see that gender discrimination is much higher in Hungary, where men seem to run everything. On the other hand, inequalities are higher in Bulgaria and people thus have less chance to improve and benefit from upward mobility. Finally, it is to be noticed that, once again, individualism is higher in Hungary than it is in Bulgaria



Comparing France and Hungary, the most relevant difference is gender discrimination which is far much higher in Hungary. Concerning PDI and IDV indexes, there are higher in France and that means that mobility and individualism are higher in France. So, Hungary is not as individualist as France and upward mobility is more difficult in this country.

- **PEST L Analysis**

Political

France	Hungary	Bulgaria
During diplomatic dinners, meetings, wine is one of the pride of France.	Wine is not a priority for the Hungarian government, no real finacial support, no budget for wine marketing.	The fall of the Iron Curtain and the privatization of the caves (1998) linked to it had a very bad influence on the exports.

Economical

France	Hungary	Bulgaria
Production is growing (5,199,930 metric tons). Exports is falling (913.4	2004's production is increasing (4.5 million hectoliters).	Exports evolved from 140 million euros in 1998 to 64 million euros in 2001.

million bottles). Consumption is declining (57.17 liters per capita per annum)	2004's exports are declining (700,000 hectoliters).	Bulgaria is exporting 70% of its industrial production of wine (785,470 hectoliters in 2002, ie a 2% decrease). Imports increased between 2001 and 2002 (40,282 hectoliters in 2002, ie two times and a half more than the previous year).

Social

France	Hungary	Bulgaria
Usually young French people prefer beer. And later they prefer to drink wine.	Wine is more and more "en vogue" with Hungarian consumers.	The main alcoholic beverage is still beer but thanks to it strong image of wine producing country, the wine consumption in Bulgaria is slowly but steadily growing.

Technological

France	Hungary	Bulgaria
The infrastructures are very modern. At the peak of its area.	Modern methods are associated with traditional ones which give to the Hungarian wine its quality.	Privatization has also had a very good effect: it enable Bulgarian wine growers to invest in good quality

		equipment as well as to introduce new ways of producing wine.

Legal

France	Hungary	Bulgaria
The “Appellation d’Origine Contrôlée” has been put in place to guarantee the quality of French wine. Custom duties, product safety and intellectual property are very strict in order to protect French wine.	The entrance in the European Union has had an impact on the quality of the Hungarian wine through a strict regulation through EU quality standards. This accession allows the abolition the custom duties between the European countries.	A law about wine and spirituous beverages is applied since January 2001. According to this new regulation, Bulgarian wines are classified in different categories such as Reserve, Controliran, Vin d’Origine Geographique Déclarée, regional wines or Table wines.

IV. SWOT analysis

FRANCE:

Strengths

The most important asset of France is that it is known all over the world for its quality wines. Another strength we can see is that the names of the French wines are famous, and French wines have strong brand names. On a legal aspect, French wines and their names are protected so that their name can not be usurpated.

Weaknesses

French wines suffer from a lack of marketing. For a long time, retailers have thought the name was enough but it is not the case anymore. The knowledge of the new member states habits is still very low and even if French wines may have good success in these countries, the lack of distribution channels and the difficulties linked with this problem may weaken the export of wine in these countries. The high prices of French wines may also be a barrier for the penetration of these markets. The last thing is that even if our wines are famous, they will have to compete with local wines that are very appreciated by the consumers. It will be difficult to make people change their consuming habits.

Opportunities

The fact that custom duties are abolished within the EU is a good thing (it is not yet true for Bulgaria but it will as they will enter the EU in the coming years). The entry of the new member states also offer France an opportunity to invest in these countries without facing too much difficulties (legally speaking, because we know that it is more difficult as it seems). Last but not least, it is known that western products are attractive for people of these regions.

Threats

The competition will be stronger with the entry of the new member states because it is known that their wines are quality wines and their price is also lower than French wines. This will be true locally but abroad as well.

The introduction on our market may also compete with our small producers and they may suffer from this new competition.

HUNGARY:

Strengths

The quality of Hungarian wines is definitely an asset for them. Allied with the low prices of these wines, Hungarian wines seem to have lot of strengths. Another thing is that locally, it will be difficult (for the moment?) to compete with these wines. The way they are made is also an asset. They mix the tradition with modern techniques and they also fit with the EU standards. Foreign investments may also help them to become more recognized. Consumption is improving locally and the exports are growing too.

Weaknesses

Like France, Hungarian wines suffer from a lack of marketing and promotion world wide. On the contrary of France, wine producer are not sustained by the state and finally.

The national market is relatively small. Hungarians don't have wine drinking habits, especially young customers.

Opportunities

The spending power of Hungarians is increasing so we may think that wine producers will try to reinforce their position locally taking into account the fact that consumer habits will be favorable to them. Their entry in the EU and the fact that there are no custom duties is also a new opportunity for them to increase the export.

Threats

The competition of foreign quality wines may affect small local producers.

BULGARIA:

Strengths

Bulgaria has a long and old culture of wine know-how.

Bulgaria produces quality wines with modern infrastructures. The vineyards are increasing and the trust people have in these wines is strong. Bulgaria has a great potential of production, during Communism the production was much higher.

Weaknesses

Bulgaria is not yet in the EU so the producers can not benefit from custom duties facilities. And once again (like for France and Hungary) there is a lack of marketing.

Bulgarian wines lack of image and recognition from customers outside Bulgaria.

The national wine market is not large enough due to the little power purchase of Bulgarian customers. Bulgarians are used to drink more beer or other alcohols than wine.

Opportunities

The future entry in the EU will be a good opportunity for Bulgaria. Moreover, the relationships between Bulgaria and the EU (or new member states at least) are good.

Bulgaria attracts foreign wine investments especially from Western Europe countries like France, Germany…

The expansion of hypermarkets, supermarkets and superstores is beneficial for a strong distribution network.

Bulgaria has a great customer market potential; the total population offers lots of opportunities for hypermarkets, supermarkets and superstores.

Threats

Economical and social situation of Bulgaria is becoming a problem to worry about.

The competition of the wines from the New world.

REMARKS:

In France, there is no marketing because the brands are already well known, but today, with an increasing competition marketing becomes an important factor to develop.

If we look at the consumer habits in Hungary and Bulgaria, it is to notice that they seem very attached to their wines and bands. Moreover, as seen through the Hofstede analysis, the group and the family have a big place in people's life; we can thus think that French marketers may develop these aspects in their strategy if they want to penetrate the market and compete with local products. They may for example focus on the convivial aspect of drinking French wine (it will be very pleasant to share a good bottle of French wine with your family…). The local specificities will have to be taken into account if we want to be able to compete with local products.

Marketing is not more developed in Hungary and Bulgaria too, but the reason for it is not the same. It is not in their culture, in their business culture. But they will have to take it into account if they want to develop their market because they are no longer under the influence of communism and competition will become stronger and stronger with the enlargement of the EU. They will have to face a huge competition and (we may think) a massive arrival of western products on their market. And even if people are attached to these products, they also are attracted by western products.

Conclusion

In conclusion it is important to remind that in the three countries that were compared in this report, wine production is a very traditional activity. Hence it is accurate to say that wine manufacturing is entirely part of the culture of France, Hungary as well as the one of Bulgaria. The subject treated was “Cross Cultural Challenges in Europe Wide Marketing”. In order to give all the relevant information concerning this issue, lots of researches have been done especially on the wine sector comparing France, Hungary and Bulgaria. This comparison allows us to have a general overview of the wine sector in Europe but also a very interesting approach of the differences and similarities of a western, central and eastern European country. The impact of the European Union (EU) on the wine sector in these countries is a very important issue. For example, the accession of Hungary to the EU has been quite positive for the wine industry, in the sense that it improved the wine quality through EU regulations and opened to an important new market. Although Bulgaria is not yet in the EU, this big market is an important opportunity for Bulgarian winemakers. And the abolition of custom duties between European countries makes easier the transactions between the different European countries. Finally this report is a real interesting means to understand the importance of the marketing in all kind of businesses and especially in the wine sector. Hence, the information given here, through the Hofstede analysis and comparison make a good background to understand what marketing strategy a winery have to adopt when dealing with countries such as the three states studied. The same conclusion occurs when dealing with wine marketing in France, Hungary and Bulgaria. Hence in France like in Hungary and Bulgaria, wine marketing is not a priority for winemakers. However the “open market” and the increasing competition from the “New World” with countries such as Australia, Argentina or Chile, wine marketing become more and more important.

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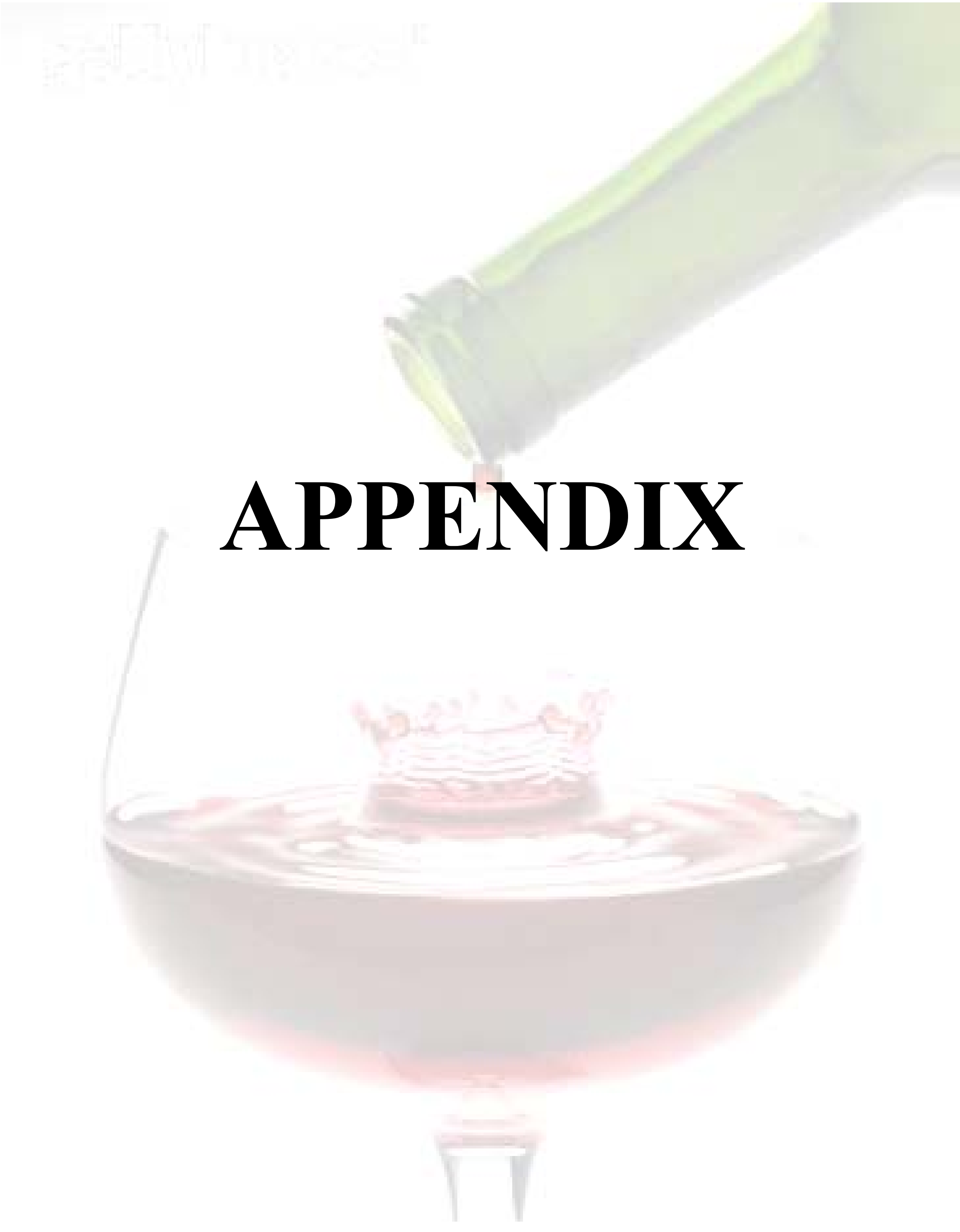

APPENDIX

ESCEM-Minor « B&M in the New Europe »
Professor DESCHEEMAEKERE

PLAN

- PROGRESS REPORT N°1-
08/04/2005

1 - What were your objectives for the last period?
2 - Have these objectives been attained? If not, please explain why.
3 - Please explain the difficulties your group had working together and obtaining relevant information
4 - What lessons have you learned from these challenges?
5 - What points would you like to discuss with the professor?
6 - Please explain the individual roles (contributions) of group members and the group processes and procedures for putting together the information
7 - Please detail your objectives and planning for the next period

1 – Understand the subject and begin to collect information about it.

2 – Yes they have. Basically, we had two options concerning the sector we would analyze and we chose the wine sector.

3 –We did not face any problem.

4 –

5 – Do you think that this market is an interesting one?

6 – We worked separately to find information about the two options and because we had more information about the wine sector we decided to focus on this sector.

7 – Begin a general analysis of the European wine market and find three countries to focus on because we think that it would be too general to focus on the European market only.

- PROGRESS REPORT N°2 -
25/04/2005

1 - What were your objectives for the last period?
2 - Have these objectives been attained? If not, please explain why.
3 - Please explain the difficulties your group had working together and obtaining relevant information
4 - What lessons have you learned from these challenges?
5 - What points would you like to discuss with the professor?
6 - Please explain the individual roles (contributions) of group members and the group processes and procedures for putting together the information
7 - Please detail your objectives and planning for the next period

1 - The objective of this period was to start a general analysis of the wine market in Europe and choose 3 countries on which our report will focus. Basically, for the moment, we have only chosen 2 countries which are France and Hungary.

2 – Not entirely, because we only found 2 countries out of 3. But for the rest, our objectives have been attained.

3 – We did not have any difficulties working together. For the rest, we found relevant information on the wine sector but most of them are general information so we are still looking for further and more detailed information.

4 – We learned from these challenges that the wine sector is flourishing in the new member states & that it represents new opportunities for us (France, as a producing country).

5 –

6 – We separately tried to find as much information as possible and then met regularly to bring all the sources together. Our aim was to keep only relevant information.

7 – The first objective for the next period is to find the third country to analyze in our report. Then we want to find the detailed structure of our report and finally begin the analysis.

- PROGRESS REPORT N°3-
09/05/2005

1 - What were your objectives for the last period?
2 - Have these objectives been attained? If not, please explain why.
3 - Please explain the difficulties your group had working together and obtaining relevant information
4 - What lessons have you learned from these challenges?
5 - What points would you like to discuss with the professor?
6 - Please explain the individual roles (contributions) of group members and the group processes and procedures for putting together the information
7 - Please detail your objectives and planning for the next period

1 – Our objectives were to find the third country that we will analyze in this report, this will be Bulgaria because we found on the internet that Bulgaria was a wine (good wine) producer and we think that we will find relevant information about this country and its wine sector. The second objective was to determine the structure of our report and finally to begin the analysis.

2 – Yes they have.

3 – We did not have any problem working together.
As regards the content of the report, we faced some difficulties to find information about Bulgarian consumer habits and also the results of Geert Hofstede 5 cultural dimension model.

4 – The main problem was to find the information about Bulgaria and the second one (which is not yet a problem) has been to select the most relevant information to integrate into our report because for the rest, we found a lot (too much) information.

5 -

6 – Each member worked on a specific part of the report to collect as much information as possible. We met regularly to put the information together to make sure that we all had relevant information, that we were not saying the same thing …

7 – Go further into the details and the analysis of each part, finish them and begin the last part (SWOT) together.

- PROGRESS REPORT N°4 -
13/05/2005

1 - What were your objectives for the last period?
2 - Have these objectives been attained? If not, please explain why.
3 - Please explain the difficulties your group had working together and obtaining relevant information
4 - What lessons have you learned from these challenges?
5 - What points would you like to discuss with the professor?
6 - Please explain the individual roles (contributions) of group members and the group processes and procedures for putting together the information
7 - Please detail your objectives and planning for the next period

1 – Finish the sector analysis for each country and begin the SWOT part.

2 – Yes they have.

3 – We had problem to find the information we needed for the Bulgarian sector (once again).

4 – That even if it is hard sometimes to find the information, it exists, because we finally succeeded in finding the information we were looking for.

5 – What do you think about the structure of our report?
Do we have to integrate the graphs to the report or do you prefer us to put them in the appendixes?

6 – Each of us finished his part and we put everything together to evaluate our work and improve it (grammar, syntax…).

7 – Finish the report.

APPENDIX 2:

Wine Sector in Europe - Situation and Outlook

European vine cultivation and wine production has a world dimension.

The European Union (EU) wine sector leads in terms of:

a) production: European vineyards account for approximately 45% of the areas under vines in the world and produces, on average, 60% of world wine production;

b) consumption: the EU accounts for almost 60% of world consumption;

c) the EU is both the leading world exporter and importer.

Wine makes a considerable contribution to the **value of final agricultural output** in the majority of the producer Member States (in particular, in Spain: 5.4%, Luxemburg: 7,5%, Austria: 6.1%, Italy: 9.8%, France: 14.3%, Portugal: 16.8%). However, it is at the regional and local levels that the wine-growing sector appears to have a decisive role in agricultural activity and the economy. In many regions wine production exceeds 20%, or even 30% of final agricultural final output. In one region, Languedoc Roussillon it amounts to more than 50% of final agricultural output. These percentages are often exceeded at the local level.

European wine-growing **varies from one Member State to another** and even from one region to another, not only as regards the degree of specialization of the wine holdings, but also as regards the size of the vineyard and the type of wine produced. Similarly, the specific oenological practices used in each production region and the close link to the soil contribute to accentuating the regional characteristics of the vines and wine production in Europe.

Vineyards are not only an essential component of the **landscape** in wine-growing regions, but they also contribute to their conservation, as they prevent soil erosion and ensure the presence of man in areas amongst the most fragile from an environmental point of view and which are often without any real economic alternatives. Wine production can, however, also have harmful effects, in particular as a result of unsuitable machinery, the intensive use of plant health products, the excessive use of fertiliser, etc.

Since 1975/76, following the introduction of a ban on new plantings and abandonment premia, European **wine producing areas have gradually decreased**. This reduction has accelerated annually since the 90's. From 1976 to 1996, the areas under vines in the EU decreased from 4.5 to 3.4 million ha, which represents an annual decrease rate of 1.4%, i.e. almost 56 000 ha/year. In last few years however, the rate of reduction has clearly slowed down. In addition, the vineyards within the Community have, in general, aged, as they have not been replanted at a sufficient rate, although there are exceptions in certain regions.
With production fluctuating between 152 and 165 million hl during the last five years, the EU is, by far, the world's leading wine producer. Wine production is characterised by very marked annual fluctuations, due, on the one hand, to climatic effects and, on the other hand, to cultivation methods. In spite of yearly fluctuations, a **significant negative trend in wine production over the last twenty years** has been observed: from a level of 210 million hl in first half of the 1980s , average production has fallen to 155 million hl in recent years.

This downward trend in production is primarily due to the reduction in areas under vines, **yields not having recorded significant trends over the years 1977-1997**. However, yields have also fluctuated fairly significantly from year to year.

Wine **consumption** in the EU-15 in 1996 was almost 128 million hectoliters, i.e. an average of slightly more than 34 liters per capita per annum. However, the Community average masks important disparities between Member States: in particular, in wine producing countries of southern Europe, the consumption is more or less double the Community average. Wine consumption has fallen significantly during the last twenty years, notably in the producer Member States where levels of consumption per capita had been the highest. From 1986 to 1996, total wine consumption in the EU 15 decreased by 10 million hl. This fall reflects a significant downward trend connected in particular to changes in life style, in consumer behavior, the role that wine plays in food, etc.

As for all alcoholic drinks, **tax policy** in the wine sector shows a great variability from one member State to another. This is despite the adoption of several directives aimed at harmonizing tax legislation, in the process of completing the internal market. For instance, according to member State, excise duties on wine vary, between 0 and 320 ECU/hl for still wine (and up to 550 for sparkling wine). Furthermore, **VAT rates** on wine range from 5% to 25%.

In 1995 and 1996, the EU exported, on average, slightly more than 10 million hl, generating 2.4 billion ECUS'. The provisional figures for 1997 indicate a net increase in exports, both in volume and in value. This confirms the EU as **the world's leading exporter of wine**. The principal destinations are the United States, Switzerland, Canada and Japan. Most of these quantities (representing more than 75 % for the 1996/97 marketing year) are exported without refunds.

The EU also is **the world's premier wine importer**, importing on average 5.3 million hl during the period 1995-1997. The principal countries of origin are Australia, Chile, the United States, Hungary, Bulgaria, South Africa and the former Yugoslavia. In addition, imports from Argentina leaped to record levels in 1995 and 1996 in conjunction with a fall of production in Spain and the suppression of the reference price in the European Union after the Uruguay round agreement.

The wine **supply balance sheet** for the EU-15, excluding stocks, highlights a situation, which has radically changed since 1994/95, in comparison to the previous period. Until 1993/94 the Community wine market was characterized by a permanent surplus. The balance sheet for 1994/95 and 1995/96, however, highlighted a deficit, after the deduction of the quantities used for the potable alcohol sector (primarily for brandy and liqueur wines). In fact, provision of the Community potable alcohol market was primarily met by alcohol stocks accumulated since the eighties, in addition to increased imports.

The **common market organisation** for wine (CMO) is among the most complex and broadest within common agricultural policy. This is due to the fact that this CMO covers not only the traditional measures within CMOs (prices, intervention, trade, etc.) but also other more technical matters, specific to the wine sector (ie. provisions concerning production, trade and the release to the market of the wine products and oenological practices).

Community legislation classifies wine in two main categories: **"quality wines produced in**

specific regions", also called "quality wines psr" and **"table wines"**. However, the responsibility to classify and control the quality wines psr was left over to Member States. This has given rise to different classification of wines according to the Member State: Germany, Luxembourg, and, partly, the United Kingdom and Austria indicated that almost all of the wines produced were classified as "quality wines", while the other Member States followed a much more restrictive approach. This classification does not necessarily reflect the real quality of the wines. Certain table wines, for example, the table wines identified by a geographical indication *(vins de pays, indicazione geografica tipica, Landwein etc.),* can compete in price and in quality with the top-of-the-range quality wines, whereas certain quality wines psr can encounter difficulties, fetching lower prices on the market. The majority of market measures within the CMO for wine are restricted to table wines. Quality wines psr do not benefit from price regimes, from direct intervention measures or from export refunds. On the other hand, quality wines benefit from the protection of their appellations (at least within the EU).

Distillation is the instrument used for intervention on the market within the CMO for wine. The objective is to withdraw from the market production surpluses at a guaranteed minimum price; the wine is then transformed into alcohol which is intended, partly, for the potable alcohol market and the remainder, for the fuel market. Community legislation provides for six different forms of distillation, including three obligatory on producers and three voluntary. The purchase price of the wine for distillation varies from one type of distillation to the other. In addition, certain types of distillation have become redundant in recent years. It is the case, in particular, of the obligatory distillation of table wine, which is implemented when the market is a in serious disequilibrium; it is also the case of the distillation applying to wines which have previously been stored for a long time. Preventive distillation, on the other hand, is voluntary and its objective is to withdraw, forecasted wine surplus at the beginning of the marketing year, in order to have a positive impact on prices. The buying-in price of preventive distillation is higher than that of obligatory distillation. Another type of distillation is the distillation of wine by-products, the objective of which is to ensure the quality of wines by avoiding overpressing of the marcs and dregs (wine by-products have to be delivered to distillation with a minimum alcohol content).

The **overall assessment** of the application of the various forms of distillation is far from being satisfactory. The system was seen to be fairly effective as far as the objective of price support is concerned. However, as is often the case for price support measures, it prevented production from adapting to this fall in demand and therefore contributed to creating a surplus. This is particularly the case for preventive and obligatory distillation of table wines. In the case of preventive distillation its effectiveness as an instrument of market support has been substantially reduced over time. Obligatory distillation has proved to be even less effective in rebalancing the wine market and has even caused certain adverse effects.

The two main measures within the common market organization to **control wine production potential** are:

a) A ban on new plantings and limiting the interval of the right to replant (8 years)

b) A permanent vineyard abandonment premium system.

The limitation on new plantings has been contentious, both legally and from an economic point of view. In particular, certain producers favour greater liberalisation of plantings, given that producers in third countries are not subject to these restrictions. In addition, numerous irregularities in applying these planting limitations have been discovered and controlling them has proved to be a problem.

Grubbing-up measures have resulted in the removal of approximately 490 000 hectares of vineyards since 1988/89. This has had a significant impact on the reduction of Community production potential. Since 1996 however, the impact of this measure has been considerably reduced, following the Council decision to enable Member States to exclude a part or all of their territory from the regime.

The **Uruguay Round Agreement**, which entered into force on 1 July 1995, radically changed the trading system with third countries in the wine sector. Before this date, protection for Community produced wine was ensured by the obligation to respect a minimum price on imports ("reference prices"), and by the enforcement of customs duties, or, if necessary, of compensatory taxes. Since the entry into force of the GATT agreement, the reference price has been suppressed, as a protection system at the border, and customs duties have be reduced by 20% over five years. This means that the Community wine market cannot be regarded as more or less isolated from the rest of the world, and that it became, on the contrary, exposed to imports at low prices from the third countries, especially when prices on the Community market are high, as this was the case in 1995/96. A further significant consequence of the entry into force of this Agreement is that, in an open market, which is now the case for the European Union wine market, it is more difficult to improve market conditions and to support prices by a withdrawal mechanism of the surpluses quantities. Indeed, additional quantities are attracted from outside and the prices on this market cannot increase far beyond the price of the imported products.

Enrichment is an oenological process to increase the natural alcohol content in wine. The products which can be used are either non vine-based (sucrose) or vine-based (grape musts). In the case of sucrose, the process is also called "Chaptalisation". Enrichment by sucrose is a technique applied traditionally in a large number of wine-growing regions in the center and north of the Community. The degree of alcohol derived from sucrose costs approximately one third of the cost of the degree of grape-based alcohol. To prevent producers in the South being penalised by this practice, an aid for the use of concentrated grape musts and of rectified concentrated grape musts was introduced in 1982. The availability of sucrose for enrichment at a cost lower than grape musts led, in addition to a direct cost to the EAGGF, to an artificial extension of enrichment (including in regions which had not previously enriched). Furthermore, due to a reduction in the natural alcoholic strength at which it was necessary to obtain wine in these regions, there was a consequent increase in yield and, thereby in production throughout the Community.

Budgetary expenditure on the CMO for wine relates only to table wine; quality wines psr do not benefit directly from intervention measures on the market, nor from export refunds. Expenditure varies appreciably from one year to the next, depending on variations in production and represents, between 2.5 and 5.5% of the total of EAGGF Guarantee Section expenditure. For 1998, budget estimate for total wine sector expenditure is 826 MECU, compared to 970 M ECU in 1997. The various forms of distillation (approximately 264 MECU in 1998) represent the principal area of expenditure, disposal of alcohol 159 MECU and aid for musts 148 MECU. Grubbing-up measures are estimated to cost only 65 MECU in 1998, while costs exceeded 400 MECU in 1993. In addition, it should be noted that the wine sector benefits, similar to other production sectors, from the agri environmental measures, adopted under the accompanying measures of the CAP reform of 1992, as well as from the structural measures allocated for the Objective 1, 5a and 5b, which existed before the 1992 reform.

The **medium-term situation and prospects** for the wine sector in the European Union are markedly different from those which prevailed until the beginning of the1990s. Indeed, until this period the wine sector was characterized by significant, persistent production surpluses, which were predicted to continue. Since the beginning of the1990s, and on an average multiannual basis, market imbalances have returned to within more sustainable limits; this situation is predicted to continue in the medium term. Based on the assumption that wine production potential will continue to decrease by approximately 5,000 Ha annually (against the 56 000 Ha annually until 1996) and that yields do not increase significantly, as is the case during the last ten years, it is estimated that by the year 2002/03 wine production will stabilize at around 158 million hl in an average year. In addition, internal uses are envisaged at around 148 million hl (including the quantities intended for distillation for the potable alcohol sector), i.e. a fall of approximately 13 million hl in relation to 1996/97, in particular due to the continued reduction in direct human consumption (from 34.3 liters/head in 1996/97 to 30.8 liters/head in 2002/03). Taking account of exports, the average annual supply balance for wine until 2002/03, excluding stock changes, should show a surplus of 5.3 million hl. This could increase to almost 17 million hl if weather conditions are particularly favourable for wine cultivation. On the other hand, there could be a deficit on the Community market of over 6 million hl in the event of a low Community harvest.

In the context of a market characterized by low production surpluses, or in which production could be lower than internal demand, measures to reduce vineyards are expected to be less important in the future, as is generally the case today. On the other hand, in view of the **precariousness of this market balance** and the inherent possibility of surpluses on a pluriannual basis, a complete relaxation of the ban on new plantings could be questioned. Nevertheless, it might be considered desirable to **introduce greater flexibility in the system of planting rights**, especially for the production of wines which can find a remunerative outlet on the market.

In the past, Community intervention in the wine sector focused primarily on reducing production potential (by grubbing up measures and limits on new plantings) and on market measures (distillation). In the context of the situation which will characterize the wine sector in the future, the emphasis should be on **improving the competitiveness** of Community products, both on the internal and international markets. This implies not only to permit efforts of qualitative adjustment of supply and demand, acceleration of the rate of renewal of the vineyards and rationalization of production structures, but also for modernization at all levels of the wine production chain from bottling to sales and marketing, passing through renovated caves, producers organizations and promotion, especially in certain external developing markets.

Finally, wine production plays an essential role in the socio-economic development of the regions involved, which often do not have other viable economic alternatives. Therefore, whilst there will be an inevitable relocation of some production towards areas where wine-growing is more profitable, the pure and simple abandonment of wine-growing in these dependent regions should be avoided. The maintenance of wine production in many traditional regions is, in addition, essential, not only to safeguard the landscape, but also to limit soil erosion in these regions. However, given that wine growing can also cause harmful effects, in particular through the intensive use of plant health products and of fertilizers, it is important to integrate vineyards into the **agri-environmental programs** aimed at encouraging the introduction or maintenance of production methods compatible with environmental protection requirements and the maintenance of the countryside.

http://www.defusco.ch/newsletter0011_en.html

What is the current situation of the European Union's wine sector?

The European Union occupies a leading position on the world wine market, accounting for 45 % of wine-growing areas, 65 % of production, 57 % of global consumption and 70 % of exports in global terms.

Since the introduction of the common market organisation (CMO), the wine market has developed considerably. In brief, it has been characterised by a very short initial period of equilibrium, followed by a very marked increase in production against a constant level of demand, and finally, a continuous decline and a very noticeable qualitative change in demand from the 1980s. These changes have been dealt with by significantly developing the CMO but with some inconsistencies.

It started out very literal, with no curbs on plantings and very few market regulation instruments (the aim being to confront the annual variations in production). It then coupled freedom on plantings with the virtually guaranteed sales, thus generating serious structural surplus. From 1978 it became very interventionist with the ban on planting and the obligation to distil the surplus. Towards the end of the 80s financial incentives for giving up vineyards were reinforced, facilitating a move towards a balance, but without achieving it completely.

With the GATT agreements having removed the existing external protection, and with demand (which is in constant decline) developing towards a qualitative level which the vineyards could not always guarantee at the time, a reform of the CMO became necessary. This was included in Agenda 2000 and the CAP general reform.

The new CMO for wine (Council Regulation (EC) No 1493/1999) aims to maintain a better balance between supply and demand on the Community market, giving producers the chance to bring production into line with market developments and to allow the sector to become permanently competitive. This goal is pursued by financing the restructuring of a large part of present vineyards, and should consequently give rise to products sought by domestic and international demand.

Through the new CMO for wine, it should be possible to maintain all traditional outlets for alcoholic drinks and wine, accommodate regional diversity and recognise the role of producer and interbranch organisations. The CMO considerably simplifies the legislation in this field, as part of the general drive to clarify the Common Agricultural Policy that was launched in 1995 and reiterated in Agenda 2000. Finally, in terms of the process of restructuring vineyards, it should put an end to intervention as an artificial outlet for production. However, it is possible that due to the great variations in production which are typical of this sector and modifications in domestic and world demand, it may be necessary to resort to special intervention measures on the market, as prudently allowed for by the Council.

http://europa.eu.int/comm/agriculture/markets/wine/index_en.htm

Wine market marches east with EU expansion

On May 1, the European Union, the world's leading wine region in terms of production, consumption and exports, welcomed 10 new members. The area includes six new wine producing countries: Cyprus, The Czech Republic, Hungary, Malta, Slovakia and Slovenia, and some of the world's oldest wines and winemaking traditions. By 2007, the union will include Romania and Bulgaria, Eastern Europe's biggest wine producing country, adding an extra 500,000 hectares of vineyards (1 hectare = 2.47 acres) to Europe's viticultural landscape.

"We are extremely happy about Hungary's accession to the EU," said Andras Egyedi, director of Tokaj Renaissance (Classified Vineyards of Tokaj), a wine company that groups several producers of the Tokaji wine for which Hungary is famed. Among the new members, Hungary is the largest producer of wines.

"Accession is changing things," Egyedi said. "Bureaucratic barriers have been dismantled. Since May 1, consumers have been allowed to contact our winery directly, rather than looking through 30 different stores or changing states--if they are in the U.S.--to find our wines. That's a small example, but it makes a difference."

Most of the winemakers in the new member states share Egyedi's enthusiasm. Years of communist rule in Eastern Europe have generally contributed to underproduction (the new members produced only 4% of the total wine made by the previous, 15-member EU in 2003), and poor quality wines in the region. Since the fall of the Soviet bloc, changes have taken place, but the industry remains generally fragmented and under-exploited. High duty on imported goods and weak purchasing power in the region have limited most consumption to local wines.

"Tastes in Eastern Europe are very much focused on simple wines like table wines," said Jean-Francois Berger, head of the wine and spirits section at the CFCE, the French foreign trade center. "It is quite difficult to see what is going to happen now, although we can say that these countries will eventually open up. But they have a weak spending power, and so the wine offering has generally stayed basic, as these countries have other priorities such as health and housing."

But joining the EU will gradually change this. Since May 1, trade tariffs have been banned throughout the union, shaving up to 70% excise duty on wine in some countries, while in many cases, tariffs on non-EU imports have also been reduced. Shoppers from the 25 countries can now buy wine throughout the union and bring as much as they want home, as long as it is for personal consumption.

"The domestic market will become like an international market," said Basil Zarnoveanu, president of WEPA, the Romanian association of wine producers and exporters. "Now it's a little easier to compete than it was, but in three or four years' time, it will be a completely different story. When the market will become completely liberalized, the larger supermarkets will buy large quantities of wines from Europe and put a lot of other wines on the shelves."

As the markets open up to competition, winners and losers will emerge. With the appearance of better and cheaper imports from some of Europe's larger wine producing countries like

Spain, Italy or France, it is likely that some viticulturalists will not be able to compete. Strict EU laws on the replanting of vines will force some old vineyards out of business, whereas producers of poor quality wine will find it difficult to contend with cheaper and better imports.

"Some winemakers will be pushed out, and this is generally a good thing," Zarnoveanu said. "A lot of wineries used to be state owned, producing poor quality wines, but now it will become more and more difficult. There will always be a market for cheap wines, but we see what is already happening on the market. Quality wines, AOC wines, and wines with image are gaining ground."

This is the upside. Competition will force some wine producers to adapt to these changes by improving on the quality of their wines, while for others, specialization will be the best way forward. "With accession, there will be an opening for quality wines," Berger said. "Some people will make the most of the new situation by focusing on a very specific niche." Today, most of the region's specialty wines, such as the Tokaji wine from Hungary, or Bulgaria's Mavrud wines, are destined for export.

EU funding schemes for viticulture, to which the new members are now entitled, will also help to shake up the wine sector, badly in need of investment. Apart from some top quality vineyards, most Eastern European wine producers rely on outdated machinery and methods inherited from the region's communist past. The new members have already benefited from pre-accession grants from the union to help bring their wine industries in line with EU standards.

The fall of communism attracted some private foreign investment into these countries, notably in the vineyards of Hungary and Bulgaria. EU funding, along with the facilitation of trade, will draw further foreign investments and modern technology and techniques.

"What I notice is that people in Europe are increasingly looking eastward," said Theo Jansen, owner of Vinterra International wine company in Romania, and former managing director of French drinks company Pernod-Ricard in the Netherlands. "The professionals, the investors, the U.S. companies, the French and especially the Italians are buying up land with a very high speed.

"It's at the stage when they are thinking they should have a look into that market and the products being made today, because generally the quality and the packaging have improved. With the extension of the EU, people will tend to go on holiday to the new member countries. In a country like Romania, you see wine everywhere, and that in itself is creating an interest," he added.

The industry is hoping that being part of the European Union will not only improve tourism in the region, but improve the poor image from which the area's wine exporters have suffered in the past. "For us, enlargement is a good thing, because currently, we are fighting against the image," Jansen said. "Wine buyers think our wines have a fair price/ quality relationship, but their customers say they have no demand, as in the past, wines from the region were not so good."

Enlargement is overwhelmingly positive for the wine industry in the new member countries, but what will change for wine exports elsewhere? At present, the new bloc is not likely to boost consumption significantly within the union. Beer remains a favorite drink in most countries, and spending power is still very low. The entire GDP of the new members, along with Romania and Bulgaria, totals less than 6% of the previous EU-15. In 2001, the 10 new members represented only 10% of the former EU's wine consumption. On average, a Hungarian spends only US$11 per year on wine.

But enlargement is still good news for both European and non-European wine exporters. Traditionally, the new members have mainly imported wine from Eastern Europe. Hungary, Bulgaria and Romania total 85% of wine imports to the new member countries. With accession, Western European wines will take a big share of the import market, due to the EU's trade arrangements, geographical proximity and established distribution networks. But New World wines could eventually carve out a place for themselves in this new market as well.

The New World's vigorous marketing techniques, strong brands, clear labeling and quality standardization, in comparison to some wines from Western Europe, will help to penetrate the market, especially in the nonwine producing regions that have not yet developed established wine drinking habits. Over the last few years, exports from the New World have risen steadily in the region, mostly in Poland and Hungary. U.S. wine exports to Poland were up 68% in volume in 2003 from the previous year.

Age-old traditions for drinking home-produced wines in some countries will take some time to break, but tastes will evolve. "The Romanians prefer to drink Romanian, the French prefer to drink French, even the Italians prefer to drink Italian," Zarnoveanu said. "But, although I do not see it as an immediate danger, the New World wines will come, because they are aggressive. I am pretty sure that they will find a way to penetrate the market."

And the good news is that taste for wine is increasing in the region. In the Czech Republic, wine consumption rose 11% between 1990 and 2002, while in Hungary, consumption increased by a third for the same period. In Poland, wine consumption is growing by 10% to 15% each year. The trend is spreading to other nonproducing countries in Europe, such as Sweden and Finland, where consumption rose 6.2% in 2003.

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Agricultural Situation 2005

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Report Highlights:
This report summarizes the agricultural situation and policy during Franz Fischler's time as Agriculture Commissioner. During this time, two enlargements of the European Union took place as well as two major reforms of the Common Agriculture Policy (CAP) - Agenda 2000 and the 2003 CAP reform. It is also during this time that the US-EU trade balance changed to a negative balance for the US.

Introduction

Mr. Franz Fischler, a former Austrian minister of agriculture, was EU Commissioner for Agriculture and Fisheries for the period 1995-2004. When he stepped down, he had been piloting the CAP for about a quarter of its entire 40-year history.

During this period, several big changes took place in the European Union. In 1995 the union grow from twelve to fifteen countries, as Sweden, Finland and Austria joined the union. And in 2004 another enlargement with ten additional new member states (NMS) took place.

These big changes of the European Union obviously required big changes also in the agriculture policy, and during Fischlers period of time there have been two major CAP reforms, the Agenda 2000, and the CAP reform of 2003.

In the 1990´s there was also a reversal in trade balance between the US and the EU, changing from a positive balance to a negative balance for the US.

The Agricultural Policy of the European Union

In 1995, when Fischler took office, the EU agricultural policy had already undergone some big changes. In the MacSharry reforms of 1992, the concept of direct aid payments in return for support price cuts was introduced for the first time, and member states were struggling with novelties like IACS (Integrated Administration and Control System) and set-aside land.

1995 was also the year when the Uruguay Round Agreement, which was to reform and facilitate trade in the agriculture sector, entered into force.

One important factor that persuaded Fischler that future reforms on agriculture needed to change focus from production to quality and safety was the BSE crisis that evolved in 1996.

In 1992, before the MacSharry reform, 0.61 percent of the EU's total GDP was spent on the agricultural policy. This amount is now down to 0.45 percent and the Commissions financial framework aims at getting it down to just one third of 1 percent in 10 years time.

Pre Agenda 2000

In the early 1990s, agricultural policies were production-oriented and rural development policies (RDP) were rather a complement and not a mainstream element of agricultural policy. RDP was supposed to support the modernization of agriculture through structural change and by implementing complementary policies.
The 1992 MacSharry reform of the CAP had three accompanying measures:
- The agri-environmental measures
- Early retirement schemes for farmers
- The afforestation of agricultural land

Agenda 2000

In 1999, the Agenda 2000 was adopted, a package of reforms to the cereals, beef and dairy sectors, which was designed in part to prepare the EU for enlargement. However it was substantially watered down at the very last minute by the EU heads of government. However in this agreement Fischler got commitment to a "mid-term review" that would take place in 2002-2003. It is this mid term review that turned out as the 2003 CAP reform.

With the Agenda 2000 CAP reform came the birth of the Rural Development Program as the second pillar of the CAP. The Rural Development Program increased the financial commitments in these areas and became a program aiming at increasing the competitiveness of European agriculture and integrates environmental concerns and prepares for enlargement. This program also helped to change the view of agriculture and rural areas as not only producers of agricultural commodities but also as producers of environmental and social goods.

CAP 2003

In 2001 a decision was taken to launch a new WTO round, the Doha Development agenda. This would comprise further trade liberalization and commitments to strengthen the capacity of developing countries. The Doha round was one of the reasons for a more comprehensive reform of the CAP to take place in 2003.

For the Least Developed Countries the European Union also has an agreement called "Everything but arms" (EBA), which says that any product, except arms, including agricultural products from these countries can have duty free, and quota free access to the Unions market. There are phase in periods for bananas, rice and sugar. The upcoming liberalization of trade in rice and sugar in particular under EBA were another factor in the 2003 CAP reform and the upcoming reform of the sugar sector.

On June 26, 2003 the Commission agreed on the 2003 Cap Reform and adopted it on September 29 of the same year. The reform provides a series of policy changes to address issues ranging from removing trade distortions to improving rural development and agri-environmental policy.

The most important elements are:

- A single farm payment for EU farmers, independent from production; limited coupled elements may be maintained to avoid abandonment of production.
- This payment will be linked to the respect of environmental, food safety, animal and plant health and animal welfare standards, as well as the requirement to keep all farmland in good agricultural and environmental condition ("cross-compliance"),
- A strengthened rural development policy with more EU money, new measures to promote the environment, quality and animal welfare and to help farmers to meet EU production standards starting in 2005,
- A reduction in direct payments ("modulation") for bigger farms to finance the new rural development policy,
- A mechanism for financial discipline to ensure that the farm budget fixed until 2013 is not overshot,
- Revisions to the market policy of the CAP:
    - Asymmetric price cuts in the milk sector: The intervention price for butter will be reduced by 25 percent over four years, which is an additional price cut of 10 percent compared to Agenda 2000, for skimmed milk powder a 15 percent reduction over three years, as agreed in Agenda 2000, is retained.
    - Reduction of the monthly increments in the cereals sector by half, the current intervention price will be maintained.
    - Reforms in the rice, durum wheat, nuts, starch potatoes and dried fodder sectors

The intervention price cuts will lower intervention prices for rice and dairy. Cross-compliance is a set of environmental and animal and plant health regulations that must be adhered to in order to receive farmer assistance. To move toward sustainable development modulation will gradually decrease the overall level of direct aid and require that the money be used for rural development instead. In addition, the reform requires a Farm Advisory System be implemented to assist farmers on land and farm management. Starting in 2007, financial discipline requires that all direct payments be reduced when CAP expenditure is within €300 million of the budget ceiling.

The 2003 CAP Reform decreases commodity-specific aid. The reform decouples payments for arable crops, beef, sheep and goats, dairy, tobacco, olive oil, and hops. However, there are many commodities that remain coupled. Examples of such commodities include: drying aid for cereals, durum wheat quality premium, protein crop supplement, crop-specific payments for rice, flax, potato starch processing, and dried fodder processing. Fruit, vegetable, and wine payments are not affected by the reform. Neither is the sugar support scheme. Quota systems and maximum guaranteed areas remain in place. Moreover, even those commodities that are decoupled are allowed to maintain, in most cases, some coupled payments.

To read more about the CAP reform see GAIN E34044.

Trade US-EU and EU-US

EU-15 imports of agricultural products, millions of USD

	1997	1998	1999	2000	2001	2002	2003
World	63,274	62,163	57,548	54,432	56,009	59,262	69,753
United States	9,845	9,265	7,907	7,752	7,386	7,245	7,892

Source: GTIS

EU-15 exports of agricultural products, millions of USD

	1997	1998	1999	2000	2001	2002	2003
World	60,130	58,144	54,676	53,783	53,922	58,487	68,832
United States	8,434	9,074	9,557	9,605	9,663	11,014	13,753

Source: GTIS

US£ - EURO historical exchange rate (1 US £)

1-Feb-97	1-Feb-98	1-Jan-99	1-Jan-00	1-Jan-01	1-Jan-02	1-Jan-03	1-Jan-04
0.798	0.913	0.857	0.993	1.062	1.122	0.953	0.795

Source: Ounda and Jeico

Comparing the tables of trade between the EU and the US there has been quite a big change during the last decade. The value of products imported from the US to the EU has gone down, whereas the value of the products going from the EU to the US has been increasing remarkably, especially the last two years. This is noticeable since the dollar has been losing in value towards the Euro most recently.

When comparing products, the imports and exports going to and from the EU, it shows that of the ten most important (in value) products being exported from the EU to the US, all of those have increased. For products exported from the US to the EU, out of the ten most important, seven have decreased and three have increased. The US imports more and more consumer-ready, high value products from the EU.

EU15 (External Trade) Import Statistics From United States Commodity: Agri Products, 1 to 24 not 3. 1601 and 1602 only plus others post 24								
Annual Series: 1997 - 2003								
CN-code	Description	Millions United States Dollars						
	WTO definition of agricultural products	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**
Agri Prod.	Total	9,845	9,265	7,907	7,752	7,386	7,245	7,892
12	Oil Seeds Etc.; Misc Grain, Seed, Fruit, Plant Etc	2,760	2,220	1,728	1,786	1,627	1,811	1,903
08	Edible Fruit & Nuts; Citrus Fruit Or Melon Peel	1,047	1,046	947	838	804	869	1,081
23	Food Industry Residues & Waste; Prep Animal Feed	1,461	1,385	966	892	869	785	770
22	Beverages, Spirits And Vinegar	474	564	603	588	721	633	768
24	Tobacco And Manufactured Tobacco Substitutes	837	886	913	887	800	694	669
10	Cereals	755	632	497	467	448	462	573
21	Miscellaneous Edible Preparations	201	232	257	301	308	299	310
20	Prep Vegetables, Fruit, Nuts Or Other Plant Parts	241	268	264	224	180	181	197
01	Live Animals	141	144	179	314	221	178	189
07	Edible Vegetables & Certain Roots & Tubers	227	240	203	175	160	135	146
	Others	1,701	1,649	1,351	1,285	1,249	1,197	1,285

Source: GTIS

EU15 (External Trade) Export Statistics To United States Commodity: Agri Products, 1 to 24 not 3. 1601 and 1602 only plus others post 24								
Annual Series: 1997 - 2003								
CN-code	Description	Millions United States Dollars						
	WTO definition of agricultural products	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**
Agri Products	Total	8,434	9,074	9,557	9,605	9,663	11,014	13,753
22	Beverages, Spirits And Vinegar	3,825	4,100	4,565	4,590	4,778	5,584	6,641
330210	Mixtures Odoriferous Substance Use Food/ Drink Ind	64	50	62	32	32	37	985*
04	Dairy Prods; Birds Eggs; Honey; Ed Animal Pr Nesoi	385	419	452	438	473	516	607
20	Prep Vegetables, Fruit, Nuts Or Other Plant Parts	453	489	537	537	505	558	587
15	Animal Or Vegetable Fats, Oils Etc. & Waxes	406	346	345	442	384	488	564
19	Prep Cereal, Flour, Starch Or Milk; Bakers Wares	423	498	485	461	474	531	561
18	Cocoa And Cocoa Preparations	238	262	270	287	341	396	481
06	Live Trees, Plants, Bulbs Etc.; Cut Flowers Etc.	183	241	249	297	277	332	360
21	Miscellaneous Edible Preparations	159	165	215	187	159	231	318
09	Coffee, Tea, Mate & Spices	325	344	280	242	214	232	289
01	Live Animals	137	158	207	239	252	225	257
02	Meat And Edible Meat Offal	144	163	153	192	179	178	238
	Other	1,755	1,888	1,798	1,692	1,626	1,744	1,861

Source: GTIS **This number is due to the building of a new factory for soft drink concentrate in Ireland.*

The increase in value for beverages that are exported from the EU to the US are mainly due to exports of “wine of fresh grapes; grape must nesoi.” As of 2002 there is also been an increase in the value of imports of whiskeys to the US. The increase for dairy products is primarily due to bigger imports of cheese, mainly “Cheese, Nesoi, including cheddar and Colby”.

Export subsidies

The European Union uses export subsidies to support its exports. The amount of such subsidies has fallen from 25 percent of the value of farm exports in 1992 to 5,2 percent in 2001. In absolute terms, this represents a reduction from €10 billion to €2,8 billion.

The EU and the majority of the WTO members share the objective of eliminating all forms of export support in the current Doha round negotiations. However, the remaining export subsidies used by the EU continue to have an impact on trade.

EU Export subsidies for certain Commodities

Commodity	Appropriations 2004 (million Euro)	Appropriations 2003(million Euro)	Outturn 2002 (million Euro)
Cereals	174	104	99.3
Rice	32	32	41.0
Sugar and Isoglucose	1,285	1,257	1,168
Olive oil	p.m.	p.m.	92.0
Fruit and vegetables	39	38	46.4
Products of the wine growing sector	26	25	23.8
Milk and Milk products	1,731	1,568	1,159
Beef and veal	308	457	330.9
Pig meat	38	78	27.3
Eggs	9	8	5.9
Poultry meat	106	91	71.1

Source: European Commission

Commodities

During the past 10 years while Commissioner Fischler has been in charge of EU Agriculture, changes to agricultural policy and trade policy have had effects at the individual commodity level. Below are effects of particular interest to the agricultural trade interests of the US.

Wine

Beverages, spirits and vinegar is, by far, the most important product in value that the EU exports to the US and one of the most important that the US exports to the EU. However, while the EU enjoys relatively unrestricted access to the US market, the US faces tariff and non-tariff barriers affecting wine exports to the EU. In order to address some of these concerns, the U.S. and the EU have been in bilateral discussions on wine for over 10 years. Exports of some U.S. wine to the EU continue under derogations permitting certain U.S. oenological practices, which would otherwise be prohibited. The derogation for U.S. wine making practices and certification is now set to expire in December 2005.

The European Union occupies a leading position on the world wine market, accounting for 45 percent of wine-growing areas, 65 percent of production, 57 percent of global consumption and 70 percent of exports in global terms.

The tariffs for importing wine to the EU compared to tariffs for importing wine to the US are of different value. The tariffs for importing wines (not carbonated in containers not over 2 liters) to the US are $0.063/liter while the tariffs for importing wine to the EU are €13.1/hl (€0.131/liter).

The CAP 2003 did not affect the wine sector subsidies for farmers, and these payments remain coupled. In the EU new plantings of wine grapes are prohibited until 2010 except under certain circumstances. Furthermore, wine producers can receive an abandonment premia. Other subsidies available are private storage aid (PSA), which is currently €0.01544 for table wine. When PSA is not enough to balance the market, the Commission may carry out distillation. Producers of wine are then paid by distillers who receive a distillation aid providing the distillate has an alcoholic strength of at least 52 percent of volume. Export subsidies are also available, but they are fixed periodically according to the degree of the world price movements, the market situation in EU and transport costs to the ports.

Fruit & Vegetables

The EU's Fruit & Vegetable regime was reformed in 1996 to tackle specific weaknesses, such as the withdrawal scheme, of the old regime. The 1996 reform reinforced the role of producer organizations, introduced the entry price system and took account of the Uruguay Round accord. New rules were adopted in 2001 in an attempt to simplify the regime. The main changes concerned the setting of a single ceiling to calculate EU aid for the operational funds of producer organizations, modification of the rules for processed tomatoes, peaches and pears and the management of export refunds. The new rules for processed fruits and vegetables, which make the fixing of a minimum price obsolete, had direct implications for the Canned Fruit Agreement. The 1996 reform repealed the 10-year quality and marketing improvement plans for nuts, but it was extended several times. A new support system for nuts was adopted in the 2003 CAP reform.

Future reforms

Discussion about future changes to EU agricultural policy started under Commissioner Fischler, but will be concluded under his successor, Mariann Fischer-Boel. These include further changes to the rural development regime and reform of the sugar regime.

With the two enlargements of the Union to include states with many people living in poorer rural areas, mountainous areas and in Nordic countries, rural development is gaining more emphasis. This is triggered by the demand of consumer for a more environmentally friendly and sustainable form of agriculture. The amount of money given to the agriculture sector is constant however instead of supporting production, more funds are now supporting food safety, food quality, product differentiation, animal welfare, environmental quality and the conservation of nature and the countryside. The Rural Development Program has also contributed to making organic farming change from being a niche for a few farmers, to becoming one of the CAP's top priorities.

In July 2004, the European Commission published proposals for the reform of the EU's sugar regime. The main thrust of the proposals is for a 2.8 MMT quota cut and a price cut of around one third, partially compensated by direct payments to beet growers. Formal legislative proposals are expected in the spring of 2005. It is expected that the new regime will enter into force in July 2006 when the current regime expires. One of the most controversial areas is whether quotas can be traded across Member State boundaries. This could effectively mean the end of sugar production in the EU's least competitive beet growing areas such as Greece, Italy and Ireland and Portugal.

As reasons for reforming the Sugar regime, the Commission paper cites the increasing market orientation of the CAP following June's CAP Reform Agreement, the potential market imbalances created by the Least Developed Countries tariff free access for sugar from 2009, as well as the potential outcome of WTO challenges to the EU Sugar regime and the eventual outcome of any WTO Agreement.

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APPENDIX 3:

HUNGARIAN WINE REGIONS

English - Deutsch

The text below regarding the wine regions in Hungary has been quoted with the authorization of Archimedia Kiado.
More information on wine regions and wine at www.archimedia.hu

Csongrád

Like in the wine regions on the Alföld the production of table wines is dominant here as well. Growing the vine "Kövidinka" a characteristic method was used, the so called pruning to the basal bud, which does not even need stakes. The wine production of this region can be traced back to the Middle Ages.

Area: 2330 hectares.
***Climate**:* dry, extreme, a lot of sunshine.
***Vine varieties, wines**:* Kövidinka, Zweigelt, Italian Riesling, Kadarka, Kékfrankos.

Balatonmelléke

Several harrow-cellars prove that the tradition of viticulture at the hills of Zala goes back to the past more than 100 years. The characteristic representatives of folk architecture can only be met in this area by now. The harrow-cellars were carpentered from timbers and were plastered with clay from in - and outside. There have only been left a few samples of them by now - breathing the strange atmosphere of death. By becoming a wine region in 1998 again, there is once more hope that the values here - coming into adequate hands - will be preserved.

Area: 1623 hectares
Climate: mild, consolidated, wet.
Vine varieties: Olasz rizling, Rizlingszilváni, Zöld veltelini, Red Tramini, Chardonnay, Kékfrankos, Zweigelt, Oportó.

Hajós-Baja

Though the ecological conditions on the Alföld are not so good as in the mountain regions, the quality of wine, if treated in the right way, can be compared with that of the wine of the mountains. The representatives of German architecture in Hungary, the characteristic press-houses making up the cellar-village of Hajós, together with Hungarian hospitality make this wine region very attractive for wine-lovers.

Area: 1710 hectares.
Climate: extreme, dry, rather hot summer.
Vine varieties, wines: Italian Riesling, Rhine Riesling, Chardonnay, giving milder wines poor in acids. Kadarka wines are fine, fiery, velvety. Kékfrankos, Merlot, Cabernet Franc, and Sauvignon.

Tokaj-Hegyalja

Wines with the highest alcohol-, sugar-, and acid-contents of the country are born in Tokaj-Hegyalja. It can only be spoken in the superlative about this wine, as it is a medicine, a real nectar. The secret of this wine is not to be sought extra in the nature of climate, position or soil, but in the common effect of all of these. The long, hazy, sunny autumn is favourable for the shrivelling of the ripe grape berries and for the development of noble rot. The world famous Szamorodni and Aszú wines are made by adding these berries with noble rot, and the more aszú-grapes the wine contains the more precious it is.

Area: 5428 hectares (87 km long and 3-4 km wide).
Climate: hot summer, cold winter, long, hazy autumn.
Vine varieties, wines: Furmint - developing noble rot best, acidic, fine fragrance. Hárslevelu - more robust, full-bodied. Yellow Muscat - developing noble rot under favourable conditions, hard acid, extraordinarily fine, elegant fragrance.

Kunság

The largest wine region of the country is to be found on the Alföld (Great Hungarian Plain) with its sandy soil. A part of the vine was planted here in order to bind the wind-blown sand. The wine grown on sandy soil of this region is the wine of the weekdays. It is not for particular events, nor for the festive board, but the "tavern wine" is an important part of everyday life. The acids of the wines of the plain are milder than of those grown on highlands, and that fits the taste of our days better. The big quantity of the wines produced on the Alföld does not mean plainness at all.

Area: 28930 hectares.
Climate: little precipitation. Hot, sunny summer and dry winter.
Vine varieties, wines: Italian Riesling - reseda fragrance, pleasant tart. Ezerjó, Kövidinka - mild wines with high sugar- and alcohol-contents. Kadarka - ruby red, spicy fragrance, aromaful. Kékfrankos - fine, spicy, light.

Mátraalja

In our largest hill- and mountain wine region good quality white wine is produced. The hill-sides are sheltered from the north wind by the mountain chain of the Mátra and most of the vine-territories can be found amidst forests. Past and present get on well together: modern wine production and the old, merry, Hungarian vintage tradition do not exclude each other. Several medieval wine cellars can be found in the area, some of them have been reconstructed and offer wine even today.

Area: 7450 hectares.
Climate: sheltered from wind.
Vine varieties and wines: Italian Riesling - dry, fresh acidic. Rieslingszilváni – fragrant, light, soft. Leányka - fine, full. Hárslevelu - spicy, harmonious, elegant. Tramini - fine fragrance, full, aroma-rich. Muscat-Ottonel - high alcohol contents, fragrant, high sugar degree. Though red wine production has gone back, Kékfrankos and Zweigelt wines are still produced. Wines made with reductive method, fitting the western taste better, can be found here too, which are fresher and contain less alcohol. Kosher wine is made here too.

Aszár-Neszmély

This wine region recently attained or rather got back the rank as a wine region. About the wine growing on the vineyards of Neszmély looking

Eger

This old, baroque town is known abroad first of all for its wine. Though the ecological conditions are favourable for white wine production, the name upon the Danube István Széchenyi wrote praising words too and many people liked the pleasant, tart taste of the wine produced here. The famous model vineyards and the wine cellars in Ászár of the estate in Csákvár of the Esterházy family contributed to the international repute of the region in the second half of the XIXth century as well.

Area: 1560 hectares.
Climate: cooler than the average, less sunshine, medium precipitation quantity.
Vine varieties, wines: Italian Riesling - fine, nice acid, fits most meals. Leányka - harmonious, round, suave fragrance and bouquet. Ezerjó - vivid acid, fits heavy, fat meals. Rieslingszilváni - light, fine, primary fragrance

"Egri Bikavér" /Bull's Blood of Eger/ sounds familiar all over the world and this wine made the town of Eger and its surroundings famous. There is a large cellar- and cave-system beneath Eger, through the corridors of the cellars the town can be walked through under the surface in its whole width. Parts of the caves are of natural origin, but most of them are artificial, decorated with carvings.

Area: 3910 hectares.
Climate: little precipitation, long winter.
Vine varieties, wines: Kékfrankos, Cabernet, Merlot, Kékoportó are the base of Egri Bikavér. Characteristics of the wine: harmonious, full-bodied, velvety, harsh, warming, - it gets its characteristic bouquet after years of ageing in wooden casks. From grapes named Leányka is made the slightly sweet, fruity wine with complex taste-harmony. Italian Riesling - harmonious, fine, characteristic fragrance, elegant acidic. Tramini - characteristic fragrance and bouquet.

Badacsony

The wines produced around Lake Balaton own a special character. Sitting about in front of a wine-cellar we can delight all our senses, as the quality of the wines is accompanied by the beauty of the scenery, the view of the lake, the vineyards, the press-houses with white walls, and the small villages at the bottom of the hills. Many artists and scientists devoted their works to the spell of the scenery and it may not be by chance that the wine of Badacsony was called the "nectar of gods".

Area: 1790 hectares.
Climate: consolidated, with sub-mediterranean character, lot of sunshine, sheltered from northern wind.
Vine varieties, wines: Italian Riesling: most wide-spread – mild, soft acid, resembling bitter almonds in bouquet. In good vintages "Aszú" is made of it as well. Szürkebarát - the most famous: aroma-full, warming, harmonious, round wine with high alcohol contents in this region. Kéknyelu - "upper-class vine" - good quality, but poor vintage because gets fertile hard. Discreet with spicy bouquet and noble elegance. Ottonel Muscat - fine Muscat aroma, warming, sometimes mild, poorly acidic.

Tolna

The wine region of Tolna belongs to the wine regions since 1998. However, vinegrowing has had an old tradition here it can be traced back to the Roman times. The settlers of German nationality, whose role was very important in strengthening the viticulture deceased by the XVIth century, have played a significant role in vinegrowing. The main pride of the wine region is the cellar-village of Györköny. The village having slept its Sleeping Beauty dream has been discovered by now again and the tradition-preserving and value-saving renewal of the ancient press-houses is still being performed.

Area: 2180 hectares
Climate: mild winter, dry and sunny summer.
Vine varieties, wines: Chardonnay, Italian Riesling, Pinot Blanc, Rhine Riesling, Rizlingszilváni, Kadarka, Kékfrankos, Zweigelt, Merlot.

Balatonfüred-Csopak

This wine region, as its name tells us, is divided into two wine producing regions. The wines of Balatonfüred are more full-bodied, more warming, their alcohol contents is higher - while the wines of Csopak are more modest, lighter, slimmer, and they are richer in fragrance and bouquet. Balatonfüred and its surroundings are made

Bükkalja

Similarly to the wine regions Eger and Tokaj wine is stored here in - sometimes huge - cellars hollowed in rhyolite-tuff. Some of the walls and columns are decorated by the precious works of peasant stonecutters. The famous wine of Miskolc was aged in cellars covered with thick mould. On the hill Avas, which is altogether 100 metres high, attractive by the mineral water and the wine together. People from all over the world travel here to pet themselves from both outside and inside. The sparkling carbonic medical water, the unique climate - beneficial for those suffering from heart diseases and the strength of fine white wine do their best.

Area: 2100 hectares.
Climate: a lot of sunshine, weather serving vine production.
Vine varieties, wines: Italian Riesling - nice to look at; greenish-white, fragrance resembling reseda, with spicy taste, full-bodied, round. After several years enriched with a secondary bouquet of plum smell. Furmint - fine fragrance, rich in acids, high sugar content. Rieslingszilváni - pleasant, intensive fragrance, mild, rich bouquet.

once there used to be rich vineyards. On its slopes more than a thousand cellars were hollowed. From the XIXth century champagne-basis-wines have been produced here as well.

Area: 1130 hectares.
Climate: lot of sunshine, cool, favourable for producing white wine.
Vine varieties, wines: Italian Riesling - light, elegant. Leányka - fragrant, lighter and thinner than that of Eger. A lot of other sorts - grown on smaller territories - can be found here as well.

Balatonfelvidék

This wine region with rich medieval tradition is not positioned right at Lake Balaton, but its climate is still influenced by the nearness of the lake. This region was already discovered by urban people years ago because of its beauty and the decreasing number of its original inhabitants. A great number of artists moved here, who had the preservation of the scenery at heart and have done a lot for that purpose. Mainly the surroundings of the Káli-basin is characterised by old houses, churches, inns, and wine-cellars awaiting guests, renovated with demanding care and new ones, fitting into the landscape with their style.

Area: 1508 hectares.
Climate: varied, with mediterranean character, lot of sunshine.
Vine varieties, wines: Szürkebarát, Italian Riesling, Chardonnay - full-bodied, rich in bouquet, lively acidic wines with fine fragrance.

Villány

"**W**ine worth gold" is produced in the most southern wine region of the country. According to the tradition Hungarian wine-making was born here, in this region. "The elegant wine, that of Villány is the wine of the cavaliers and the ladies. As for me, I would only give Villány wine for balls?All its advantages come to light when you have had a bath, shaved and changed from head to toe. The best in tails or a dinner jacket, ladies in neckline. It is moderate, fine, well educated." - writes Béla Hamvas

Area: 1770 hectares.
Climate: sub-mediterranean character. Hot summer, mild winter with a lot of sunshine. Frequent hails.
Vine varieties, wines: Kékoportó - has already lost its importance. Kékfrankos and Cabernet Sauvignon - dark ruby colour, robust, full-bodied, spicy bouquet. Hárslevelu - white wine with flower fragrance. Italian Riesling - long, warming white wine. Leányka - fine, elegant, robust.

Etyek-Buda

Though this territory got the rank of a wine region only in 1990, vine growing here has had a tradition of several centuries. In recent years quality wine has been produced here too, but mainly the champagne-base-wine production is characteristic of the region. Since the end of the XIXth century the famous Törley champagnes have also been produced of base-wine from Etyek. It is worth visiting the round cellars and the nice German houses of the previous century, several old, precious winery tools can be found in them.

Area: 1480 hectares.
Climate: windy, a lot of sunshine, little

Szekszárd

Who will not know the Trout-quintet of Schubert? But do you know that the composer was inspired to write this piece by the red wine of Szekszárd? Franz Liszt tasted the wine visiting Szekszárd several times, he presented even Pope Pius IX. with it in 1865 who wrote the following appreciative words about it: "?this wine of Szekszárd preserves my health and unbroken spirit." Zoltán Kodály wrote his musical comedy, János Háry from the sources of the tradition from here. There can be no doubt about the inspiring force of the wine of Szekszárd.

Area: 2210 hectares.
Climate: Mild, long winter, extreme, but dry

precipitation.
Vine varieties, wines: Chardonnay, Italian Riesling, Rhine Riesling, Pinot Blanc, Sauvignon Blanc - elegant, dry, definitely acidic, light wines with fine fragrance.

summer, a lot of sunshine.
Vine varieties, wines: Kadarka - old, famous variety. By today it has become a rarity but its resettlement has already started. Kékfrankos - rich fragrance, harmonious, full-bodied, high tannin contents. Cabernet Sauvignon, Cabernet Franc - fine, characteristic fragrance and bouquet, fiery, velvety. White wine is made of the varieties Chardonnay and Italian Riesling, they are full and rich in aroma. The Bikavér (Bull's Blood) of Szekszárd is of ancient origin, it is made of 2-3 red wines. Alongside Eger only Szekszárd was entitled to use the name Bull's Blood.

Mór

The picturesque Valley of Mór runs between two mountains, the Vértes and the Bakony; this is the home of the Ezerjó. Though the Ezerjó is an old Hungarian variety, it has found its real home here, in the wine region of Mór. The new territory has made wonder to this vine variety, elsewhere rather average and hardly known, and has revealed its unknown characteristics. Recently other vine varieties giving wines of excellent quality have been introduced here.

Area: 1680 hectares.
Climate: favourable, though cooler than the average. Mild winter, a lot of air motion, which is unfavourable for diseases. The rays of the sun reach a big part of the vineyards all day long in summer.
Vine varieties, wines: Ezerjó - neutral fragrance, full body compensating the strong acidity, manful, hard, elegant, in good years containing not fermented sugar, but of dry character. Rizlingszilváni - fine fragrance, good acids. Tramini - intensive fragrance and flavour - occasionally soft. Leányka - fragrant, light, elegant. Chardonnay - fine fragrance, fiery, full-bodied

Mecsekalja

Mecsekalja "was created even by God to be a wine growing region", and the people observed this in time, as vine has been grown here for 2000 years. Vine feels well on the soil and climate created for it and it is very thankful for the invested work. Pécs (Sopianae) was the trade centre of this wine region already in the antiquity. The base wines of the long tradition champagne production in Pécs have been produced in this region since the XIXth century.

Area: 633 hectares.
Climate: sub-mediterranean, sheltered from the north-wind. Hot summer with a lot of sunshine, mild winter.
Vine varieties, wines: Cirfandli - characteristic wine of the region. Flower fragrance, spicy, high alcohol contents, in good years containing not fermented sugar. Italian Riesling - pleasant dry, but not acidic, mild, warming, reseda fragrance. Chardonnay - fragrant, elegant, velvety acidic. Furmint - marked, tart, dry wine. The wines of Mecsekalja are full-bodied, mildly acidic wines with high sugar-contents due to the big number of hours with sunshine.

Pannonhalma-Sokoróalja

The first Benedictine monks came to Hungary in the year 996 and settled on the hill - named Saint Martin Mountain - near the small village Pannónia and built a monastery. The monastery of Pannonhalma was the first and has been the most famous monastery of the Benedictines until today. The monks of the order preached the importance and know-how of vine production from the pulpit, too. The first written record about vine growing is to be found in the deed of foundation of the Monastery of Pannonhalma.

Area: 620 hectares.
Climate: moderately dry, moderately warm, mild winter.
Vine varieties, wines: Italian Riesling, Rhine

Balatonboglár

On the south shore of Lake Balaton mainly white wine is produced, but there is some red wine production as well. Lately the champagne produced here is considered to be the best in Hungary. The nearness of the lake, which is shallower here than on the northern shore, so it gets warm relatively fast, and creates a favourable microclimate, has a favourable influence on the vineyards of the hill slopes. Because of the nearness of Lake Balaton, the beauty of the land, the old country-seats and cellars this region is visited by a lot of people these days as well.

Area: 2820 hectares.
Climate: consolidated.

Riesling, Tramini, Chardonnay, "Irsai Olivér". The white wines are of excellent quality, they are rich in fragrance and bouquet and have a strong region character.

***Vine varieties, wines**:* Italian Riesling, Yellow Muscat – fruit fragrance, rich in aroma, slightly acidic, elegant white wines. Chardonnay - fine, lively acidic, elegant. Cabernet, Merlot, Kékfrankos: - fine, velvety red wines

Somló

The smallest, but one of the most famous of our wine regions is located around an extinct volcano. There were times when its fame preceded even that of Tokaj. "Though every wine bears a social character and reveals its real nature when drunk in company, the wine of Somló is the drink of the lonely. It is so full of the oil of the ecstasy of creation that it is only to be drunk in devoted, definitely quiet, balanced loneliness. It is the wine of the wise, of those people who at last have learnt the greatest knowledge, serenity." (Béla Hamvas)

Area: 830 hectares.
Climate: very windy region, so moderately warm, though rich in sunshine. Due to the slopes the sunshine is very advantageous.
Vine varieties, wines: In this region only white vine varieties are to be found: Furmint, Italian Riesling, Hárslevelu, Rhine Riesling, Juhfark (Sheep's tail). High alcohol contents, strong acids, and hardness characterise the wine of Somló. As it is a typical aged wine, it achieves its character after several years of ageing in wooden casks. It would not permit blending.

Sopron

The wine region Sopron is one of the most ancient wine growing regions of the country. Grape seed finds prove that already the Celts dealt here with vine growing. Vine growing has been performed in this region since then. Almost everyone had a vineyard and a cellar, and nearly every farmer here had the wine licence. A fresh pine-bough hanging from a bar indicated that new wine and a bundle of straw that aged wine was sold. A red or white ribbon showed that the farmer was selling red or white wine. This nice custom is reviving in the streets of Sopron.

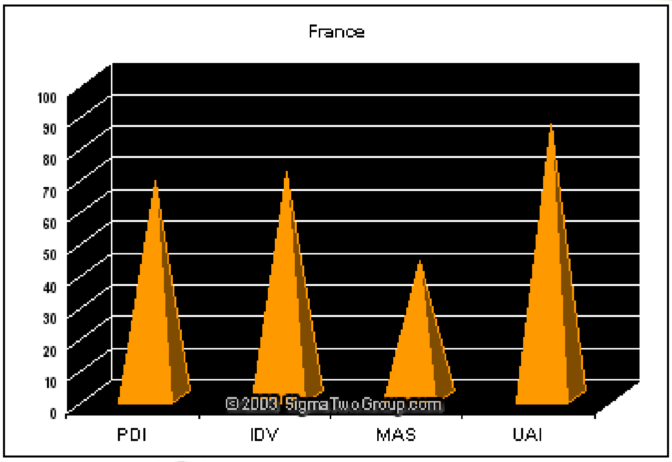
Area: 1670 hectares.
Climate*:* sub-alpine character. Frost-free spring, cool and rainy summer, sunny autumn, advantageous for overriping, mild winter with a lot of precipitation.
Vine varieties, wines*:* Kékfrankos - pleasant tart, velvety.

Source : http://www.budapesthotels.com/touristguide/wineregions.asp

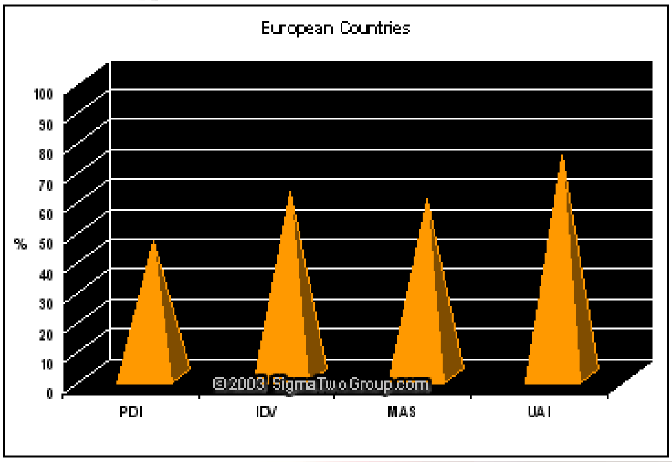
APPENDIX 4 :

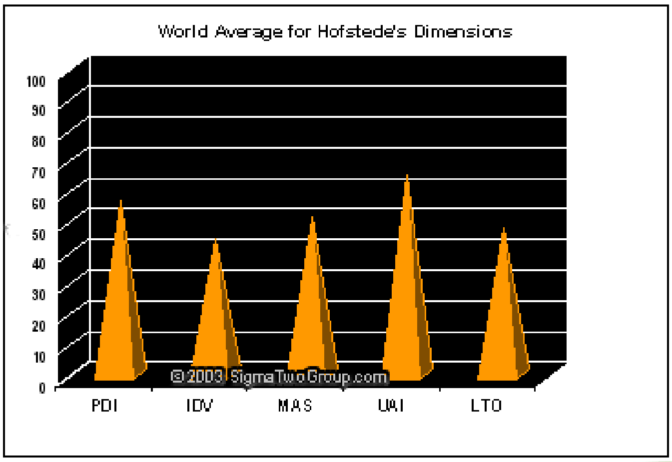
Geert Hofstede™ Cultural Dimensions

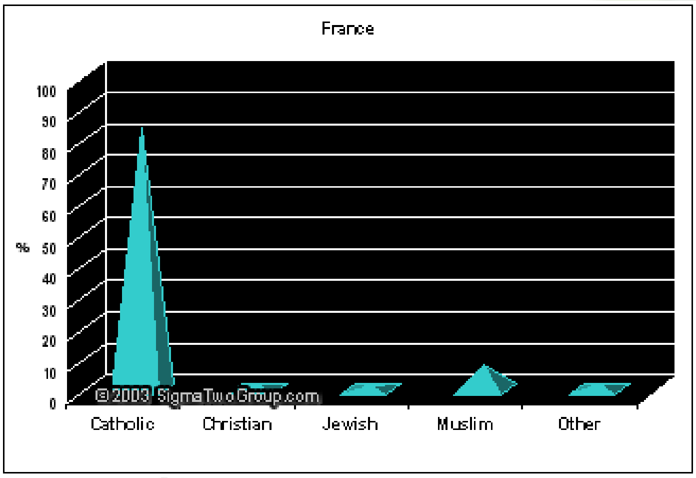
France :



* Description for each of Hofstede's Dimensions listed below

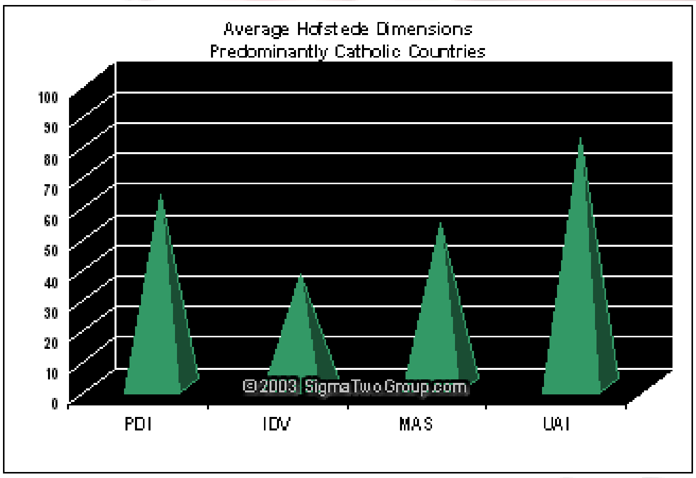






The World Factbook 2002

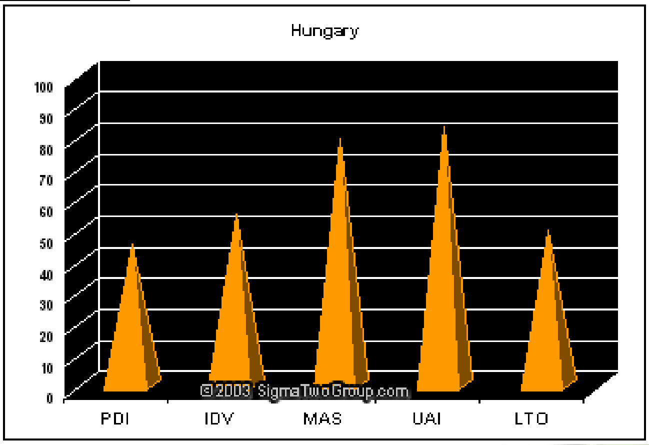
In a country that has over 50% of its population practicing the Catholic religion, we found the primary correlating Hofstede Dimension to be Uncertainty Avoidance (UAI). There were only 2 countries out of 23 that did not follow this correlation, they were Ireland and the Philippines. (See accompanying **Article**)



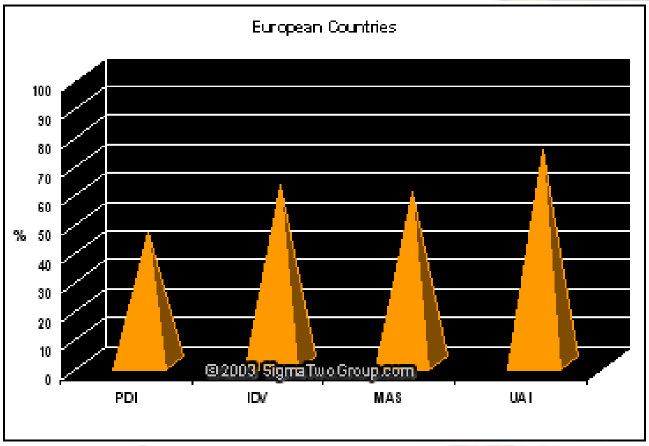
Based on our studies and data, the large majority of predominantly Catholic countries (those with Uncertainty Avoidance as their highest ranking Dimension) have a low tolerance for ambiguity. This creates a highly rule-oriented society that institutes laws, rules, regulations, and controls in order to reduce the amount of uncertainty within the population.

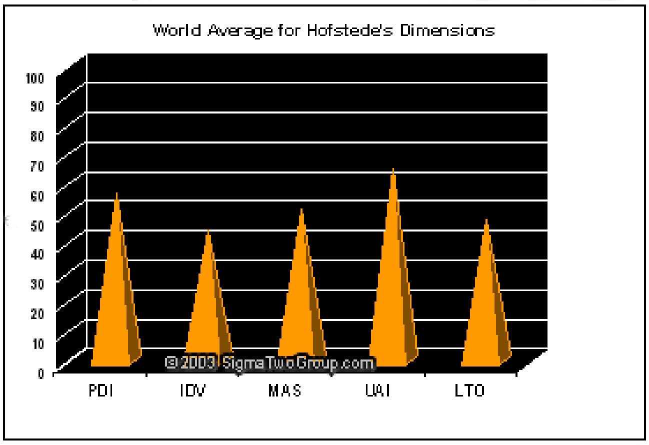
http://www.geert-hofstede.com/hofstede_france.shtml

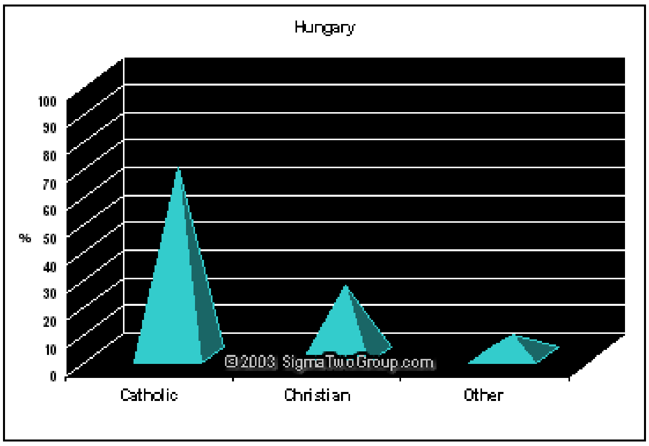
Hungary:



* Description for each of Hofstede's Dimensions listed below







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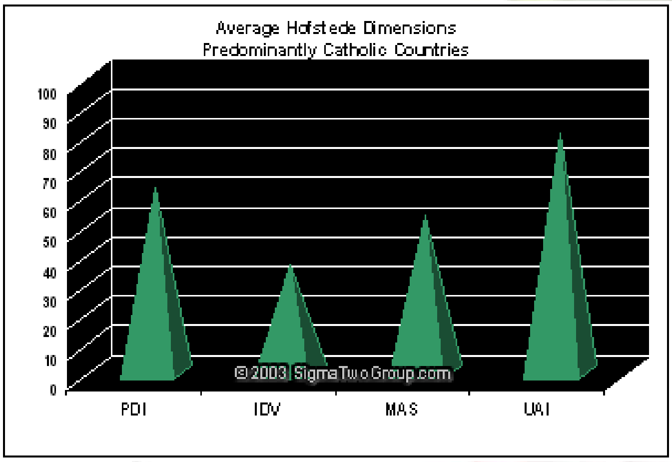
In a country that has over 50% of its population practicing the Catholic religion, we found the primary correlating Hofstede Dimension to be Uncertainty Avoidance (UAI). There were only 2 countries out of 23 that did not follow this correlation, they were Ireland and the Philippines. (See accompanying **Article**)



Based on our studies and data, the large majority of predominantly Catholic countries (those with Uncertainty Avoidance as their highest ranking Dimension) have a low tolerance for ambiguity. This creates a highly rule-oriented society that institutes laws, rules, regulations, and controls in order to reduce the amount of uncertainty within the population.

http://www.geert-hofstede.com/hofstede_hungary.shtml

APPENDIX 5:

MATHIEU Marie
SACHY Stéphanie
CASTRO Léopoldo
FERRARA Elias
GAILLY Maxime
FISCHER Mathieu

A Poitiers, le 16 mai 2005.

Monsieur Chelly,

Etudiants de l'ESCEM à Poitiers, nus avons été amenés, dans le cadre de notre mineure *Business and Management in the New Europe,* à rendre un dossier dont le sujet était : *Cross cultural challenges in Europe wide marketing.*

Afin de ne pas survoler le sujet, nous avons décidé de nous concentrer sur le marché du vin et nous avons (toujours avec le souci de ne pas rester trop général) décidé de n'analyser que trois pays qui sont la France, la Hongrie et la Bulgarie. Notre objectif à travers ce rapport était de fournir une analyse détaillée de ces trois pays et, par la suite, de voir quelles sont/seront les conséquences l'élargissement de l'Europe à 25 pays sur ce secteur et plus particulièrement dans ces pays.

Nous pensons avoir fourni un travail de qualité et souhaiterions le mettre en ligne sur le site www.centreurope.org dont vous êtes l'administrateur afin de faire bénéficier les visiteurs du site de nos conclusions sur le sujet. Cela serait également un moyen pour nous de valoriser notre travail.

Vous pouvez nous contacter aux adresses suivantes :
mfischer@escem.fr
mmathieu@escem.fr
ssaki@escem.fr
mgailly@escem.fr
polo_castro@hotmail.com
eliasferrara@gmail.com

En espérant que cette proposition attirera votre attention, et dans l'attente d'une réponse de votre part, veuillez agréer, Monsieur Chelly, l'expression de nos sentiments les meilleurs.

Les élèves de l'ESCEM.

MATHIEU Marie
SACHY Stéphanie
CASTRO Léopoldo
FERRARA Elias
GAILLY Maxime
FISCHER Mathieu

A Poitiers, le 16 mai 2005.

Madame, Monsieur,

Etudiants de 2e année en école de commerce à l'ESCEM Poitiers, nous avons, dans le cadre de notre mineure *Business and management in the new Europe* travaillé sur un dossier dont le thème était *Cross cultural challenges in europe wide marketing.*

Afin de ne pas survoler le sujet, nous avons choisi de nous concentrer sur le marché européen du vin en général et plus particulièrement sur trois pays qui sont la France, la Hongrie et la Bulgarie.

Nous pensons avoir fourni un travail de qualité et nous souhaitons donc faire bénéficier les personnes intéressées de notre travail et de nos conclusions. A cet effet, nous nous proposons par la présente de vous faire parvenir un exemplaire de notre dossier qui, nous l'espérons pourra vous aider si vous décidez un jour d'exporter votre production dans l'un de ces pays ou en Europe de l'est de manière plus générale.

Si cela vous intéresse, nous pouvons vous envoyer ce rapport sur CD ou plus simplement par e-mail. Nous tenons également à vous préciser que celui est en anglais mais que nous pouvons également vous le faire parvenir en Français ou en Espagnol.

Vous pouvez nous contacter par e-mail aux adresses suivantes :

mmathieu@escem.fr
ssaki@escem.fr
mgailly@escem.fr
mfischer@escem.fr
polo_castro@hotmail.com
eliasferrara@gmail.com

En espérant que ce courrier retiendra votre attention et dans l'attente d'une réponse de votre part, veuillez agréer Madame, Monsieur, l'expression de nos sentiments les meilleurs.

Les élèves de l'ESCEM.

escem

GROUPE ECOLE SUPERIEURE DE COMMERCE
ET DE MANAGEMENT TOURS - POITIERS

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- MATHIEU Marie
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- FERRARA Elias
- GAILLY Maxime
- FISCHER Mathieu

Promo / *Year* : 2004/*2005*

Date / *Date :* 19 MAI 2005

Intitulé du cours / *Course title :*
Minor Business & Management in the New Europe

TITRE DU DOCUMENT REMIS / *TITLE OF THE GIVEN DOCUMENT:*
Cross cultural challenges in Europe wide marketing

"Je reconnais avoir pris connaissance du contenu de l'article 8 bis du chapitre V du règlement intérieur de l'ESCEM concernant le plagiat.
Je déclare sur l'honneur que mon travail est exempt de tout plagiat et que toutes les citations d'œuvres originales qui y sont incluses sont signalées par des guillemets, et que leurs sources sont clairement mentionnées."

"I acknowledge having studied the contents of article 8b of chapter V of the ESCEM School Rules regarding plagiarism.
I swear that my work is free from any plagiarism and that all quotations taken from original works are identified by the use of inverted commas, and that their sources are clearly mentioned."

Signature(s) de(s) l'étudiant(s) / *Student signature :*