Which Markets Offer Most Opportunities for Wine Export from Lebanon?

Contents

Lebanon has ranked between 34th and 48th of the top exporters of wine in the last two decades. Its wine exports have been growing at a CAGR of 4.84 % from $6,594,000 in 2001 to $ 16,972,000 in 2020. In the coming years, promising opportunities can be found in Norway, Denmark, Poland, Belgium, Latvia and Romania for the Lebanese wine. This document gives an overview about the wine market, takes a closer look Lebanon's exports and worldwide imports and highlights potential growth opportunities of Lebanon's wine exports.

1. Product Definition

Wine is the beverage resulting exclusively from the partial or complete alcoholic fermentation of fresh grapes, whether crushed or not, or of grape must. Yeast consumes the sugar in the grapes and converts it to ethanol, carbon dioxide and heat. Different varieties of grapes and strains of yeasts are major factors in different styles of wine. These differences result from the complex interactions between the biochemical development of the grape, the reactions involved in fermentation, the grape's growing environment (terroir), and the wine production process.

Wines come in different varieties such as red, white, sweet, dry, still and sparkling and has different uses, as a beverage, in cooking, in religious rites, etc. Its actual alcohol content is usually less than 14.0% vol. and shall not be less than 8.5% vol. Nevertheless, taking into account climate, soil, vine variety, special qualitative factors or traditions specific to certain vineyards, the minimum total alcohol content may be reduced to 7% vol. by legislation particular to the region considered.

There are generally two categories of wines: regular (or table) wines and premium wines. Premium wine is distinct from regular wine in both quality and price. As high quality is subject to interpretation, the price point is a more suitable indicator to define whether a wine is considered a premium wine or not.

This report uses the combined nomenclature codes 220410 'sparkling wine of fresh grapes' and 220421 and 220429 'wine of fresh grapes, including fortified wines, and grape must whose fermentation has been arrested by the addition of alcohol (excluding sparkling wine)' in *containers less than or equal to 2 liters* and *in containers more than 2 liters,* respectively.

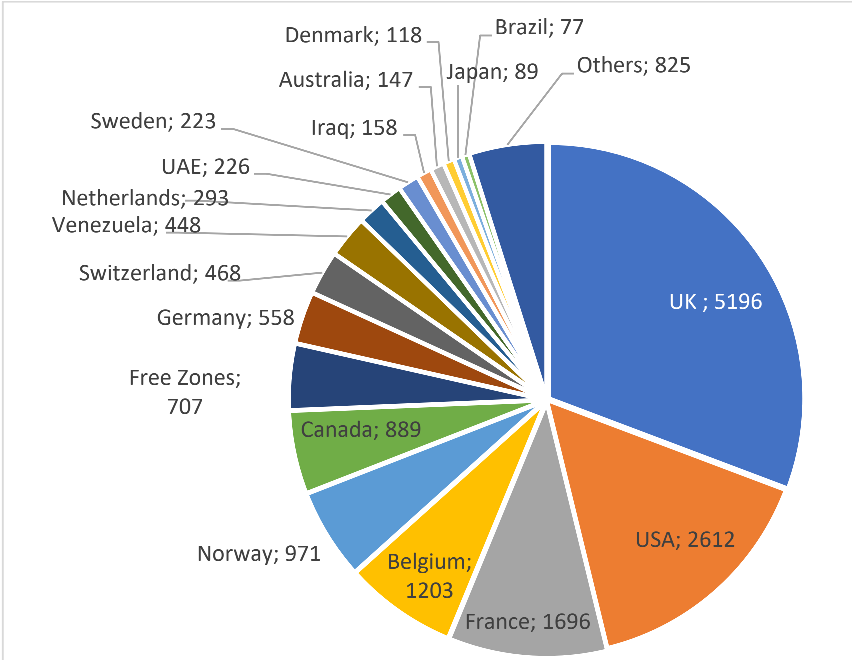
Combined Nomenclature Number	Product
220410	Sparkling wine
220421	Wine (excl. sparkling) in container ≤ 2 liters
220429	Wine (excl. sparkling) in container > 2 liters

2. Where Does Lebanon's Wine Currently Go to?

Lebanon is among the oldest sites of wine production in the world; with wine manufacturing dating back more than 5000 years. In the recent years, Lebanon has come to produce around 10 thousand tons of wine annually, a substantial drop from the 1995 peak of 33 thousand tons. According to FAO, in 2018, Lebanon ranked 54th in world production with a total production of 7.2 million bottles (0.75 cl) and a share of 0.03% of world production. In recent years, the export volume amounted to between 2 to 2.7 thousand tons per year. In 2020, Lebanon's wine export value totaled 17 million USD equivalent to 0.05% of world wine exports. According to Lebanese customs, 0.9% of the total wine exports from Lebanon in 2020 were sparkling wine, 96.3% were non-sparkling wine in containers with capacities less than 2 liters and 2.8% were non-sparkling wine in containers with capacities greater than 2 liters.

In 2020, around a third of Lebanon's wine was exported to the United Kingdom and half to the United States, France, Belgium, Norway, Canada, Free Zones and Germany (Figure 1).

Figure 1: Share of Export Markets of Wine from Lebanon ($1000), in 2020



Source: ICT Trademap

3. What is Lebanon's Position in the International Market?

Italy, France and Spain have been the top three wine producers in the world since the 1960's. In 2018, the three European countries produced more than 50% of the wine worldwide. The United States, China, Argentina, Chile and Australia together produced another 30%.

All the top producers, except China, are among the top exporters of wine. In terms of value, France has been by far the number one wine exporter of the third millennium. In the last 5 years, the value of its exports increased by 7.2%, while that of Italy, Australia, New Zealand and Portugal increased by 13.3%, 21.4%, 15.4% and 15.5% respectively. The value of wine exported by Spain decreased slightly, while that exported by the United States and Germany decreased by more than 10%. However, for the past few years, Spain and Italy have been exporting the largest quantities of wine, followed by France. Quantity exported by the top five wine exporters dropped between 2016 and 2020, most notably in Spain. Substantial increases in export values in the last 5 years were observed by Netherlands (36%), Austria (36%), Georgia (87%), Lithuania (56%) and Denmark (38%). Quantities of wine exported by Canada (130%), Slovakia (90%) and Georgia (86%) increased substantially in the last 5 years. For numerous countries with available data on quantity, changes in quantity and value exported varied by more than 20% indicating large variations in the unit price of wine.

Italy and France are two of the world's finest wine producing countries, in terms of both quality and quantity. While Italy produces a larger quantity of wine, France is renowned for its production of premium wines; hence the greater value of exports despite the lesser quantity. Meanwhile, Spanish wine is cheaper because of the abundance of lesser-known grape varieties; additionally, Spanish wine is mostly sold in bulk to France and Italy where it is bottled, marketed and distributed.

Austrian wine exports underwent an overall increase despite the cancelation of major wine exhibitions and the closure of shops, pubs and restaurants for months. Bottled Austrian wine exports rose by 10% while bulk exports fell by 6%. Figures had also risen in 2019 hitting export records reflecting the exceptional 2018 harvest. The surge in recent years of the exports of wine from Georgia, *the cradle of wine*, can be attributed to the heavy investment by the wine industry and the government in raising standards and promoting products in key markets. Georgian exports to the UK underwent the most considerable increase in the recent years. Meanwhile, Denmark produces very little wine and relies on imports which are partially re-exported. Similarly for Lithuania, wine production levels are low but around 70% of its imports are re-exported to Estonia, Latvia, Belarus and Russia. Growth in wine exports of both countries is mostly attributed to the growth in re-exported wine. Canada is the main producer and exporter of icewine, a type of dessert wine produced from grapes that have been frozen while still on the vine. While demand for this specialty wine increased, so did its production and exportation.

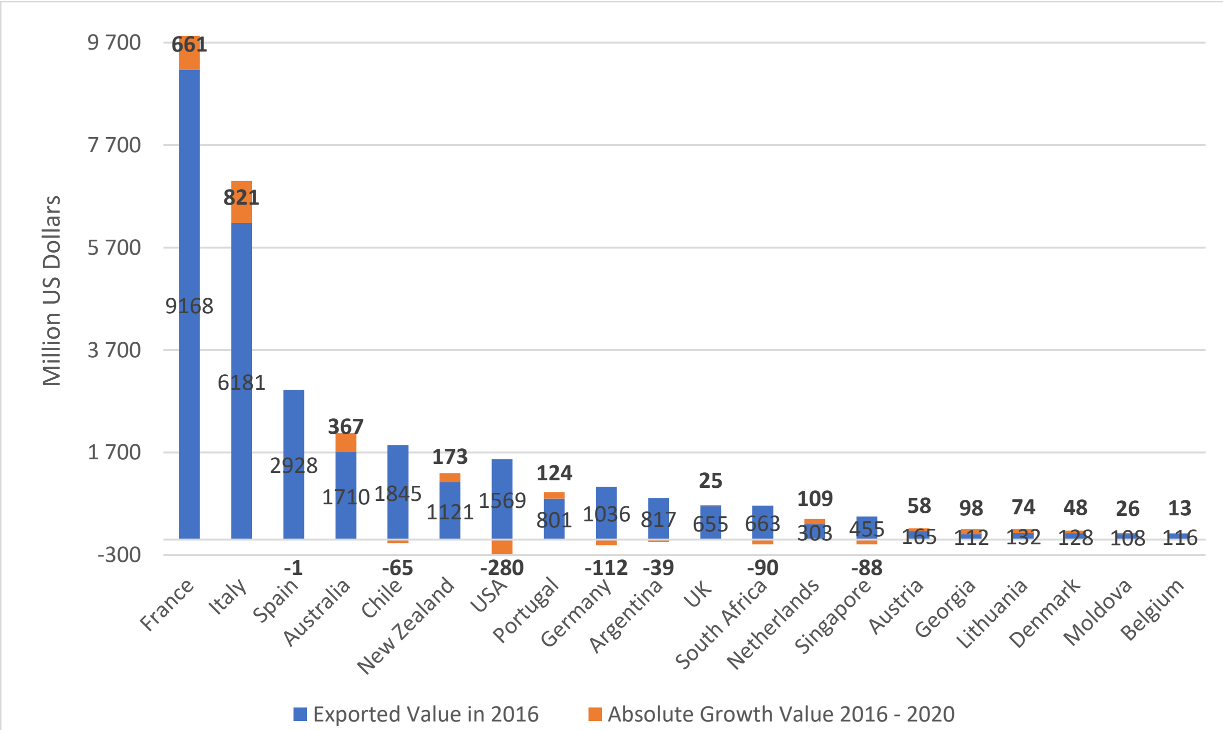
Lebanon's share in the value of global trade of wine was 0.05%. In 2020, the total value of wine exports from Lebanon stood at $17 million, a 1.4% increase compared to 2016 levels, but a 21% drop compared to 2018 levels, the highest export value recorded. In 2020, the quantity exported increased by 0.8% compared to 2016 levels but dropped by 19% compared to 2019 levels, the highest export quantity recorded. Lebanon ranked 42nd in terms of export value and 49th in terms of export volume in 2020.

Lebanon's share in wine imports of all countries is low (mostly less than 1%), which leaves room for future market share expansion.

In terms of duties, very few markets are a level playing field for exporters of wine, with Lebanon among the highest tariff paying countries on its wine exports to many destinations.

- Norway, Canada, the United Arab Emirates, Qatar, Bahrain, Hong Kong and Macao in China, Singapore, Cuba, Bahamas and few others do not impose any tariffs on all wine imports.
- European Union countries, the United Kingdom and Egypt faced zero tariffs when exporting wine to the EU or UK. Meanwhile, Morocco paid 0.1%, Jordan 1.9%, Palestine and Turkey 2.2%, Tunisia 3.2% and Armenia 4.8%. Lebanon and the rest of the Arab countries, Israel, Australia, USA and Argentina paid 4.9%.
- Lebanese wine exports to the United States faced 1.9% tariffs similar to Argentina, Georgia, Moldova and Brazil. Wine imports from South Africa, Canada, Israel, Australia and Mexico faced zero tariffs. The EU, UK, New Zealand, Switzerland and UK paid 2.7% taxes on their wine exports to the US.
- Imports into South American countries faced high tariffs if they were exported by other countries. For instance, imports into Venezuela, Brazil and Paraguay faced 20%, 25.1% and 19.1%, respectively.
- Few countries, such as New Zealand, the US, Chile, Malaysia and China paid zero import taxes into Australia on wine products, whereas the EU paid 5% and Lebanon and most of the other countries paid 4.9%.
- South East Asian countries and African countries faced low tariffs (0.7%) on their wine imports into Switzerland. The rest paid between 16.9% and 18.7% with Lebanon on the higher end.
- Lebanon is among the countries that pay the highest tariffs on their wine exports into Japan and China.

Figure 2: Leading Wine Exporters in 2020



Source: ICT Trademap

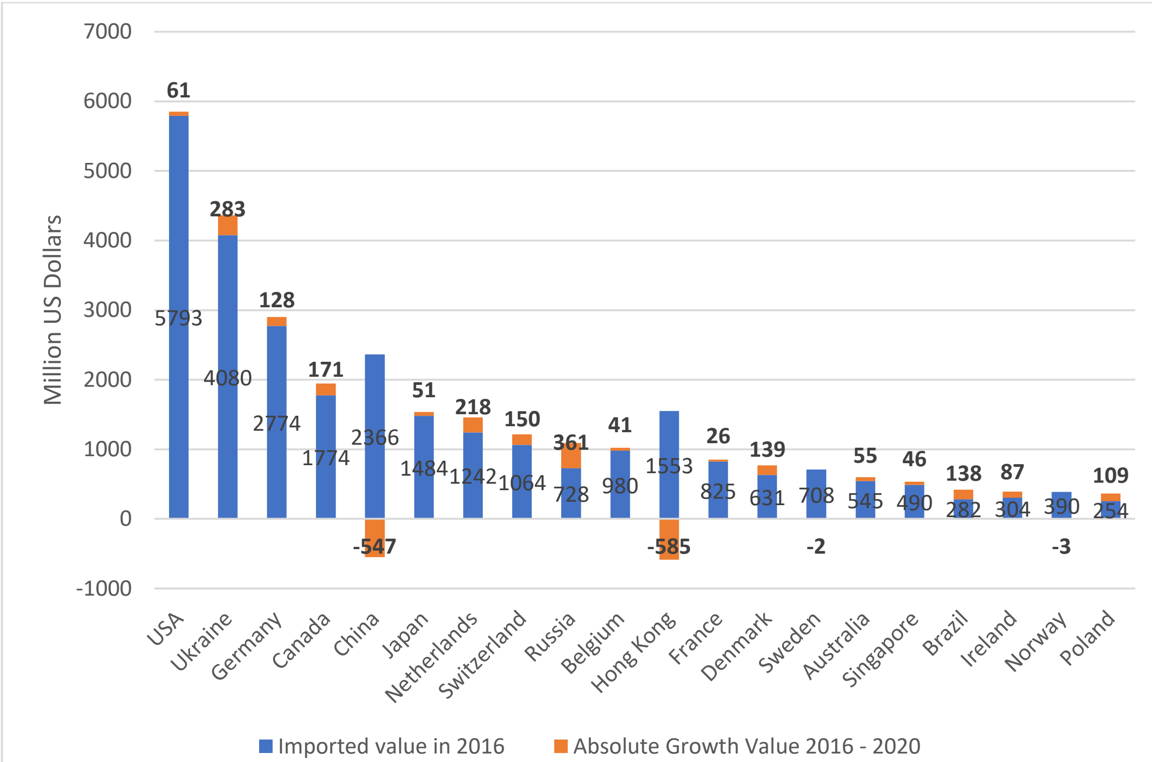
4. What are the Trends in Trade in the 20 Largest Importing Markets?

The global value of wine imports has been following an upward trend for at least the last two decades. In recent years, the value of global imports underwent a sharp increase from 2016 to 2018, then dropped steadily in 2019 and 2020 but maintained higher levels than the 2016 one. Overall, the world value of wine imports increased by 4% from 2016 until 2020. Meanwhile, available data for quantities indicated a 3.5% increase in quantity of wine exported from 2016 until 2020. This highlights a global increase in the unit price of wine which could reflect a slight shift to higher quality and more expensive wine.

The top 20 wine importers constituted 86% of worldwide imports in 2020. While the United Kingdom was the leading importer of wine up to 2011, the United States overtook it in 2012 as the value of its imports rose steadily over the last two decades. In 2020, the US had a 17% share of the value of total wine imports. Since 2016, the value of its wine imports increased by 1% while the quantity imported increase by 9.5%. The average unit price of US wine imports decreased by 8% from $5.2/liter in 2016 to $4.8/liter in 2020.

In 2020, the United Kingdom's global share of imports was 13% followed by Germany's 8.5%. Imports of both countries increased by 6.9% and 4.6% respectively from 2016 levels. While the US was the largest wine importer in terms of value, Germany was the largest wine importer in terms of volume despite the 5.6% decrease since 2016. Data of quantities imported by the UK were missing for several years but latest import statistics from 2018 show that the UK was the second largest importer in terms of volume, surpassing the US.

Figure 3: Leading Wine Importers in 2020



Source: ICT Trademap

Between 2016 and 2020, the value of imports of China and Hong Kong decreased by 23% and 38%, respectively, while that of most of the other top 20 importers increased. In the same period, quantity imported by China, France, Japan, Germany, Switzerland and Sweden decreased by 33%, 21%, 9%, 6%, 6% and 3% respectively. The most notable increases were the 64% rise in the volume of wine imports of Brazil and the 114% rise in that of Belgium.

5. What Are Interesting Markets for the Future?

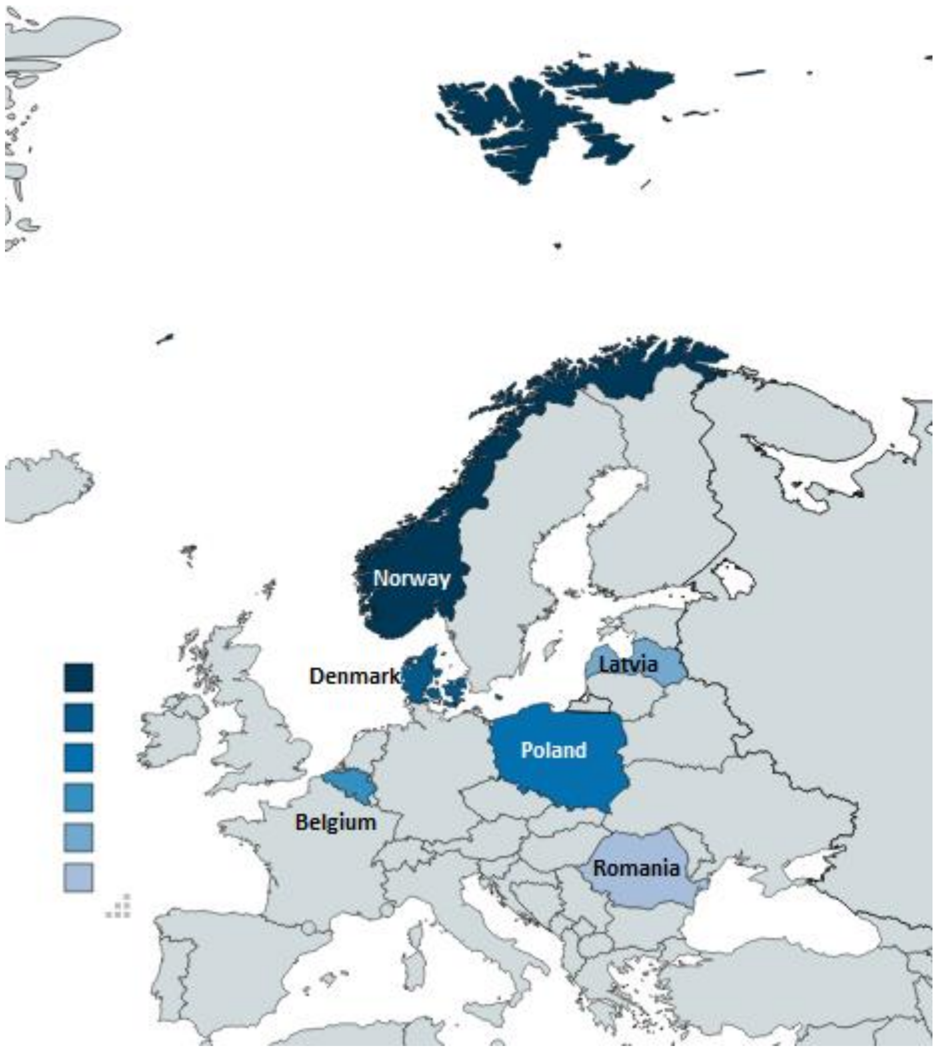
According to the International Organization of Vine and Wine (OIV), wine consumption increased by 3.5% from 22.6 billion liters in 2000 to 23.4 billion liters in 2020. It dropped by 3% compared to 2019 levels because of the COVID-19 pandemic, an analogous drop to that caused by the 2008 global crisis, highlighting asymmetrical aggregate consumption behaviors in different countries of the world. The noteworthy adjustments in Chinese wine consumption in the last few years has made it the key driver in lowering global consumption levels. In 2019, half of the top 10 countries by per capita consumption of wine consisted of the top producers and exporters. The consumption per capita in these countries ranged from 4.13 liters of pure alcohol in Serbia (#10) to 6.74 liters of pure alcohol in France (#1). The gap with other countries is best illustrated by the per capita consumption of 1.16 liters of pure alcohol in Spain, the third largest producer in the world.

After being considerably affected by COVID-19, according to IWSR, the consumption of wine is expected to regain its growth momentum in the coming years.

5.1. Most Promising Markets for Wine from Lebanon

Following a model based on trade statistics and other variables, Norway, Denmark, Poland, Belgium, Latvia and Romania were identified as potential markets for wine exports from Lebanon (Figure 4). In 2020, 7.1% and 5.7% of Lebanon's wine exports were imported by Belgium and Norway respectively. While shares of Denmark (0.7%), Poland (0.2%) and Romania (0.1%) were very negligible, no wine was exported to Latvia in the last decade.

Figure 4: Most Promising Markets for Wine Exports from Lebanon



Map constructed using https://mapchart.net/world.html

The methodology includes a calculation based on total wine import value in 2020 and its growth in the previous 5 years, import value of wine from Lebanon in 2020 and its growth in the previous 5 years, tariffs faced by Lebanon compared to those faced by leading competitors in the market, concentration of suppliers, and projected average growth in GDP in the period 2021-2026 (Table 1).

Table 1: Selection Statistics for the Top Potential Export Markets of Wine from Lebanon

Country	1	2	3	4	5	6
	Total Import Value in 2020 ($1000)	CAGR in Total Value Imported 2016-2020 (%)	Import Value from Lebanon in 2020 ($1000)	CAGR in Value Imported from Lebanon 2016-2020 (%)	Concentration of Suppliers (1 = many, 0 = one)	Projected Real GDP Growth 2021-2026 (Average Annual %)
Norway	387,475	-0.2%	971	218.7%	0.21 (++)	2.7 (+)
Denmark	769,602	5.1%	118	70.4%	0.14 (++)	2.2 (+)
Poland	363,194	9.4%	27	9.2%	0.12 (++)	3.4 (++)
Belgium	1,021,194	1.0%	1203	12.1%	0.34 (++)	2.2 (+)
Latvia	141,951	14.4%	0	-	0.22 (++)	3.7 (++)
Romania	78,278	11.1%	22	24.1%	0.17 (++)	4.2 (++)

Source: ICT Trademap for columns 1 to 5 and IMF for column 6

6. Tips

- Focus your marketing and sales efforts on a limited range of countries, ideally in one region.
- Study your export market to understand its requirements and the needs of the buyers.
- Identify your competitors to potential customers in order to differentiate your product.