



White Paper – Executive Summary: Wine sector in the Republic of Moldova, Bulgaria and Romania

**WINET BSB-638 Project: Trade and Innovation in Wine
Industry**

Developed by:
Business Intelligent Services



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Abbreviations

AIPA	Agency for Intervention and Payments for Agriculture
ANTRIM	National Inbound Tourism Association of Moldova
BC	Before Christ
CAGR	Compound Annual Growth Rate
cca.	circa
CEFTA	Central European Free Trade Agreement
CIS	Commonwealth of Independent States
DCFTA	Deep and Comprehensive Free Trade Area
EU	European Union
EUR	euros
FAO	Food and Agriculture Organization of the United Nations
FDI	Foreign Direct Investments
GDP	Gross Domestic Product
IA	Investment Agency
JV	Joint Venture
lei	Moldovan Leu
MARDE	Ministry of Agriculture, Rural Development and Environment
NBM	National Bank of Moldova
NBS	National Bureau of Statistics of the Republic of Moldova
NOVV	National Office of Vine and Wine
OIV	International Organization of Vine and Wine
p.p.	percentage points
PDO	Protected Designation of Origin
PGI	Protected Geographical Indication
USD	american dollar
VWR	Automated Information System "Vine and Wine Register"
WINET BSB-638	Trade and Innovation in the Wine Industry
WTO	World Trade Organization

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Measurement units

dal	decalitres
ha	hectares
hl	hectolitres
k	thousands
kha	thousands of hectares
khl	thousands of hectolitres
m	millions
mha	millions of hectares
mhl	millions of hectolitres
p.p.	percentage points
t	tonnes

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Executive Summary

Gateways between East and West

Republic of Moldova, Bulgaria and Romania could be without doubt attributed as gateways between East and West. Moldova is a small country in Eastern Europe. Its rich soil and temperate continental climate with warm summers and mild winters have made the country a major supplier of agricultural products in southeastern Europe. Bulgaria's position with regard to spare transportation is particularly favorable. As part of Eastern Europe, Bulgaria is a crossroads and a transit territory between Western Europe, the Middle East and the Mediterranean. By virtue of its position in the South-East of Central Europe, on the lower Danube, with access to the Black Sea, Romania is one of the bridges connecting the east and west of Europe. The country is an important geopolitical actor in the Balkans. It is also one of the border countries of the European Union.

Wine History

Viticulture in Republic of Moldova, Bulgaria and Romania dates back to ancient times and the traditions in wine production and wine culture on these territories are older than the countries itself.

In Republic of **Moldova**, the wines and the vineyards survived Burebista's order to burn them down and the invasions of nomadic hordes, they remained after the Ottomans restricted their production, they survived Gorbachev's deforestation and ploughed towards new exports and new markets following the multiple embargoes imposed by the Russian Federation since 2006. The Russian embargoes, but also the globalization conditions, openness to the rest of the world and the competitiveness of foreign markets drove the domestic wine sector to move to another level of customer relations, with increasingly refined taste and high quality technical demands.

The greatest development of the **Bulgarian** viticulture was seen in the 1920's and 1930's with the introduction of the vine and wine cooperatives. After the fall of the socialist regime in 1989, Bulgaria's viticulture and wine production was liberated from government monopoly which caused great concussions. However, the situation improved in 2000 – with Bulgaria's membership in agricultural funds and programs such as SAPARD and PHARE, many foreign investors managed to put their projects for modern wineries and cellars into reality. This gradually started to change the overall picture of the Bulgarian wine industry and small, medium and large, perfectly

constructed and well-equipped new wineries, appeared in each vinicultural region of the country for only several years.

The liberalization of the economy after 1989 led to a series of profound changes in the **Romanian** wine industry. A first important aspect is characterized by retrocessions - the restitution of cooperatives to their rightful owners. The privatization process also took place in the case of state wineries and vineyards. In 2015, Romania had cca 180,000 hectares of vineyards (over 5% of Romanian agricultural land), grouped into 8 large wine regions. The South-East Region occupies a special place on Romania's winegrowing map and is regarded as a fundamental historical root of the country's wine sector. One of its characteristics is that almost half of the area under vines (41.5%) is found here. Vrancea county has the largest winegrowing basin in the country. Vineyards suchs as Murfatlar, Sarica Niculițel, Odobești, Panciu, Cotești, Dealu Mare through its part in Buzău county, Nicorești, Dealurile Bujorului, Pietroasele produce wines renowned both nationally and internationally.

Institutional framework of the wine sector

After Romania and Bulgaria joined the EU in 2007, the mechanisms of intervention at Community level pursuant to the Common Agricultural Policy (CAP) of the European Union were included in the agricultural policy of the Member States. At the same time, in recent years, Moldova has continuously reformed and improved its regulatory framework in the wine sector in keeping with EU best practices.

In **Moldova**, the principal objective of the government through its Ministry of Agriculture is the modernization of the winegrowing sector in order to increase its competitiveness and boost the exports of wine products. Its policies are implemented through the National Office of Vine and Wine (NOVV) - a functional structure created in 2013 based on best international practices. The Office manages the Wine of Moldova national band and takes useful actions in protecting the interests of winemakers. National Agency for Food Safety (NAFS) has the mandate on the state supervision and control over the execution of the requirements pursuant to the laws and to the technical regulations in effect on wine products. Vineyards and wineries in the country are encouraged to work and invest in the sector via the National Fund for Agriculture and Rural Development, with support measures aimed at grubbing up old vineyards, setting up plantations with productive wine grape varieties, installation of modern support systems in young plantations; encouraging wineries to invest in machinery and technological equipment used in processing wine grape varieties.

The European regulations and the rules for planting vineyards and wine production in **Bulgaria** are enshrined in the **Act on wine and alcoholic beverages** (in force from 16.09.2012 with further amendments) which imposes certain standards on the production and marketing of wines, as well as controls on their compliance. The main institutions regulating the relations in the sector are the Ministry of Agriculture, Food

and Forestry (MAFF), the Executive Agency for Vineyards and Wine (EAVW), the National and Regional Vine and Wine Chamber, the Quality Wine Committee, the Central Arbitration Tasting Commission and the Regional Tasting Committees. The management of the viticulture and wine production sector in Bulgaria is performed by the **Council of Ministers**, and the operational governance of the sector is delegated to the **Minister of Agriculture, Food and Forestry**. The new National Support Program in the Wine Sector for the period 2019-2023 has a total budget of nearly € 134 million. Based on the analysis, several areas of intervention are identified: *Promotion of third-country markets, Restructuring and conversion of vineyards, Harvest insurance, Investment in enterprises*

Romanian legislation in the winegrowing sector is aligned with the European norms in this field, also integrating national specifics. The winegrowing sector is managed by Ministry of Agriculture and Rural Development (MADR), and the regulations regarding the quality of vines and wines - by the National Office of Vine and Wine Products, Other key institutions with implications in the wine sector are Valea Călugărească Central Laboratory for Wine Quality Control and Hygiene, National Sanitary Veterinary and Food Safety Authority (ANSVSA), Agency for Payments and Intervention for Agriculture (APIA) and State Institute for Variety Testing and Registration (ISTIS). *National support program in the wine sector 2019-2023 considers 5 actions to finance the producers in the vine and wine sector: Wine promotion, Restructuring and conversion of vineyards, Harvest insurance, Investments and Distillation of wine by-products*

Winegrowing regions. Local grape varieties

Even though the structure of vine plantations in the 3 countries is dominated by international varieties, they also have elements of uniqueness. They have both areas with PGI and PDO, as well as local varieties that make them special on international markets.

In **Moldova**, the Law no. 57 on Vineyards and wine of 10 March 2006 delimits the winegrowing regions (zones), centres (raions) and plateaus (microraiions) as areas for the cultivation of wine grape varieties and wine manufacturing.

The decision regarding the creation of four winegrowing areas, which include the following geographical indications: Valul lui Traian, Stefan-Voda, Codru and Balti was taken in 2011.

In 2011 and 2012, 4 Producer Associations that manufacture PGI products (Codru, Stefan-Voda, Valul lui Traian and Divin) were created by producers engaged in viticulture and winemaking. As of 18 October 2016, the geographical indications designating three winegrowing areas of the Republic of Moldova: Valul lui Traian, Codru, Stefan-Voda but also Divin (used for "aged wine spirit", manufactured in the whole country), obtained protection on the territory of the European Union.

The authenticity and the unique character of the Moldovan wine are ensured by the local varieties, such as Feteasca Alba, Feteasca Regala, Feteasca Neagră, Rara Neagra, Viorica, etc., which cover 5% of the areas under vine. They are continually expanding, driven by the growing interest of international consumers, but also due to the support of various sectoral programs.

According to the National strategy for the development of viticulture and wine production in the Republic of **Bulgaria** for the period 2005-2025, Bulgaria is conditionally divided into five wine-growing regions.

- Northern Bulgaria - Danube Plain region
- Eastern Bulgaria - Black Sea region
- Southern Bulgaria - Thracian Lowlands region
- South-western Bulgaria - Struma Valley region
- Rose valley - Sub-Balkan

According to the State Gazette no. 67 / 16.08.2005, 2 regions for production of regional wines are distinguished in Bulgaria: the Danube Plain and the Thracian Plain. The total number of protected designations of origin (**PDO**) in Bulgaria is **52**.

Besides the main international varieties, Bulgaria has a number of strong indigenous varieties. These varieties are grown in the Northeast and in the Southeast region in different volumes:

- **White wine vine varieties** - Dimiat, Muscat Vrachanski, Tamianka, Kokorko variety
- **Red wine vine varieties** - Pamid, Evmolpia variety, Gamza, The hybrid variety Kailushki Rubin, Shevka, Melnik, Mavrud

Romania's winegrowing regions do not correspond to country's administrative regions. Order no. 1205/2018 issued by MADR therefore establishes the following winegrowing regions:

Dealurile Moldovei (*Moldovan Hills*); Podișul Transilvaniei (*Transylvania Plateau*); Dealurile Munteniei și Olteniei (*Muntenia and Oltenia Hills*); Banat; Crișana and Maramureș; Terasele Dunării (*Danube Terraces*); Colinele Dobrogei (*Dobrogea Hills*); Sands and other favorable land in the south of the country.

Each wine region comprises a number of vineyards that have specific characteristics, according to Order no. 1205 of 22 June 2018 for the approval of the Nomination of winegrowing areas and the inclusion of populated areas by wine regions, vineyards and wine centres. The South-East Region is home to 12 vineyards that account for nearly one third of the total number of vineyards.

Local grape varieties that are specific to Romania are acknowledged in the country and abroad, participating every year in numerous competitions. The most important

local grape varieties are **Feteasca regală** (12661 ha), **Feteasca Albă** (12383 ha), **Tămâioasa românească** (1667 ha), **Crâmpoșie** and **Crâmpoșie selecționată** (19+451 ha), **Şarbă** (282 ha), **Grasa de cotnari** (562 ha), **Feteasca Neagră** (1949 ha), **Plăvăie, Băbeasca Neagră** (2614 ha), **Busuioaca de Bohotin** (448 ha).

Winery profiles

Half of the **Moldovan** wineries (51%) are located in the Central wine region. About 30% of them are located in the Southern winegrowing region, another 19% are found in the South-Eastern region. Most wineries (about 75%) are owned by local private investors.

Foreign investments are prominent in the winegrowing sector. An estimated 25 wineries (22% of the total) are 100% owned by foreign investors or co-owned with local investors. The Moldovan wine sector is dominated by micro, small and medium-sized wineries. Most wineries (51 or 46%) processed up to 1,000 tonnes of wine grapes each. About 6% of wineries can be classified as large winemaking companies.

In **Bulgaria**, on the territory of the Northeast region are registered 29 wine producers according to the registry of wine producers of the Executive agency on vine and wine (EAVW). At the same time, in the Southeast region are registered 65 wine producers.

In the ranking of Top 25 wine brands by sales among the 144 leading wine producers in Bulgaria according their sales in the local market and exports only one company in the ranking is from the Northeast region on the 5-th position. The Southeast region holds the first 4 positions of the wine producers in Bulgaria. The total number of the companies from the Southeast region in the ranking is 11, representing the 4 districts in the region - Burgas, Sliven and Stara Zagora and Yambol.

In **Romania**, the South-East Region has more traditional wineries representative of Romania. Of the 59 wineries, most are located in Vrancea county, followed by Constanța county with 15 wineries. In 2018, according to a Ziarul Financiar analysis, Recaș Wineries increased its turnover by 22% to 181 million lei and came in first place in terms of volume of wine sales, followed by Jidvei and Cotnari. Among the great wine producers in Romania in terms of turnover, only two are found in the South-East Region, specifically in Vrancea County

Analysis of wine production. Production potential.

With favorable conditions, Moldova, Romania and Bulgaria are **traditional players** on the world wine map. This phrase is also supported by figures, which show that these 3 countries taken together hold a share of 5.2% of the world wine-growing areas and contribute to the formation of 2.73% of the world wine production.

Moldova is a global wine "power" and its position is validated by a series of indicators:

- ranking 1st in the world, with the highest density of vineyards per capita. Moldova has cca. 3.44 ha of vineyards per 100 inhabitants.
- 14th in the world, with 133 kha of vineyards, or 1.8% of the world surface;
- 21st in the world, with an estimated production of 720 k tonnes in 2018 (654 k tonnes in 2017);
- 19th place in the world and 11th in Europe with about 1.9 mhl of wine produced in 2018.

In 2018, Moldova had cca. 133 thousand ha of vineyards plantations (95.5% bearing fruit). Since 2008 their surface has decreased on average by 1.2% per year. In recent years more vineyards have been grubbed up than new ones were planted.

Since 2010, the structure of vineyards by use of variety has not changed significantly: in 2018 on 85.5% (113.7 thousand ha) of the vineyard surfaces were grown wine grapes, and 14.5% (or 19.3 thousand ha) were accounted for by table grapes. In 2018, the area of plantations growing wine grape varieties with Protected Geographical Indication increased by 22%, to 9,200 ha - (35% in PGI Valul lui Traian region, 28% in PGI Divin region, 35% in PGI Codru and 12% in the PGI Stefan Voda).

The average wine grape harvest was 5.48 t/ha. The average grape productivity by household category shows that agricultural enterprises obtain harvests 58% higher compared to common households and 2.2 times higher than farming households.

Following the slight decline in 2015-2016, wine production increased significantly in 2017 (+22% YoY), up to 17,234 kdal. This occurred due to the international context, marked by a historically low global wine production in 2017 in most top wine producing countries, caused by adverse weather. In these conditions, the Moldovan producers have filled some of the shortage, also "taking advantage" of the favourable climatic conditions that resulted in high yields. The upward trend continued in 2018: the volume of wine production increased slightly by 3.6% YoY, to 17.849 kdal - highest record since 2007.

Overall, the co-ratio between white vs. red and rosé wine production is close in value. Their prevalence differ from year to year, depicting a highly volatile dynamics. In 2014, the white vs. red and rosé wine production ratio was 52% vs. 47%. In the next 4 years red wines took over. In 2016 red and rosé wines accounted for the largest share in still light wine production (58%), white wines accounted for 40%. In 2017 and 2018, the divergence has decreased, with 54% vs. 44%.

Areas under vines on agricultural holdings in **Bulgaria** are 50 727 ha, of which 31 320 ha were harvested. The grapes produced decreased by 3% compared to the previous year (2017). The downward trend in decrease of the total occupied areas with vines continued with an average annual rate of 4-7% compared to the previous year till 2013, to reach almost 64 thousand hectares in 2018. The unkempt vineyards areas outside the holdings, which are about 12 thousand ha, remain relatively the same in

recent years, which is a little less than 20% of the total areas in the vineyards. The reasons for unmanaged areas can be found in the aging structure of vineyards and natural factors.

The total areas under vines in the **Southeast region is 21 366 ha**, which is 33 % of the total area in Bulgaria, and respectively the **Northeast region is occupied by 7 341 ha** of vines, which is 3 times smaller from the Southeast region, comprising 11% of the total areas under vines in Bulgaria.

Regarding the shares of harvested areas with wine grape varieties and the dessert grape varieties, during the last years, the observation shows a decrease of the harvested areas both for the wine grape varieties and dessert grape. In 2018 the **wine grape varieties reach 95,4% from the total areas under vines in the Southeast region** and **97,8% of the in the Northeast region**.

The relative share of the harvested areas **in the Northeast region** with red wine varieties is 29% of the harvested areas with wine grape varieties, and of the white ones is higher – 71%.

The relative share of the harvested **areas in the Southeast region** with red wine varieties is 42% of the harvested areas with wine grape varieties, and of the white ones is higher – 58%.

The distribution of area for the production of wine by the intended purpose of the wine grape, production of wines with PDO, PGI, varietal wines without and wines without PDO and PGI is proportionally to the processed grape by types in the regions.

The comparative analysis between the two regions in regard of the produced wines shows that the Southeast region has produced 10 times more wine than the Northeast region.

The concentration of the production potential, the availability of processing capacities as well as the opportunities for marketing, were the main factors determining the wine production development in **the Southeast Region that had a leading position, providing the highest input of the total quantity of wine produced in the country in 2018**.

In the last 3 years before 2018 data indicates a decrease in production of wine with PDO, stable positions of wines with PGI, increasing of varietal wines and a tendency of decline of the non-quality wine for the both regions (Northeast and Southeast) in 2018 compared to 2017 and 2016.

There are serious fluctuations in the structure of processed grapes, but about 80-85% of it goes to wine-making in industrial conditions, and in recent years there is a tendency to increase this share. This is mainly due to the downward trend in

homegrown grapes in recent years and the expansion of investment activity from winegrowing holdings, which have increased their activity in creating new vineyards.

Eurostat places **Romania** fifth in Europe by vineyard surface, which accounts for 6% of the total area under vines in Europe. The data also shows that Romania has the largest number of vineyards in the European Union, or 36% of the total number of vineyards in Europe. However, the largest average area of a vineyard is recorded in France, with 10.5 hectares. Romania ranks last in this regard, with an average area of a vineyard of only 0.2 hectares. Another aspect highlighted by the analyzed data shows that only 27.7% of the total area occupied by vineyards in Romania is dedicated to the production of high quality wines.

According to the data provided by the National Institute of Statistics, in 2018 Romania had 177497 ha of fruit-bearing vineyard areas, most of which (37%) are located in the South-East Region, more specifically 65855 ha.

Between 2010-2018 the overall fruit-bearing vineyard surface in the country has been on an upward trend while the South-East Region saw this trend decreasing.

It should be noted that the areas cultivated with bearing vines are mostly private, more precisely individual farms. In terms of grape production, the South-East Region grows 77% of the table grape vineyard surfaces and 36% of wine grape surfaces. By counties, 71% of the table grape surfaces and 33% of wine grape surfaces are located in Vrancea in the Region.

The wine stock in Romania is very diverse. This is due to the fact that top 10 varieties cultivated in Romania account for cca. 1/3 of the overall surface area under vines in the country. Also, none of these varieties accounts for more than 7% of the total surface area.

The total grape production increased during 2010-2018, in the South-East Region having 42% of the total grape production in Romania, more precisely 82% of the table grapes and 40% of the wine grapes.

The average grape production per hectare, both table and wine, is higher in the South-East Region compared to overall country, with Vrancea county producing the highest average quantity in the Region.

Romania is one of the largest wine producers in the world (13th place) and 6th in Europe, after Italy, France, Spain, Germany and Portugal. In 2018 Romania's wine production is estimated at approximately 5,100,000 hectolitres.

In recent years, Romania has attracted many businessmen and wine buyers, one of the reasons being the price-accessible vineyards and wines compared to other wine-producing countries, such as France, Germany or Italy.

Regarding the production of high quality noble wine, the largest quantity in the country and in every wine region is accounted for by the white wine, followed by red and rosé. White and red wines are produced in the largest proportion in Dealurile Moldovei, rosé wines prevail in Dealurile Munteniei și Olteniei Wine region. Colinele Dobrogei produces 5% of the noble wine, more than half of this volume is accounted for by white wines. Also, 11% of the rosé wine is produced in Dobrogea.

According to NIS data, the average wine consumption in 2017 was 21.8 litres. In the population over 15 years old it was 25.8 litres. **The average wine consumption per capita in 2017 increased by 21% compared to 2016.**

Sales trends

Being a traditional wine country, Moldova, Romania and Bulgaria mostly **cover domestic consumption from their own production**. At the same time, if the Moldovan wine industry is predominantly export-oriented, Romania, with the largest consumer market in the 3 states, is a net importer, and one of the main suppliers on the given market is the Republic of Moldova itself.

In **Moldova** wine sales volume during 2014-2018 followed the export evolution: an upward trend with an average CAGR of 8%. Wine sales decreased markedly in 2014 (-18.6%) as a result of the Russian embargo of 2013. The sector recovered slightly in 2015 and in 2016 sales volumes already reached pre-embargo figures (14,928 kdal). In 2017, sales gained significant strength: 17.265 kdal, a record high for the previous 10 years. Sales fell slightly in 2018, to 16,699 kdal (-3.3% YoY). During 2014-2018, red and rosé wines showed stability and improved sales rates. During this period red and rosé wines accounted for over 50% in total sales - in 2018 an estimated 53.8%. However, in the last 3 years there has been a slight increase in the share of white wines. In terms of sales volume, red, white and rosé wines have been on an upward trend in the last 5 years: between 2014-2018, white wine sales increased with a CAGR of 8.9%, red and rosé wines - by 8.3%.

Wine is **Moldova's one of the main export products**, ranking 3rd in the top most exported products; ranking 2nd in Top 20 recognized wine exporting countries in terms of this product's dependence in the export structure (5.1%). The 137.9 m USD revenues in 2018 generated by wine exports came from over 50 countries, a performance with which no other domestic product can boast.

The Russian embargo imposed in September 2013, led to a 25.2% contraction in exports value in the following year. The trend continued in 2015 with a reduction of the revenues in dollars by another 12.6% caused by a drop in prices internationally. In the last 3 years, Moldovan wine exports have **increased steadily** - the amount of exports in 2018 of 137.9 M USD is close to the best results of 2012 and 2013 (prior to the embargo).

The structure of exports by group of countries shows a **clear reorientation towards the European Union**: in 2011 over ¾ of the export revenues came from the CIS, in 2018 wine exports to the EU - 54.7 m USD or 39.6% in total wine exports - surpassed for the first time the exports to the CIS countries - 50.6 million or 36.7% per total. These developments occurred in the context of the Russian embargo as well as due to the combined efforts of the industry, authorities and the development partners to create the NOVV and the country **brand Wine of Moldova**. This offered the Moldovan wines a new image and identity on a highly competitive global market.

Bottled wines generate **more than half of the export revenues** (52%) with a 27.6% share of the exported volume. Bulk wines account for 69.9% in total exported volume while generating 43.3% of the revenues. With a share of 1.8% of the exported quantity, sparkling wines have a value quota of 4.2%.

In 2018, exports of bottled wine reached a record high for the last 5 years, both in volume and value, to 39.6 million litres (2.6% YoY), or USD 72.8 million (6.7% YoY). In 2018, Moldovan bottled wines were exported to **56 countries**. The first 10 destination countries concentrate 84.3% of the total export volume and 82.8% in value. Romania, China, Poland, the Czech Republic and Russia imported the largest numbers of bottles.

On average 2 out of 3 exported wine bottles were **red and rosé** (64.6% in volume and 67.2% in value). In 2018, Moldova exported 25.6 million litres of red and rosé wine worth 48.7 m USD. On the other hand, the 14.0 m litres of exported white wine were worth 23.8 m USD. Red and rosé wines were exported in 2018 with an average price 12% higher than white wines.

The classification by variety shows that **varietal wines account for the dominant share** (58.5% in volume and 57.8% in value) with export revenues of 42.1 m USD in 2018. These are followed by blended wines that generate 21.6 m USD (31.9% in volume and 29.6% in value). In recent years, the price divergence between varietal and blended wines was seen decreasing: in 2018 their purchase price was 1.82 USD and 1.72 per litre respectively.

The most positive novelty of 2018 concerning bottled wine is **the 1.8 times increase in the export volume of PGI-quality wines** (over 1.7 m litres) and the 2.5 times increase of the related revenues, which amounted to USD 4.9 million. About 72% of the exported PGI wines are red and rosé. PGI wines account for the highest export price - 2.86 USD/l. - which is also a 37.4% increase on the previous year. The rise in the deliveries and prices of Moldovan PGI-quality wines may be explained including through the recognition in 2016 by the EU of the 4 winegrowing areas with protected geographical indication.

Between 2014-2018 the volume of bulk wine exports increased every year with an average 9.4% CAGR, to 96.7 m litres in 2018. The record high value for the period was reached in 2018 with 59.7 m USD or 9.8% higher compared to the previous year. The CIS remains by far the dominant market (60% in volume, 54% in value). Compared with bottled wines, the proportion between red and rosé bulk wines vs. white wines is balanced with a slight prevalence for whites (50.6% in volume and 50.8% in value). The classification by variety shows that highest revenues in bulk wine exports are generated by variety wines - 35.9 m USD. Blended wines return 22.2 m USD, fortifies wines - 1.6 m USD.

Despite the negative sales trends, overall the wine sales in **Bulgaria** are growing driven by the domestic market. Thus, the total revenues of the domestic and foreign sales sector increased in the **Southeast region**. The largest share - about 93% of the total sales in 2018, (total sales of all kind of wines - EUR 55,5 million), continues to hold by the still table wines without the protected designation of origin (PDO) but including PGI. However, the market as a whole remains strongly dominated by **cheap table wines**, while quality wines remain a small part of it. Most of them are the lowest-priced wines, mostly bulk. Their amount is growing, with a minimal level - by 4% in 2018. The long-terms tendency is for increasing of the net value of sales. This trend on the other side shows increase of consumption of more expensive and quality wines.

For the **Northeast region** the provided data is only for the white wines with PDO and still wines, incl. with a protected geographical indication (PGI) and varietal wines. The largest share - about 94% of the sales in 2018, totalling EUR 6.3 million, are for the wines without PDO, decreasing with by 6% in 2018 compared to 2017. Quality wines account for only 6% of the total sales in the Northeast region, with a slight increase in net value of sales by 3% in 2018.

The analysis of the sales in the Northeast and in the Southeast region shows serious differences in the sales in the two regions. For 2018 in the Southeast region are sold 54 316 793 litres, which comprise 92% of the total sales in the both region and in the Northeast region 4 433 821 litres - 8 % of the total sales.

Bulgaria is a net wine exporter although its exports have declined in absolute and relative terms. Exports dropped sharply in 2013-2016, although this trend was more moderate in 2017. In 2017, exports by volume increased by 27.8%, and again declined in 2018 with 19.2%. Although the decline in volume, export grew by 23% in value due to an increase in average export prices.

According to Eurostat data 303 686 hl of wine were exported from the country in 2018. In value terms, exports increased by 24% to EUR 37.8 million due to an increase in the average export price to 1.24 EUR / liter (started below 1 EUR/liter in previous years).

Traditionally, the largest quantities are destined for **Poland** 167 233 hl - 61% of EU shipments. Bulgaria's largest export market is Poland. Second largest export market is **Sweden**, followed by **United Kingdom** and **Czech Republic**.

Exports to third countries amounted to 31 737 hl - 11% of the total export of the country.

The trend of the growth of the trade with third countries from 2017 is changed in 2018 and significant decrease in exports to outside EU market is observed. Exports to **China** decreased by 38% in 2018, after the high increase by 51% in 2017 compared to 2016.

Red wines export is 73% of the total export. Most of the BG exports (63%) are bottled wines, followed by sparkling bulk wines (36%), while the lowest value is the export of sparkling wines (1%).

The biggest share of export is for the Still wines (in containers <= 2 l) - **63%**. The second place of the total share of the exported wines is taken from the Bulk wines (in containers >10 l) by **24%**. The third exported type of wines are Bulk wines (in containers > 2 l but <= 10 l) - **12%**. The smallest is the share of exported sparkling wines - below 1 %.

Import has grown steadily the last years. In 2018, an import increased by 4% from 2017, in value the increase is 26% from 22.73 million EUR to 30.70 million EUR. In 2017 the import recovered following a dip in 2016, increasing by 27 %. The average import price continued to increase, reaching 2.70 EUR/litter in 2018, up from 2.08 EUR/litter in 2017.

EU wine shipments declined by 13% to 88 499 hl in 2018, representing 78% of total imports for the year. **Italian, Spanish and French** wines sustained leading positions in import in 2018 (by volume). These three counties accounted for 53% of total wine import. **Romania** is the second higher jump of import in Bulgaria with rise of 136% in 2018, keeping the increasing rate from 2017. **This ranks Romania as the fifth country of import in BG.**

The data for **Romania** shows that wine export trends are on the rise. Wine exports **have doubled** compared to 2011 (30.4 Eur million in 2018). However, 89% of wine exports go to the European Union, which demonstrates the need for a more incisive approach to the international market. Also, for a country with a large wine production, **the level of imports is very high**. Although wine imports decreased compared to 2011, after 2014 - when the lowest level of imports was recorded - imports returned to growth, maintaining a difference of almost 50% compared to exports. The trade balance is therefore negative, at -32.5 Eur million in 2018.

According to APEV (Wine Exporters and Producers Association) (based on NIS data), most of the wines imported by Romania come from: **Italy – 25%, Rep. of Moldova – 23%, France – 17%, Spain – 14% and Germany – 7%**

On the other hand, **85.8%** of the total wine exports from Romania go to the first 10 states. Romania exports wine primarily to the United Kingdom (29%), followed by Germany (21%), Netherlands (13%) and China (10%). Exports increased for most types of wines. E.g. sparkling wines recorded an increase of over 70% in 2018 compared to 2017. In recent years macroeconomic factors triggered higher producer, wine and grape prices.

Wine tourism

Wine tourism is one of the **fastest growing forms** of specialized tourism and one of the most widespread methods of adding value and diversifying production in vineyards.

As a tourist destination, Republic of Moldova is focusing on sustainable wine tourism and developing niche tourism offers to attract more foreign visitors. In 2018, Moldova hosted the most important international event in the field of wine tourism - the third Global Conference on Wine Tourism. The event was organized by Moldovan Investment Agency in Chisinau, under the aegis of the World Tourism Organization of the UN (UNWTO) - an official recognition of the fact that our country is an important wine destination on the world map of tourism.

Moldova stands out by organizing the 18th National Wine Day, the only celebration of its kind in the world. In 2019, the event attracted over 70 thousand people. The demand for hotel rooms during the event days is at its highest for the year.

The Republic of Moldova has adopted a National Program in the field of tourism designated as The Wine Route of Moldova. In 2015, its revision was initiated in order to update it, in the context of integrating national routes into the international circuit. The last landmarks on the list of wineries in the given circuit are updated by the Ministry of Economy and Infrastructure. In 2018, the ministry approved a list that contained 38 wine tourism objectives included in the tourist routes approved by Moldovan Investment Agency and recommended for inclusion in the National Program in the field of tourism "Wine Road in Moldova".

At present, the National Office of Vine and Wine operates with 17 wineries, which meet a number of criteria and standards for serving tourists.

The Strategy for the Sustainable Development of Tourism in **Bulgaria** 2014-2030 identifies the main tourism products currently offered by our country, as well as the perspective for the development of alternative forms of tourism. In it, wine tourism is among the tourism products identified as "priority" for provision and development.

There are about 30 Bulgarian wineries that are trying to build a good image for the wine world. The wine tourism in Bulgaria is expanding mainly because enterprising winemakers and hoteliers are beginning to appreciate the potential in this business.

As a reply of the current problems in the wine tourism sector the Ministry of Tourism and the Ministry of Agriculture, Food and Forests started the implementation of the project "Share Bulgaria" for development and promotion of **wine-culinary destinations** combined with historical landmarks and cultural tourism. The project *Share Bulgaria* is also a platform for a good foundation for the development and promotion of the so-called "Slow tourism".

The **12 wine-culinary destinations** are digitized and available on the website of the Ministry of Tourism. They have been developed under the project ***Share Bulgaria***, which is jointly implemented by the Ministry of Tourism and the Ministry of Agriculture, Food and Forests.

Annually the Ministry of Tourism adopts an Annual National Tourism Promotion Program. The program envisaged organization of tours, creation of new tourist itineraries, as well as organization of visits of camera crews from target and potential wine markets in order to raise consumer awareness for Bulgaria as a wine destination.

Wine tourism in **Romania** has developed significantly, supported by investments by wineries and by customer demand for this type of personalized, experience-oriented tourism.

The program "**Romania - the country of wines**" was initiated and launched by the Ministry of Tourism, which worked towards organizing visits and tastings for foreign tourists at the wineries and vineyards in Valea Calugarească, Vârju Mare, Murfatlar, Niculițel and Ostrov. The concept of "wine route" and the tourist packages have started to take shape with the development of accommodation units within local wineries and vineyards.

In Romania, **wine routes** were designed and launched around the year 2000. There are wine routes in 11 counties. In 2011 a wine route was launched in Buzău, a county with enormous viticultural and tourism potential. The route is 60 km long and sets out from DN 10 towards Pietroasele and Monteoro. Investments amounted to 24 million euro.

Known as the "Land of vine and wine", Vrancea has the largest area cultivated with vines, with a vineyard heritage of 27,639 ha, of which 85% are in the private sector, representing 11% of the total agricultural land of the county and about 10% of the winegrowing surface area in Romania.

The Romanian wine tourism has many advantages, but it is not sufficiently developed or supported by a strategy at national, regional or local level and does not have a promotion policy to match its potential.

Future prospects

The global wine market remains extremely competitive, and all stakeholders in the wine sector of the Black Sea Basin must take all necessary measures and remain connected to international trends in order to withstand competition. The achievements in recent years can serve as a solid foundation for future developments, and by observing the trends and transformations that the wine industry undergoes internationally. Its prospects have the potential to be realized by setting objectives such as:

1. **Drive for authenticity.** The goal of increasing global supply is the drive for authenticity among wine consumers, especially in the premium segment. There is an increasing awareness of the authenticity among the most discerning consumers, regarding the traditional production of wine and viticulture, the use of endemic varieties, but also the way in which the wine is transported and packaged. Producers in developing countries are to dispel the feeling of doubt among consumers regarding the origin, new varieties, exotic image and the correct manufacturing conditions of the product. In this context, as of late, many producers from Moldova, Romania and Bulgaria focus on local varieties, in order to create favorable conditions for enhancing the uniqueness of their wines.
2. **Deliveries / Sustainable offers.** Sustainability is a trending topic in the wine industry. The sustainable production of wine refers not only to organic or biodynamic production, but also to the conservation of energy and water, the use of renewable resources (wind or solar energy) or the reduction of CO₂ emissions. Sustainable practices can provide not only lower production costs or favorable taxes, but also promotion opportunities based on sustainable practices among buyers. These types of sustainable practices are increasingly imperative in the mainstream markets¹. For various sustainable practices, certificates can be obtained from third parties. Sustainable practices extend into all business aspects, including grape growing, harvesting, wine-making, bottling, storage and transportation.
3. **Demographic trends.** An important aspect that will mark the future prospects is the aging of the population. Demographic data show that Europe faces an aging population issue. It is estimated that 28% of the European population will be 65 and over by 2050, compared to 19% in 2015. This demographic shift leads to a growing niche on the European wine market of consumers who drink wine less often. The wine industry is tapping into this development by selling wine in smaller

¹ <https://www.cbi.eu/node/2419/pdf/>

packages or in packages which preserve wine better and longer. On the other hand, younger generations of wine consumers, millennials (people born between 1982 and 2000) are often perceived as being more adventurous in their tastes. They have a thirst for new regions, accessible pricing and particularly wines that are thoughtfully produced. The impact of the millennials on the wine market is increasing. According to a British study, millennials view wine as a social drink and preferably buy wine in the on-trade channel, accounting for 29% of its volume (Wine Intelligence, 2016). The wine industry will need to become more responsive to their needs, requiring a stronger emphasis on experiential and emotional engagement with consumers in communication.

4. **Packaging innovations.** The push for other packaging than glass bottles stems from a multitude of factors, such as price, sustainability and quality conservation. The acceptance of technological innovations in packaging, such as the use of screw caps or bag-in box differs from country to country. Whereas Northern and Western European countries seem to have embraced these technologies in packaging for the high-volume segment, Eastern European consumers seem to have more difficulties accepting these innovations. In most import markets, the general public has been hesitant to convert from traditional glass, especially in the premium and super-premium segment. Nevertheless, alternatives such as single-serve PET and Bag-in-box solutions are steadily growing and will be increasingly accepted by the public.
5. **Online sales are becoming more important.** Global online wine sales were around 600% higher in 2015 compared to 2006, amounting to approximately EUR 5.4 billion. Nevertheless, online sales are still small. In most of Europe, existing wine retailers with an offline presence lead the development. They use the same warehouse for both their offline and online sales. For the moment, large internet retailers have not yet succeeded to enter the wine market in a meaningful way. Nevertheless, online sales have the potential to become a significant market channel in the long term². The online market development can be interesting for new market entrants from developing countries, as they can use the online space to provide more information on their products. This serves as an instrument to convince consumers of the value of their products.
6. **Climate change will also expand the wine map.** As shown in an analysis by NY Times³, wine, which is one of the most sensitive and nuanced agricultural products, demonstrates how climate change transforms centuries old traditions and practices. Winemakers are now growing grapes in places once considered too cold for fine wines and are planting vineyards at altitudes once considered inhospitable to growing wine grapes. Producers also take into account grape

² <https://www.wineintelligence.com/global-trends-in-wine-the-who-what-and-how/>

³ <https://www.nytimes.com/interactive/2019/10/14/dining/drinks/climate-change-wine.html?fbclid=IwAR0AEdrVa7uRNUsdEGL3cOYZXOHbljjCPybKXO647wDUfDR7guvvOACLERE>

varieties that have long been associated with their region and whether to change the essence of what they have been doing, in some cases for centuries. Another aspect influenced by climate change is that the weather is no longer as predictable. Without a doubt, producers from Black Sea Basin countries must take into consideration the climate influences as well, given that, in the long run, their export competitors can change, along with consumer markets and preferences.

WINET design and relevance

The project "WINET - Trade and Innovation in the Wine Industry" is funded by the European Union through the Black Sea Basin Operational Program 2014-2020, having the main objective to increase cooperation and trade in the wine sector from and between the three partner countries, by creating a common network that includes over 175 representatives from the wine industry of the 3 countries.

This network will facilitate co-operation between producers, (re)sellers, local/regional/national authorities, NGOs and other business development agencies by engaging in joint activities during the project. The project approach combines modern technologies and networks following the specific trends and strategies for the development of the wine sector in the three participating countries (Republic of Moldova, Romania and Bulgaria respectively).

- relevant actors in the wine sector, among the selected target groups: contacts, interests, availability to cooperate

All 3 studies elaborated in Republic of Moldova, Bulgaria and Romania exhaustively include the relevant institutions and actors in the wine sector, including their contact details. With two member states of the European community and Moldova which has taken significant steps in implementing EU law, at the level of public institutions in all 3 states, there are structures with functions and attributions close to each other, which could collaborate with each other in order to promote the most common good practices.

Besides central public institutions there are a lot of other important stakeholders which could be involved in fruitful collaborations like:

1. Wineries, especially those which develop tourist activities;
2. Distributors, importers, retailers and other participants in wine value chain trade;
3. Professional associations;
4. Chamber of Commerce and other business support organizations;
5. Regional and local public authorities;
6. Institutions of higher education and research etc

- SWOT analysis regarding cross border collaboration and trade

One of the objectives of the project is to create a network of relevant actors in the wine sector in the Black Sea basin countries: Republic of Moldova, Romania, through its South-East Region, and Bulgaria, in order to improve the cooperation and collaboration in this field.

To achieve this objective, interested parties from the three countries are to be contacted, connected and invited to participate in the project. The SWOT analysis for creating the actor network provides a point-by-point image of some of the strengths and potential difficulties.

Strengths	Difficulties
<ul style="list-style-type: none"> • All partners come from internationally recognized wine producing countries • Existence of a comprehensive list of relevant actors in the wine sector • Facilitating the cooperation between producers, (re)sellers, local / regional / national authorities, NGOs and other business development agencies through involvement in joint activities within the project. • Creating a common network that includes at least 100 companies from the three countries. • Access to the ICT platform for facilitating and developing commercial relations within the WINET network; access to information of interest. 	<ul style="list-style-type: none"> • Fierce competition in the wine market • Relatively high level of fragmentation of the wine sectors in the 3 countries • Divergent interests in the understanding regarding the development of the wine sector • Difficulties in promptly finding interested actors due to the lack of a consistent contact database. • Scarcity of data and contact information of participants already selected to be invited to the project. • Existence of imbalances in wine trade between the 3 states
Opportunities	Risks
<ul style="list-style-type: none"> • Promotion of trade and cooperation in the wine sector in the Black Sea basin. • Exchange of best practices between actors in adapting to global warming and climate change, population migration and other macroeconomic changes. • Development of wine tourism through exchange of good practices. and development of joint tourism routes • Exchange of methods for combining several types of tourism (wine tourism, cyclotourism, cultural tourism). • Cooperation for research, innovation and technological solutions. 	<ul style="list-style-type: none"> • Lack of interest on behalf of actors in the field. • Concerns regarding the exchange of best practices and solutions with actors regarded as competitors. • The message for the actors not sufficiently elaborated or well presented. • Potential economic crises and falling demand

- Recommendations on the Network setup

The vision and approach of WINET project pursue objectives like:

- to identify the stakeholders and potential project supporters as per the defined target groups.
- to identify the existing cross-border trade means, channels in order to enhance and incorporate them in the network.
- to provide the network members with accurate and up to date data on the regional wine sector, thus increasing the credibility of the Network and project idea and objectives.

For the relevant and successful configuration of the network of holders of interests in the wine sector within the WINET program it is recommended that they be structured according to purpose and impact, namely:

- Relevant authorities and producers - **taking over the best practices**;
- Greater awareness among consumers from all 3 states - **growth & formation of demand**;
- Importers, distributors, traders - **increasing the regional wine trade**;
- Better familiarization of the population & tour operators from the 3 countries with the existing tourism offers of the wineries and the possibility of combining the routes - **intensifying the regional wine tourism**.

- Recommendations on how to contact and connect relevant actors; network configuration of relevant actors

In order to create a strong network of relevant actors from 3 regions / countries, several recommendations can be made in order to contact and approach them:

Regarding the message:

1. **Globalization**, it is important that the message is centered on the fact that there is a worldwide tendency of association and cooperation, especially local and regional, in order to maintain common features and values. The message to the actors in the first stage is paramount for them to join the network.
2. **Digitization**, part of the project team's message to local actors in the wine sector corresponds to the other facet of the contemporary world - alignment with technology and digital instruments. Affiliation to a network of actors means, first and foremost, individual access to updated information and the possibility of being contacted directly by another actor who may hold information of interest.
3. The **message** to the actors must be clear and concise and emphasize the benefits of being part of the project and of the network through the possibility of exchanging good practices, but also to be part of a cross-border network of actors engaged in the same sector in order to promote commercial exchange,

as well as methods to deal with challenges in the region (global warming, geographical position, migration).

- the best means of interaction among the network members

Regarding contacting procedures:

1. The actors can make contact by organizing local meetings to promote project activities and to invite them directly into the network by emphasizing its benefits and needs.
2. Another approach is to appeal to Professional and Business Support organizations to promote the project activities.
3. Contacting the actors must be done by e-mail by sending the project information and returning to them to ensure that the benefits of the network are understood correctly.
4. All national and regional public actors are also to be contacted, including the Ministry of Agriculture and Rural Development, the Ministry of the Environment and the Ministry of Economy, which hold the levers of decision-making and allocation of funds.

Regarding connection procedures:

1. The actors will be connected online as well as during the events organized within the WINET project. The opportunities that may facilitate the connection of potential participants can be divided into several categories:
 - Promotion and advertising
 - Commercial exchanges
 - Exchange of good practices
 - Developing a network of tourist wine routes across all three countries
 - Developing a specific networks of actors interested in the research-innovation aspect
 - Common positions on various global, European and regional decisions regarding the wine sector.
2. The actors will be connected through the platform functionalities and through the sections dedicated to their communication. The study on the wine sector in the three countries is a starting point to having a comprehensive view on the similarities of the countries of the Black Sea Basin.

In conclusion, having in each of the 3 countries hundreds of active producers, but also well-defined consumption and export traditions, the relevance of the wine sectors is a major one. The WINET platform is implemented in a context in which worldwide online commerce with wine denotes growth premise, and in the 3 states this platform could be a useful and efficient tool for stimulating the given trends. At the same time, the WINET project also folds under the general trend of digitizing business, and



placing interesting information can generate benefits through facilitating access to valuable information and improving the decision-making process of the holders of interests involved in the wine sector. Last but not least, this year's Coronavirus pandemic with large-scale quarantine measures once again shows the growing importance of digital platforms for efficient business management, once again validating the utility of launching WINET.