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Serbia

Wine

Wine Sector in Serbia

2008

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Report Highlights:

In order to fill the gap between domestic production and consumption needs, Serbia in 2007 imported about 30 million liters of wine for the value of 37,9 mil USD. U.S wine export accounted for only 82,775 USD, or only 0.29 percent of total Serbian wine import. Considering the increased trend of wine consumption, low and slow increase of domestic wine production, better living conditions and better overall economical situation in Serbia, it is realistic to expect that the quantity of imported wine will increase and better quality and high priced wine might be in a higher demand.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Belgrade [YU1]
[RB]

Summary:

Serbian wine sector relies on import to bridge the gap between increased demand and reduced domestic production. Viticulture and winemaking in Serbia is a sector with long tradition but its potential is not fully utilized. Although the official statistical data are showing that Serbia has 64,000 ha of vineyards and 355 mil. vines, actual vineyard area is estimated of about 20,000 ha. From 1995, production of grape and wine is showing decline trend as a result of stagnant economical situation, unfavorable marketing conditions, collapse of the big wineries, inopportune privatization of wineries, non existence of related legislation, low diversity of grape varieties attended for wine production, low quality of the planting material, vineyard management, un-sufficient modern processing facilities, high import of very low wine quality, inappropriate media promotions.

Serbian average production of processed grape is estimated at 350,000 MT and about 2.0 mil. hl. of wine. In order to fill the gap between domestic production and consumption needs, Serbia in 2007 imported 30 mil. lit. of wine (bulk, still bottled wine, grape juice, sparkling wine and other categories of wine), valued at 37.9 mil USD. In terms of volume, Macedonian wine accounted for 83 percent of total Serbian wine import. The value of U.S wine export into Serbia in 2007 was 82,775 USD, or only 0.29 percent of total Serbian wine import. In 2007 Serbia exported about 10 mil. lit. of wine for the value of 12.0 mil USD.

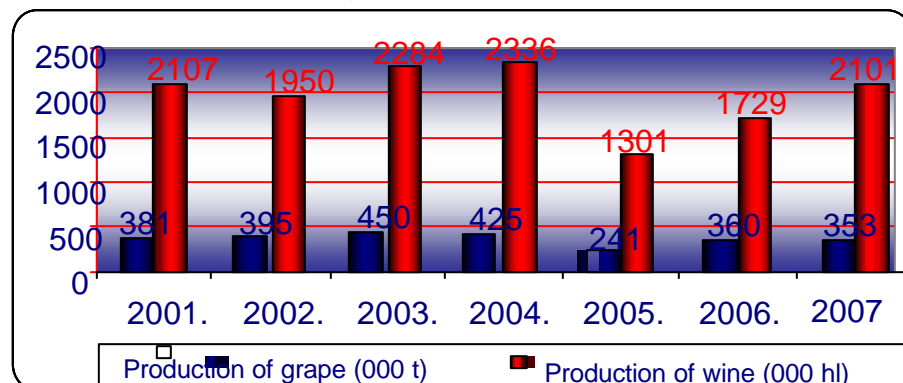
From 2004 the trend of consumption of wine has been upward. In 2007, it is estimated at about 3.8 lit per capita. It should be noted that Serbian traditionally makes wine for r domestic needs; the wine consumption is probably about 25 percent higher than officially estimated.

The improvement of overall economic conditions in Serbia, low domestic production, increasing trend for higher quality wine consumption make Serbia an attractive market for U.S wine, especially high end wines.

1.1 Wine production

Serbia is located between 42 and 46 northern latitudes which is among the most suitable zones for viticulture. The most important vineyards are widely scattered over the hill regions with favorable agro-ecological conditions for quality vine growing and wine production. Although there are nine wine regions (Niš.-južnomoravski, Zapadnomoravski, Timocki, Šumadijsko-velikomoravski, Pocerski, Južnobanatski, Sremski, Suboticko-horgoški and Kosovski), the main vineyard area is Central Serbia. According of State Statistical Office data for 2007, the total vineyard surface of Serbia is 64, 385 hectares with number of vines around 355 million. The production of wine in Serbia is estimated at around 350,000 MT of processed grape and about 2.0 mil hl of wine.

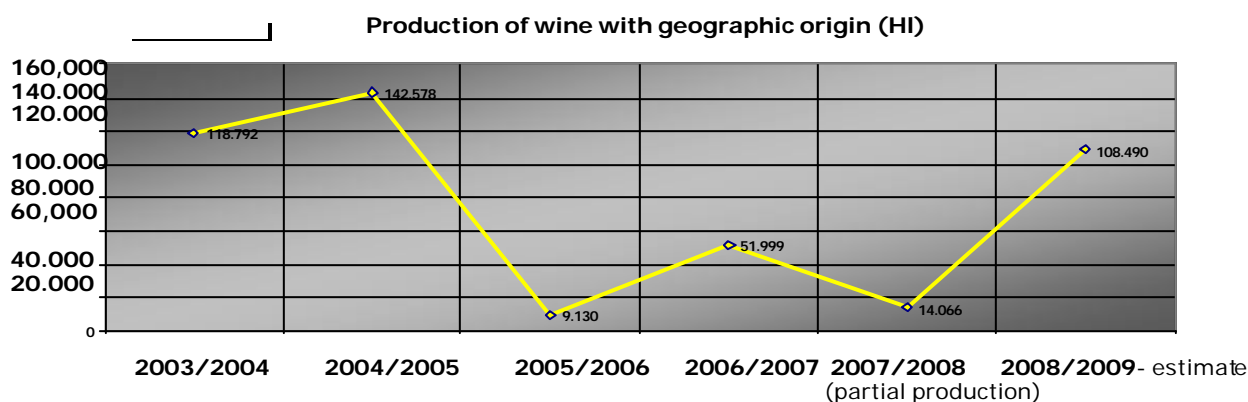
Picture 1: Production of grape and wine in Serbia from 2001 to



Due to Serbian Ministry of Agriculture plans to have 2,000 ha of new vineyards established per year, this market would need to have 8 mil certified vine plants available per year in order to revitalise this sector before 2012. Most of this vine plants will need to be imported since Serbian producers of vine seedling material are not able to produce such a volume of certified material in such a short time.

The biggest producers of wine in Serbia are: WOW Winery-Subotica; Vrsacki Vinogradi-Vrsac; NAVIP-Zemun, Rubin-Krusevac and Vino Zupa-Aleksandrovac. However, the middle size wineries, family owned, are the most active group among the wine producers in Serbia: Aleksandrovic Cellar, Small Celar Radovanovic, Winery Kovacevic, Cellar Jelic, and ect. These wineries are increasing the volume and quality of their wines from over time. Furthermore, number of wine with the geographic origin is increasing due to the Ministry of Agriculture's encouragement. As a result, it is expected that during MY 2008/09 150 wines will have origin protected on national level.

Picture 2: Production of wine with geographic origin from 2003-2008



1.2. Export-Import:

In the last few years, Serbia has a deficit in wine trade. Serbia mainly trading is with FTA countries, where the biggest quantities are imported from Macedonia, Montenegro and Croatia (CEFTA market), followed by Slovenia, Italy, France, Chile, etc. Data for the total trade in wine over the last four years are shown in the following tables:

Table 3: Serbian import and export data: 2002-2005

Imports & exports of wine, 2002-2005

Year	Export				Import			
	All		EU		All		EU	
	Quantity hl	€	Quantity hl	€	Quantity hl	€	Quantity hl	€
2002	49.887,18	2.698.785	19.111,67	1.014.931	135.608,39	7.658.806	3.813,67	703.110
2003	57.034,29	3.624.157	20.407,36	936.850	81.113,58	6.603.326	2.772,51	713.582
2004	87.913,58	6.785.851	37.627,65	1.923.933	135.529,83	8.983.282	6.885,99	1.313.922
2005	78.355,19	7.221.997	27.021,04	1.335.113	123.115,86	8.450.182	4.484,53	1.224.522

Data source: State Statistical Office (2005)

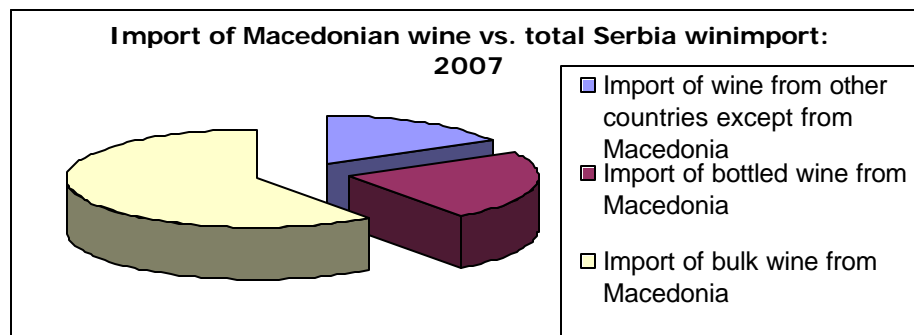
Value of total wine import reflected an increasing trend (from USD 11 mil. in 2004 to 38 mil. USD in 2007) which is much higher than the export increment.

Table 4: Serbian wine import and export data: 2006-2007

Year	Serbian Imports & exports of wine, 2006-2007			
	Export		Import	
	Quantity (Lit.)	USD	Quantity (Lit.)	USD
2006	8,400,000	10,200,000	27,510,311	28,088,554
2007	9,813,196	12,052,469	30,453,290	37,865,328
Serbian Chamber of Commerce				

Concerning non-EU trade, the majority of imports come from Macedonia, and the majority of exports go to Bosnia and Herzegovina. The biggest importers of Macedonian wines are the following Serbian companies: Vinoproduct Coka, Rubin, Navip, Vino Zupa, WOW.

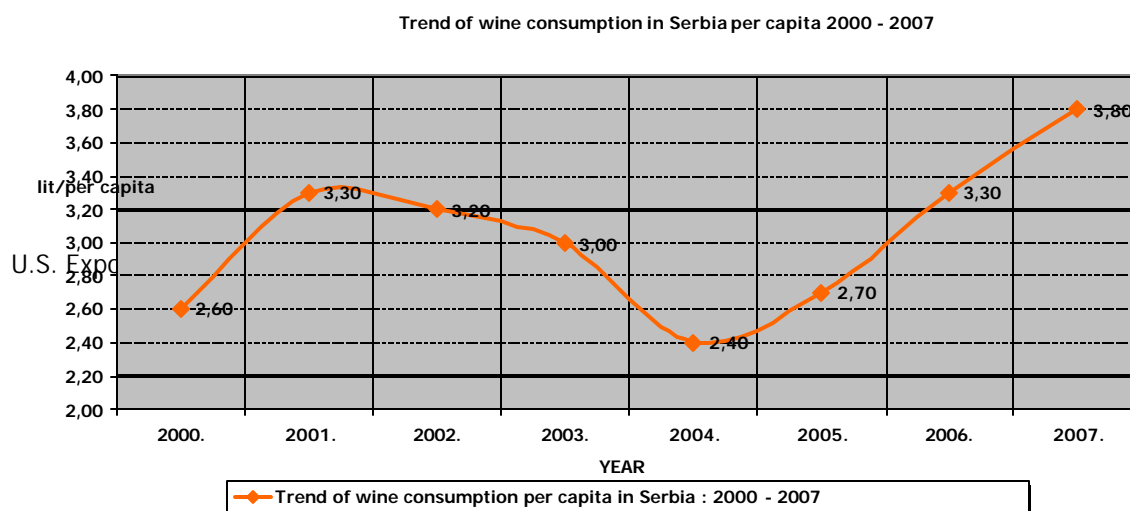
Table 5: Import of Macedonian wine versus total Serbian wine import: 2007



1.3. Consumption:

According to the Statistical Office of the Republic of Serbia, an average consumption of wine per capita for the last four years is 3.03 lit. However in the last couple of years trend of wine consumption is showing a slight increase reaching 3.8 lit per capita in 2007. However, having in mind Serbian tradition of household's wine production, the total consumption per capita is estimated to be about 25 percent higher than official data due to Serbia's tradition of homemade wine for their use.

Table 6: Wine consumption in Serbia per capita: 2000-2007



1. 4. U.S. Export opportunities:

U.S. Share in total wine import into Serbia in 2007 was very low, just about 82,775 USD, or only 0.29 percent of total Serbian wine import. However, the opportunity for increased total sale of US wine on Serbian market is promising due to Serbia's increased income and its demand for high end wines.

Considering the increased trend of quality wine consumption, low and slow increase of domestic wine production, better living conditions and better overall economical situation in Serbia, it is expected that the quantity of imported wine, especially of high quality one, will increase in the future. Furthermore, there are currently no non-tariff restrictions on U.S. wine exports to this market.