



# INTRODUCTION TO THE WORLD WINE INDUSTRY

**CHAPTER EIGHT**

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### LEARNING OBJECTIVES

After studying this chapter, the candidate should be able to:

- Understand how the history of wine relates to the current state of the wine industry.
- Recognize how geography and climate affect wine production in the various countries of Europe.
- Discuss the European Union system for designating wine quality and the EU labeling laws.

The wine industry is a major segment of world agricultural trade, accounting globally for more than a hundred billion dollars in sales and millions of jobs. The bulk of the wine industry, and approximately 56% of the global vineyard, is located in Europe. However, growth, in terms of both production and consumption, is occurring both inside and outside of Europe.

The industry consists of *producers* (grape growers, winemakers); *distributors* (distributors, brokers, exporters, importers); *retailers* (shop owners, sommeliers, buyers, sales staff, restaurateurs, supermarkets, online retailers); *allied businesses and individuals* (equipment manufacturers, lab technicians, wine writers, auction houses, plant nurseries, advertising agencies, event planners, trade organizations, wine educators); and, of course, *consumers*. While some of these entities are more central to the industry than others, the wine trade would be weakened by the absence of any of these roles.

This chapter provides a broad overview of the world wine community and a more detailed look at the European Union as a multinational confederation. It begins with a very brief synopsis of the history of wine. This is followed by a discussion of where the wine trade is concentrated, both in global terms and with regard to specific wine regions within countries. The chapter concludes with an examination of the wine laws that shape the wine industries of the European Union member countries. The US wine industry is covered separately in chapter 16.

## THE GLOBAL WINE INDUSTRY

### HISTORICAL DEVELOPMENT

According to Dr. Patrick McGovern, scientific director of the Biomolecular Archaeology Laboratory for Cuisine, Fermented Beverages, and Health at the University of Pennsylvania Museum, evidence uncovered in Jiahu, China indicates that the first alcoholic beverage to incorporate fermented grapes dates to about 7000 BCE. Wine produced from vinifera varieties is believed to have made its first appearance in the Caucasus Mountains in western Asia, spreading from there into eastern Europe and the Middle East.



Figure 8-1: Ancient amphorae found on the island of Delos, Greece

Greece became an early stronghold of wine production, spreading viticulture around the Mediterranean coast and passing the torch on to the ancient Romans once the Roman Empire rose to dominate the Western world. By that time, two millennia ago, grape growing and winemaking were well established around the shores of the Mediterranean Sea. As their empire spread, the Romans carried viticulture throughout their conquered lands, planting the first vineyards in inland areas of Spain, France, Germany, and the Balkans.

When the Roman Empire fell into disarray, much knowledge and many technologies were lost, but winegrowing continued due to the role of the Catholic Church. Needing wine to consecrate the religious ceremony of the Mass, monks and clergymen maintained vineyards and made wine continuously over the centuries, slowly locating prime growing areas, selecting top-performing vines for further propagation, and refining winemaking techniques.

Once science and industry returned to Europe during and after the Renaissance, winemaking grew in importance and expanded well beyond the cloisters and monastery lands to become a major agricultural activity. In the swelling urban areas, where poor sanitation led to problems of insufficient fresh water and widespread disease, wine, free of germs due to its alcohol content, grew increasingly in demand as an everyday beverage. Wine could be transported only relatively short distances across land, both because of its weight and its tendency to spoil if exposed to the elements, so vineyards and wineries were established far and wide to serve the local populations.

When Europeans began exploring the lands across the Atlantic Ocean and established trading colonies and settlements in Africa, Asia, and Oceania, wine traveled with them. It was still one of the most healthful beverages available, as well as a mark of civilized life. Sailors found that fortified wines survived the voyages in much better shape than unfortified wines, leading to a centuries-long love affair with Port, Sherry, Madeira, and similar wines.

Apart from North America, wine grapes did not exist in any of the new colonies, so colonists brought European vines with them to their new homes. Some of the earliest of these new vineyards were in Latin America, where Spanish Catholic missionaries planted grapes to produce wine for religious use. The greatest degree of success was initially achieved in the British and Dutch outposts in South Africa, Australia, and New Zealand.

During the mid-nineteenth century, vinifera grapevines were planted in the Americas by immigrants arriving from Europe, especially Italians, Germans, and eastern Europeans. Commercial wineries started to appear in Argentina, Chile, and California.

A crisis developed in the 1860s when the root louse phylloxera, which is native to the eastern United States, was inadvertently brought to Europe and began killing grapevines—first in France and eventually throughout Europe and much of the rest of the world. For a while, it looked like phylloxera might wipe out the entire global wine industry, but, before that happened, it was discovered that European vines could be grafted onto the rootstock of indigenous North American grapevines, which had a natural resistance to phylloxera. This allowed the wine industry to return more or less to normal after a few decades of disruption. One of the legacies of this crisis was that French and other European winemakers traveled to other parts of the world after their own vineyards were lost, dispersing winemaking expertise and raising the quality of wine the world over.



Figure 8-2: Prohibition in the United States

A second calamity occurred in 1920 when the United States enacted Prohibition, basically outlawing wine production. Several other countries adopted similar legislation, and the (legal) wine trade suffered as demand for wine plummeted in some parts of the world. By 1933, the experiment with Prohibition was over, leaving little lasting damage anywhere except the United States, where the wine industry took decades to recover. The symbolic turning point came in 1976, when California wines were awarded first place over top French wines in a major head-to-head competition now known as the *Judgment of Paris*. This announced to the world that the wines of California—and by extension the wines of the world beyond Europe—had come of age.

Some of the headlines from the past few decades include the following:

- The growth of export-driven wine industries in the Southern Hemisphere
- An increase in wine consumption in the United States, to the

- point that the United States is now the world's largest wine market, although per-capita consumption remains small
- A revival of the historic wine-producing regions of central and eastern Europe
  - An ongoing debate about what defines a “natural” wine
  - The rise of Asia as a powerhouse new wine market and potential new producer
  - In many parts of the world, an emphasis on environmental stewardship and sustainability
  - The ongoing discussion on climate change and its possible impact on viticulture and wine
  - The growth of wine tourism—which brings certain advantages as well as potential disruption to specific locations
  - The disruption in the industry resulting from the worldwide pandemic of 2020–2021

## WORLD WINE PRODUCTION

The global heavyweights of the wine community have traditionally been Italy, France, and Spain, which—in various orders—are consistently among the world leaders in vineyard acreage, wine production, and wine exports. Of the total volume of wine produced throughout the world in 2022, it is approximated that 65% was produced in Europe, 10% in South America, 10% in North America, 6% in Asia, 5% in Oceania, and 4% in Africa.

China has recently joined the rank of world leaders in terms of vineyard acreage; recent statistics show that the top six countries in terms of total vineyard acreage include China along with Spain, France, Italy, Türkiye (Turkey), and the United States. (It should be noted, however, that it is not always possible to know what percentage of the total grape harvest is used for the production of wine versus table grapes, raisins, and juice products.)

While France and Italy have traditionally led the world in wine consumption, their per-capita consumption has declined slightly in

recent years, and the United States is now the world’s largest overall consumer of wine (although per-capita consumption remains low).

Another significant aspect of the global wine market is that several large wine-producing countries—including Australia and Chile—produce more wine than they consume and are therefore net exporters of wine, needing to find markets in other countries.

Table 8–1: Top Ten Wine-Producing Countries (2021)

TOP TEN WINE-PRODUCING COUNTRIES (2021)	
1—	Italy
2—	Spain
3—	France
4—	United States
5—	Australia
6—	Chile
7—	Argentina
8—	South Africa
9—	Germany
10—	Portugal
<i>Sources:</i> International Organization of Vine and Wine (OIV), World Wine Production Outlook (November 2021)	

WINE REGIONS



Wine regions are generally delineated on either political or viticultural foundations. Political regions are administrative districts of various sizes, such as nations, states, provinces, counties, towns, and communes, which are defined for government purposes. These are useful for some purposes, but their boundaries may be relatively weak predictors of wine style. For this reason, the wine community recognizes a parallel system of viticultural regions. In theory, this system is based on the environmental features that define an area (terroir) or—occasionally—on traditional winemaking practices.

Historically, the fame of top wine regions spread by word of mouth, and the names of certain areas such as Champagne, Chianti, and Tokaj became well-known among wine lovers. Soon, it became necessary to issue official decrees defining the boundaries of these places in order to protect their reputation from misuse by impostors. In modern times, almost every country with a significant wine-producing sector has written laws to safeguard its own wine regions and, by reciprocal agreement, the regions of other nations. Officially sanctioned wine regions are known generically in English as *appellations* or *geographic indications* (GIs).

Generally, the more specific an appellation is, the more accurate it will be as a predictor of a wine's characteristics. A small appellation based on terroir should have a relatively uniform climate, topography, and soil structure; as such, its wines should conform to a certain standard. Larger appellations have much more variability in their physical conditions and are therefore less predictive of the character of their wines.

In many cases, wine regions are nested one within another, sometimes several layers deep. For example, in Bordeaux, certain vineyards are located within multiple appellations of varied dimensions. In such cases, the level of specificity can be chosen to suit the situation. This gives winemakers a number of options for sourcing their grapes; for instance, staying local to qualify for a highly regarded small appellation, or combining fruit from several areas and accepting a less prestigious, larger appellation.

The protections of an official appellation run both ways. On the one hand, they restrict the use of a place-name to the actual site, preventing anyone else *in another location* from profiting from or damaging the reputation of the appellation's wines.

For example, no one outside the Rioja region of Spain can legally sell their wine as "Rioja." On the other hand, the laws put certain limitations on what producers *within the designated region* can do, also with the intent of protecting the reputation of the appellation. Thus, the wineries in Rioja must meet a list of requirements, such as yield per acre, alcohol level, and grape varieties used, if they want to use the Rioja name. Outside of Europe, appellations are typically less restrictive and define the boundaries of a geographical place-of-origin with no restrictions on grape varieties or wine style.

Legally defined wine regions have a variety of names in different countries. A few examples include the following:

- *Australia*: Geographical Indication
- *France*: Appellation d'Origine Contrôlée
- *Germany*: Qualitätswein, Prädikatswein
- *Greece*: Onomasía Proeléfseos Anotéras Poiótitos, Topikos Oínos
- *Italy*: Denominazione di Origine Controllata e Garantita, Indicazione Geografica Tipica
- *Portugal*: Denominação de Origem Controlada
- *South Africa*: Wine of Origin
- *Spain*: Denominación de Origen, Vino de Pago
- *United States*: American Viticultural Area

These and other types of wine regions will be described in the respective chapters on particular countries.

## THE EUROPEAN UNION

The global wine industry is regulated primarily at the national level. There are no global wine laws, only reciprocal agreements among countries that govern how one nation will treat the wines of the

other. However, given that it produces nearly 60% of the world's wine, the European Union currently represents the closest thing there is to multinational control over the wine trade.

The European Union was created in 1993 out of an earlier, smaller, looser confederation of European countries and has expanded in several stages to its present size. Its goal, as concerns trade, is to coordinate activities among its member states to enable them to act as a single unit within the global economy. In addition, the EU has developed trade legislation that applies equally to products in all member countries to ensure their quality, safety, and value regardless of the country of origin.

### **Wine Laws**

The EU has brought all member countries' food and beverage products in line with its three-tiered structure of quality. In the case of wine, the EU was faced with a group of traditional wine producing countries—most of which used vastly different systems to classify, protect, and market their wines. In many cases, elements of these systems date back centuries and represent a significant part of the region's heritage, culture, and economy.

Accordingly, the EU designed an umbrella framework that defines various terms and sets a general set of standards while allowing each country to retain much of its traditional terminology (and the concepts so represented). Within this structure, three levels of wines made within the Union are defined as follows:

- Protected Designation of Origin (PDO): the highest quality tier
- Protected Geographical Indication (PGI): considered the second tier of quality wine
- Wine: produced via the general EU specifications that regulate wine products

The regulations permit the continuing use of preexisting designations of origin—such as France's *Appellation d'Origine Contrôlée* (AOC)—provided that the EU country registered these

designations with the European Council by December 31, 2011.

### *Protected Designation of Origin*

Wines that fall into the PDO category must be made entirely from grapes grown in the clearly defined region after which they are named, and must be produced within a given area. The individual countries register these wines along with parameters concerning delimited boundaries of the region, maximum yields, permitted grape varieties, defined viticultural practices, allowed enological practices, and predominant analytical and organoleptic characteristics of the wine.

### *Protected Geographical Indication*

PGI wines are those whose qualities can be attributed to being produced from a registered geographical region or specific place. Compared to a PDO region, a PGI region is typically larger and more heterogeneous. To qualify as a PGI wine, at least 85% of the grapes must come from the defined geographical area after which it is named, and the wine must be produced in this geographical area.

Similarly to PDO wines, these wines must adhere to rules and regulations governing viticultural and enological practices. However, these rules and regulations are generally less restrictive than those for PDO wines and do not necessarily need to be typical of the region (despite the Italian name for this category). For instance, international varieties that are not traditional to the region can often be used.

These wines will carry the PGI designation (or its equivalent in the local language) on their labels unless the producer chooses to use the traditional term, such as *vinho regional* (Portugal) or *indicazione geografica tipica* (Italy).

PGI wines may be labeled with a varietal name and vintage date if the wine is produced from a minimum of 85% of the named variety or vintage. If 100% of the grapes were harvested exclusively from a named vineyard, it may also be included on the label.

## *Wine*

Products belonging to the EU category “Wine” are table wines without geographical indication more specific than a single country. Grapes for these wines may be sourced from anywhere within a country or the EU. These wines may be labeled with a varietal name and vintage date if produced from a minimum of 85% of the named variety or vintage.

### **European Union Labeling Laws**

Within the EU, wine labels are required to state the wine’s category and, as permitted, its place of origin. There are a number of other labeling requirements, the most important of which are the following:

- If a protected place-name is stated, the wine must be entirely from that region for PDO wines and at least 85% from that region for PGI wines.
- If a vintage date is stated, at least 85% of the wine must be from that year.
- If a single grape variety is stated, at least 85% of the wine must be from that variety.
- If two or more grape varieties are stated, 100% of the wine must be from those varieties, and they must be listed in descending order of content.



Figure 8–3: EU wine categories

EU labeling terms for sparkling wines include the following:

- **Quality Sparkling Wine**—for those wines with CO<sub>2</sub> produced wholly by a secondary fermentation in the bottle that are subject to disgorgement, and with a minimum of nine months aging on the lees
- **Sparkling Wine**—must contain a minimum of 3 atm of pressure, carbon dioxide may come via a first or second fermentation but may not be injected
- **Aerated Sparkling Wine**—for wines whose “sparkle” is derived from the addition of CO<sub>2</sub>