Barriers to Wine Trade

Andreas Clark
Chief Operating Officer

October 2012
Barriers to Wine Trade

- Tariffs
- Labelling
- Composition & Production
- Certification
Tariffs

- Tariffs are designed to make imported products more expensive and to provide an advantage to domestic producers.

- Tariffs in emerging markets are typically higher.
  - India: 150%
  - Vietnam: 100%
  - Thailand: 54 – 60%
  - Russia: 20%
  - Korea: 15%
Labelling requirements vary across the world;

- Blending Rules
- Food Standards
- Language Requirements
- Health Warnings
- Requirements of the importing country...
Australian Wine Labels

- **BRAND NAME**
  Brand names should not mislead as to the origin, age or identity of the wine.

- **VOLUME**
  Mandatory. Must be 3.3mm in height. May be presented on the front or back label.

- **DESIGNATION**
  Mandatory. Must convey the true nature of the food, for example the word ‘wine’ or the variety.

- **COUNTRY OF ORIGIN**
  Mandatory. Wording is not defined, for example, ‘Wine of Australia’ or ‘Product of Australia’.

- **ALCOHOL CONTENT**
  Mandatory. Wording is not defined. Tolerances vary between products.

- **ALLERGENS**
  Mandatory. Sulphites in concentrations above 10ppm and processing aids including milk and egg must be declared.

- **VINTAGE**
  The harvest year. Vintage claims are optional but must be 85% if claimed.

- **REGION (GI)**
  GI claims are optional but must be 85% if claimed. Multiple GI claims are acceptable but must be 95% and listed in descending order.

- **VARIETY**
  Variety claims are optional but must be 85% if claimed. Multiple variety claims are acceptable but varieties must be listed in descending order.

- **STANDARD DRINKS**
  Mandatory. Labels must declare the number of standard drinks it contains. ‘Contains approx x.x standard drinks’ or logo acceptable.

- **NAME AND ADDRESS**
  Mandatory. The name and street address of responsible entity - must not be postal address only.
2010
Barossa Valley
Cabernet 赤霞珠

1. Country: Australia
2. Ingredient: 100% grape juice - sulphur dioxide
3. Alcohol: 13.5% (v/v)
4. Product Name: Red Wine
5. Product Type: Semi-Dry
6. Net Volume: 750 mL
7. Bottling Date: 2011 年 3 月 20 日
8. Distributor: Name & Address
9. Producer: Name & Address

Over-drinking is harmful to your health

WARNING STATEMENT
New draft standard.
2010

Barossa Valley
Cabernet Sauvignon

Wine of Australia – Vin d’Australie
Red Wine – Vin Rouge
13.5% alc./vol  750mL

CONTAINS: SULFITES AND MILK
CONTIENT: SULFITES ET LAIT

IMPORTED BY/ IMPORTÉ PAR: BEYOND WINES,
ONTARIO, CANADA

PRODUCED BY/ PRODUIT PAR: BEYOND WINES, 23
THE ROAD, ADELAIDE, SA, AUSTRALIA L2005

Return for refund where applicable
Consigné là où la loi le prescrit
USA Wine Labels

2010
Barossa Valley
Shiraz 95% Viognier 5%
13.5% alc./vol. 750 mL
Wine of Australia

GOVERNMENT WARNING: (1) According to the Surgeon General, women should not drink alcoholic beverages during pregnancy because of the risk of birth defects. (2) Consumption of alcoholic beverages impairs your ability to drive a car or operate machinery, and may cause health problems.

CONTAINS SULFITES
IMPORTED BY TRAIL BLAZERS NY, NY
PRODUCED BY BEYOND WINES, 23 THE ROAD, ADELAIDE, SA L2005

VINTAGE
95% or 85% if described by a State or SEA.

REGION (GI)
Mandatory if a vintage is claimed. 1 GI only or contiguous multi-states.

VARIETY
85% single variety. Multiple varieties 100%. Percentages required.
2010
Barossa Valley
Cabernet Sauvignon

750mL  13.5% VOL
WINE OF AUSTRALIA

CONTAINS MILK, SULPHITES
ENTHÄLT MILCH, SULFITE

IMPORTED BY BEYOND WINES, UK
BT703HD

PRODUCED BY BEYOND WINES, 23 THE ROAD,
ADELAIDE, SA L2005
October 2006 WHO designated alcohol as a ‘special’ commodity owing to its toxic properties.

Presented the WHO a mandate to pursue global action on harmful use of alcohol.

Likely developments
- Taxation
- Restrictions on advertising and promotion
- Health warnings
- Attempt to exclude alcohol from trade agreements
Health Labelling

China (TBA): Over-drinking is harmful to your health
过度饮酒对你的健康有害

UK Voluntary Health Warning:

Australian Industry Voluntary Warning:

USA Health Warning:
GOVERNMENT WARNING: (1) According to the Surgeon General, women should not drink alcoholic beverages during pregnancy because of the risk of birth defects. (2) Consumption of alcoholic beverages impairs your ability to drive a car or operate machinery, and may cause health problems.

French Health Warning: Mandatory (2007)

www.wineaustralia.com
Health Labelling

**Thailand Health Warning:**
- Drinking Reduces Driving Ability
- Sale to children under the age of 18 is prohibited
- Not suitable for children under 18 years old

**Japan Health Warning:**
- Consumption of alcohol by minors is prohibited
- Alcohol may only be consumed by those aged 20 or over

**Taiwan Health Warning:**
- Excessive consumption of alcohol is harmful to health
- To be safe, don’t drink and drive
- Excessive drinking is harmful to you and others
- Please do not drink if you are a minor

**Russia Health Warning:**
Mandatory from February 1 2007

Алкоголь не для детей и подростков до 18 лет, беременным и кормящим женщинам, лицам с заболеваниями центральной нервной системы, почек, печени и других органов пищеварения

*Alcohol is not for children and teenagers up to age 18, pregnant and nursing women, or for persons with diseases of central nervous system, kidneys, liver and other digestive organs.*

* text for illustration purposes only.

**Korean Health Warning:**
- Excessive drinking may cause liver cancer or liver hardening and raise accident rate during driving or working.
- Warning: sale to people less than 19 years old is prohibited.
Health Warnings

Thailand’s proposed health warnings:
Significant differences in max residue limits for agrichemicals.

Idiosyncratic requirements in various markets, for example:

- Brazil: Chlorides < 0.2 g/l
- Switzerland, Turkey: <10 mg/l histamine
- Russia: V.A.< 1.1 g/l
- EU: SO2< 150 ppm (red wine)
- Canada: Free SO2 < 70 ppm (LCBO <50) SAQ: H2S <0.1 mg/l
Production

- Korea: Ascorbic acid use renders the product unsaleable as ‘wine’ and incurs higher tax.
- Brazil: No hybrid grape component (and limited in Turkey).
- Japan: No use of copper sulphate.
- China: No use of metatartaric acid, CMC, DMDC, copper citrate, bacteria...
Certification

• European Union: VI1 Certificate
• China:
  o Certificate of Origin
  o Certificate of Free Sale
• Japan: Certificate of Analysis
• Taiwan: Alcohol Health Standard Certificate
• Brazil:
  o Certificate of Analysis and Origin
  o Import Certificate (for wines above 14% and chlorides)
Certification

• USA: COLA (Certificate of Label Approval)
• South Africa: Cultivar Certificate
• Indonesia: Certificate of Free Sale
• United Arab Emirates: Certificate of Origin
• Vietnam:
  • Certificate of Origin
  • Certificate of Free Sale
• Philippines: Certificate of Free Sale
• South America: Certificate of Free Sale
Certificate of Free Sale – Health Certificate

20 September 2012

<table>
<thead>
<tr>
<th>Certificate No - 证书编号:</th>
<th>[Certificate Reference]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country of Issue - 发送国家:</td>
<td>Australia 墨大利亚</td>
</tr>
<tr>
<td>Exporter - 出口商:</td>
<td>[Exporter Name and Address]</td>
</tr>
<tr>
<td>Consignee - 收货人:</td>
<td>[Consignee Name and Address]</td>
</tr>
<tr>
<td>Method of Transport - 运输方法:</td>
<td>Ship/Air</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Product - 产品:</th>
<th>Geographical Indication 地理标志</th>
<th>No of cases x vol 桶数×容积</th>
<th>Volume total 总容积</th>
</tr>
</thead>
<tbody>
<tr>
<td>[Vintage + Brand + Variety]</td>
<td>[origin]</td>
<td>[bag x 1250 x 750ml]</td>
<td>[litres]</td>
</tr>
</tbody>
</table>

WINE AUSTRALIA CORPORATION REGULATIONS

The Wine Australia Corporation is a statutory authority of the Australian Government established under the provisions of the Wine Australia Corporation Act, 1980. The Act and Wine Australia Corporation Regulations define the objects of the Act and the functions of the Corporation.

The above Regulations provide that the export of a defined grape product from Australia is prohibited unless certain prescribed criteria are met. The conditions state:

- The exporter must be licensed;
- When requested, the license must provide samples for the purpose of determining the soundness and merchantability of the grape product.

It is a condition of export that:

- The product must comply with the Australian Food Standards Code in respect to both labelling and analytical requirements; and
- The product must comply with the Wine Australia Corporation Regulations in respect to the labeling requirements for any vintage, varietal, or geographical indication claimed on the label.
- If an "organic" claim is made, the product satisfies the requirements of Australia’s export control orders regarding such claims.

This is to certify that free sale of the wine listed above is permitted in Australia (subject to State Licensing Laws) and that the wines have been granted an export permit from the Wine Australia Corporation on the basis that the above criteria have been met.

On the basis of the declaration by the exporter that the wines have been made in conformance with the Australian Wine Standards Code, and the wines comply with that Code, the wines are intended for direct human consumption.

Signature, Name and Title of Official:

Compliance Officer
VI1 Certificate

<table>
<thead>
<tr>
<th>1. Exporter (name and address)</th>
<th>THIRD COUNTRY OF ISSUE:</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Consignee (name and address)</td>
<td>VI1</td>
</tr>
<tr>
<td>3. Type of transport and transport details</td>
<td>) (For official Ec use only)</td>
</tr>
<tr>
<td>4. Place of unloading (if different from 2)</td>
<td>5. Quantity in l (or kg)</td>
</tr>
<tr>
<td>6. Description of the imported product</td>
<td>8. Number of bottles</td>
</tr>
</tbody>
</table>

VI1 CERTIFICATE

The product described above [☐] for [☐] is not intended for direct human consumption, complies with the Community definitions or categories of grapevine products and has been produced using viticultural practices ([ ] recommended and [ ] authorised by the Community).

Full name and address of the official agency: Wine Australia Corporation Industry House – National Wine Centre Onkaparinga & Botanic Roads Adelaide SA 5000

Place and data: Signature, name and title of official: Stamp:

10. ANALYSIS REPORT (describing the analytical characteristics of the product described above)

- FOR GRAPE MUST AND GRAPE JUICE
  - Density:

- FOR WINE AND GRAPE MUST STILL IN FERMENTATION
  - Total alcoholic strength: — Actual alcoholic strength:

- FOR ALL PRODUCTS
  - Total dry extract: — Total sulphur dioxide:
  - Total acidity: — Total volatile acidity:

Full name and address of the official agency: Place and data: Signature, name and title of official:

(1) Obligatory only for wines benefitting from a reduced customs tariff. (2) Values are approximate. (3) Fill in ‘X’ in the appropriate box.

DESTINED FOR E.C.

www.wineaustralia.com
Trade Initiatives

Australia’s Free Trade Agreements

– In force:
  • New Zealand
  • Chile
  • USA
  • Singapore
  • Thailand

– Negotiating:
  • China
  • Gulf Cooperation Council
  • India
  • Japan
  • Korea
  • Indonesia
  • Pacific Agreement
  • Trans-Pacific Partnership

– Concluded:
  • Malaysia
World Wine Trade Group

- WWTG Members: USA; Canada; New Zealand; Argentina; Chile, South Africa, Georgia

- Mutual Acceptance Agreement on oenological practices (2002)

  - Agreement allows for the possibility of designing one ‘global’ label with interchangeable labels for national information.
  - Covers the placement of four common mandatory items; alcohol content, country of origin, nominal volume, & product name.
GOVERNMENT WARNING: (1) According to the Surgeon General, women should not drink alcoholic beverages during pregnancy because of the risk of birth defects. (2) Consumption of alcoholic beverages impairs your ability to drive a car or operate machinery, and may cause health problems.

CONTAINS SULFITES

IMPORTED BY TRAIL BLAZERS NY, NY
PRODUCED BY BEYOND WINES, 23 WAITE ROAD, ADELAIDE, SA
EU – Australia Wine Agreement

- First Agreement entry into force 1994
- Second Agreement entry into force 2010
  - Protects European Geographical Indications and Traditional Expressions
  - Protects Australian Geographical Indications and Quality Wine Terms
  - More flexible alcohol tolerance and labelling provisions
  - 16 additional winemaking practices authorised including oak chips, spinning cone, reverse osmosis, counter current extraction
  - A broader ‘standstill’ clause extending to labelling and compositional issues
  - Revised procedure for authorisation of new oenological practices or compositional limits, and the introduction of an arbitration process to resolve disputes
  - A simplified varietal blending rule
Trade Initiatives

Participation in international forums:

• FIVS
• OIV
• WTO
• APEC - Regulators’ Forum
Current Trade Issues

• Vietnam
  – Decree 40: Tax stamps to be applied in country of production – 1 July 2013
  – Decree 38: Food safety law. Complex documentation and testing requirements for conformity assessment
  – Circular 45: National Technical Regulations (misinterpretation of standards and applicability to wine)
  – Notice 197: Restriction of ports for importing wine

• Japan
  – Submission of dossiers to Ministry of Health Labor and Welfare for approval of additives (copper sulphate)
Current Trade Issues

• China
  o Decree 55: AQSIQ registration – October 1 2012
  o Manganese levels in wine (misinterpretation of GB2760-2011)
  o Sugar levels in wine (interpretation of GB15037-2006)
  o Submission of technical dossiers via OIV to Ministry of Health for approval of additives and MRLs
  o Countervailing duties
  o Unpredictable...
Current Trade Issues

• Brazil
  - Wine must not exceed 14% alcohol. Sparkling wine cannot exceed 13% alcohol without government endorsement
  - 0.2 g/l limit on chlorides and 1.2g/l on sulphates
  - No malvidin diglucoside can be present in imported wine
  - Complex analytical requirement for wine imports
  - Restrictive multi-varieties rules
Current Trade Issues

• EU
  o Allergens labelling – 1 July 2012 for wines from 2012 vintage labelled after entry date.
  o Potentially 15 languages required + optional logo:
    ▪ contains sulphites, milk and egg
  o Organic Wine standard

• Canada
  o Allergens labelling – 4 August 2012 for 2012 + vintage dated wines.
  o Required in French and English:
    ▪ contains: sulfites, milk, egg and fish
    ▪ contient: sulfites, lait, oeuf et poisson
  o Filtered wines with no detectable residues exempt. Elisa-based methods with detection limits of 1-5ppm sufficient.
Counterfeiting

Takes many forms:

- Parallel exporting
- Prior trademark registration - ‘squatting’
- Passing off by copying certain brand elements
- Foreign wine presented as Australian either using opportunistic brand, or registered mark
Infringement?

The Penfolds Bin collection of wines began in 1959, part of a modern era of Penfolds innovation that has resulted in a diverse family of wines with ageless appeal. Each Bin wine bears the distinctive Penfolds quality stamp whilst exhibiting a unique style of its own.
The Benfolds Matter

ANDREW JEFFORD

Faking it

It was a customarily sticky morning in Singapore. 'Take a look at this,' said Frédéric Ould of the marketing company Red & White. He slid a sheet of photos across the table. The pics had been snapped by a colleague of his at the Chengdu Wine Fair in China. They showed the stands of some of the paying exhibitors, along with the key wines that they were offering local retailers and restaurateurs.

The first thing I noted was the Penfolds name adorning a stand, written in that familiar red curvilinear script of an old friend in a far land. Wait, though. Something wasn’t quite right. On closer inspection the sign turned out to read ‘Benfolds’, though you had to peer closely to notice the difference. All the generic exhibitor had done was join the bottom part of the ‘P’ to the letter’s mid point with a curving red line.

Now turn the tables, and imagine you are confronted with a sequence of Chinese characters on a wine label. You don’t speak or read Chinese, and in terms of colour and graphics the labels look exactly what you are familiar with. The only difference is a tiny stroke in the corner of one of the characters. Just how quickly would you spot that? After three years of Chinese tuition? Or five?

Other gems snapped at the Fair were Lafite Queen (a Côtes de Duru), Lafite Choice, Lafite Legend (both Vitus de Pays de l’Hérault), ‘The Château Lafite’ (aka ‘The Queen of Dancing on the Taste Bud’), Lafite Garden, Lafite Lyon, Lafite Crown, Lafite Family and, not inappropriately, Lafite Myth. A seal showing the familiar Dom Pérignon five-arrow logo (plus or minus an arrow or two on occasion) with an ‘R’ in its centre was much in evidence on most of them, as was the name Rothschild itself. Almost all of these labels, of course, showed a plausible and tasteful château engraving. Not actually Lafite’s, but something similar, probably duplicated from the pages of an old edition of Benzaket et tous Vins from Cocks et Fèret.

I thought back to my early days of wine buying, when I’d purchase modest bottles and take them home to check in my copy of Edmund Penning-Rossell’s Benfolds or Harry Voell’s Burgundy.

‘Wait. Something wasn’t quite right. On closer inspection it read “Benfolds”’

Sometimes I’d think I’d spotted a bargain — when something tantalisingly turned up as Cheval Bruu, for example, or when a bottle of plain Mösöc was labelled Lafite or Lafite. It’s easy to laugh now… but pricing errors happen, don’t they?

And if you are genuinely confused about the product itself, then what’s the easiest way to make you think you have something very good rather than a cheap imitation? Why, make sure it costs almost as much as the original, of course.

Fakes and rip-offs have troubled the wine market sporadically in the past, but I suspect that that was nothing compared to the problems that are brewing right now. The new consumers of Asia are uniquely vulnerable — perhaps more vulnerable than any consumers have ever been before. Not only are Western alphabets and languages unfamiliar to them, but very often so is the taste of wine itself. All that is understood initially is the vague outline of a fashion trend, where surface (and commensurate belief) is everything. Beneath the veil of general foreignness and strangeness, a semi-convincing surface will do the trick. Fraudsters might even argue (along with the peddlers of spurious pills) that since consumers are principally enjoying status and aspiration in their drinking, what the wine actually tastes like doesn’t matter too much anyway.

The more prices rise for fine wine, of course, the worse the problem is likely to become. It is also likely to be particularly acute in the first flush of market development, when Asia’s markets are potentially so large that that phase may take some time. Wine, naturally, isn’t alone in these susceptibilities. There are plenty of Louis Vuitton bags and Ferreroes tied out there which may not necessarily be authentic either, and not every Hollywood DVD watched in Chengdu’s apartments will make money for its creators.

Questions of authenticity are particularly important for wine, though, because place is the source of the most profound differences within the wine world. Lafite’s present role as a fine-wine finish may be a phenomenon of fashion — but it is predicated on a set of vineyards which offer aromas and flours unduplicable anywhere else, even by close neighbours like Mouton Rothschild and Cos d’Estournel. Place is the soul of wine. The theft of wine’s identity in place, I lay at the root of the wine frauds which provoked the establishment of France’s systems of appellations in the first place. Both INAO, the French appellations board, and individual wine producers need to address this issue with more comprehensive seriousness than is suggested by the piecemeal approach of the present.

Andrew Jefford has spent the past year in Australia. He has now relocated with his family to southern France.

WHAT ANDREW’S BEEN DRINKING THIS MONTH…

SWEET MEMORIES
A half-bottle of the Noble One, Botrylis Semillon 2000 from De Bortoli, drunk with my Sauternes-loving friends Stuart and Zs in the UK recently, impressed us all. Apricot and rose petal scents, with lots more late-summer fruit on the palate; honey and lemon verbena later. Intense, but satisfyingly layered, too. What we missed, we decided, was viscosity — and then we noticed the label read just 11% alcohol; a contrast with Sauternes. Alcohol is texture, too.
How to Respond?

• Brand ‘owner’ responsible to protect brand by registering trademark in export market

• The Australian Government and Wine Australia have no jurisdiction or power to deal with private intellectual property disputes

• ‘How to Protect Trademarks in China’ posted at www.wineaustralia.com
Export Market Guides

- Market Snapshot
- Duties and Taxes
- Wine Standards
- Labelling Requirements
- Import Certificates
- Import Procedures
- International Agreements

www.wineaustralia.com