

MARKET TRENDS AND CONSUMER PREFERENCES IN THE ITALIAN WINE SECTOR

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The latest survey on the Italian wine market conducted by Mediobanca's Research Department highlighted that Italy is the leading wine exporter by volume (21.4 million hectoliters in 2023) and the second by value (€7.7 billion, second only to France's €11.9 billion). Over the past 20 years, the trade balance of the sector has grown at an average annual rate of 5.5%, rising from €2.5 billion in 2003 to €7.2 billion in 2023

Global Wine Sector Trends in 2023

Globally, 2023 saw a decline in both wine production and consumption: world wine production is estimated at 237 million hectoliters, down from 2022 (-9.6%), with global consumption at 221 million hectoliters (-2.6%). The reshaping of demand, driven by generational change and the spread of health-conscious models as well as climate change, has caused a decline in red wine consumption, which dropped from an average share of 51.3% in 2000-2004 to 48.3% in 2017-2021. In contrast, consumption of white wines increased (from 40% to 42.2%, +2.2 points) and rosé wines (from 8.7% to 9.5%, +0.8 points). The decline in red wine sales in foreign markets outside the USA was particularly felt in Scandinavia and China. This scenario closely involves Italy, one of the world's leading producers. The decline in consumption began before the pandemic, experienced a brief reversal with the "revenge spending" of the post-Covid period, but resumed in 2022, worsening in 2023 also due to inflation, which likely penalized red wines more than white and sparkling wines.

In the USA, red wine sales in 2023 fell by 9%. This decline affects all the main varieties: Cabernet Sauvignon (-7%), Merlot (-12%), and Syrah (-16%). The trend for the future shows that wine is not a popular drink among young consumers, with a share of 13% compared to 30% for spirits and beer.

Red wines are also struggling in Europe, with the most worrying signs coming from the north, particularly Scandinavia, an area that recently was a stronghold for red wines. Now, however, consumption in Sweden and Norway seems to be on a decline for reds in favor of other types such as sparkling wines, which are preferred by young people and especially by women (who in Scandinavia account for over 65% of wine consumption).

In Italy: Declining Production but Rising Consumption and Exports of Quality Wine

The international trend has also appeared in the Italian market, where Chianti, Brunello, Barolo, Amarone, but also Montepulciano, Primitivo, Aglianico, and Nero d'Avola have lost almost 800,000 hectoliters on supermarket shelves over five years, closing 2023 at 3.2 million hectoliters in favor of whites and especially sparkling wines used for cocktails often made at home. In contrast, sparkling wines saw a 2.3% increase in volume sales and a 6.8% increase in value.

According to a recent Nomisma Wine Monitor survey on Italian wine consumers, the penetration rate of regular wine consumers (daily + weekly) differs by color and type of wine depending on age. For example, while the incidence of "frequent users" of sparkling wines among total consumers reaches 20% for "Gen Z" (up to 25 years old) and drops to 10% for Baby Boomers, for still red wines the opposite is true: it is higher for "older" individuals (over 50%) and drops to 35% for those under 25.



Italy has followed the global trend, recording a -23.2% in production compared to 2022 and -1.6% in consumption, with 37.4 liters per capita per year. Inflation has eroded household purchasing power, penalizing mid-range wines (-10.1% from 2022), confirming a greater market polarization. Lower-end wines held steady (-1.7%, with a market share of 44.2%). The premium market is increasingly important (+12.7% for very high-end wines from 2022; market share of 18.6%) and sustainable (+1.4% for organic wines, 5.4% market share; +9.6% for vegan wines, 2.7% market share, +1.8% for natural wines, 1% market share). In the most profitable segment of made-in-Italy sales (ho.re.ca.) in the USA, the only price range that saw an increase in sales was above \$25 per bottle (+2%), compared to declines of 5% and 3% respectively for wines under \$10 and priced between \$11 and \$24. The premium range now constitutes 15% of total Italian red wine sales.

In 2023, 47.7% of Italian wine was DOP (DOC and DOCG), up from 38.5% in 2013. Leading the way are Piedmont with 19 DOCG and 41 DOC, Tuscany (11 DOCG, 41 DOC, and 6 IGT), and Veneto (14 DOCG, 29 DOC, and 10 IGT). Tuscany accounts for 39.3% of DOP wine production; in Piedmont, 94.6% of regional production is DOP.

Regional excellence drives company performance: Tuscan companies have the highest EBIT margin (16.5%) and best ROI (6.3%), followed by Veneto and Piedmont (both 6.1%). Tuscany also has the greatest financial stability, with financial debts equal to just 18.4% of invested capital.

Identity of Italian Wine Companies

Analysis of the sector's companies shows that family control accounts for 64.8% of equity, rising to 81.4% when including cooperatives. Financial investors contribute 10.9% of equity: banks and insurance companies (5.2%) are absent in smaller companies; private equity funds (4.1% of equity) participate in the capital of major wine companies regardless of their size.



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