



# Trade & Commercial Risks for Wine

Dr John Barker

General Manager Trade & Advocacy

New Zealand Winegrowers



- 1. When made properly and consumed responsibly, wine is a low risk product.**
- 2. Legitimate producers share a strong interest in ensuring that wine is made properly and consumed responsibly.**



# Four types of trade & commercial risks to legitimate producers:

- Quality risk
- Regulatory risk
- Fraud risk
- Risk of harmful use



## Quality risk

Wine is a reputation product. Reputation reside in brands, region and country names (geographical indications).

Damage to reputation through poor quality is a serious risk for producers. This risk is managed by producers through good winemaking practice (GWP).



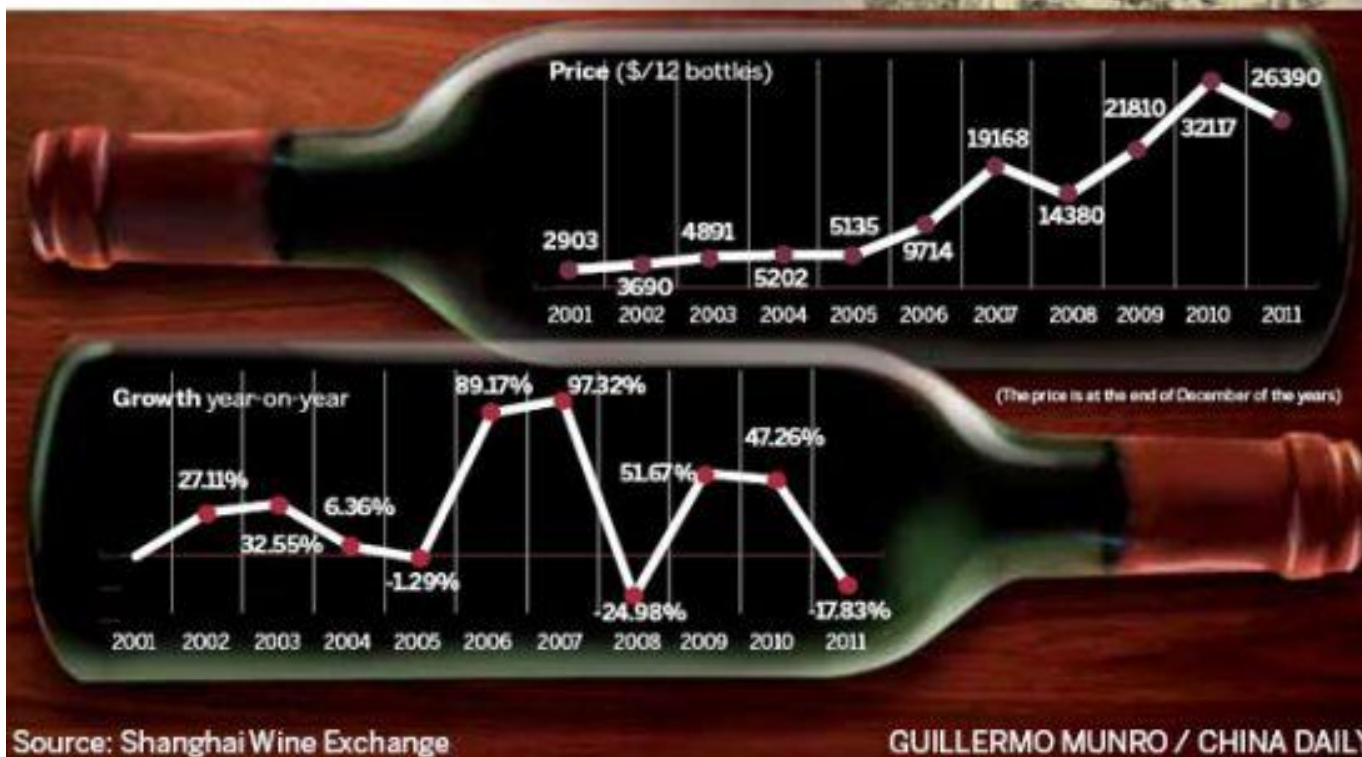
**Asia-Pacific  
Economic Cooperation**



## Dialogue on Risk Management in Wine Trade

5-6 November, 2012 - Auckland, New Zealand

### PRICES AND GROWTH RATE OF LAFITE ROTHSCHILD





# Quality risk

Winemaking faults are not harmful,  
but damage reputation.

*e.g. acetobacter  
makes bad wine but  
good vinegar.*





## Quality risk

Few wine additives pose a health risk. Those that do (e.g. sulphur dioxide) generally present a commercial risk before they reach legal limits. They are therefore managed through GWP and labelling.

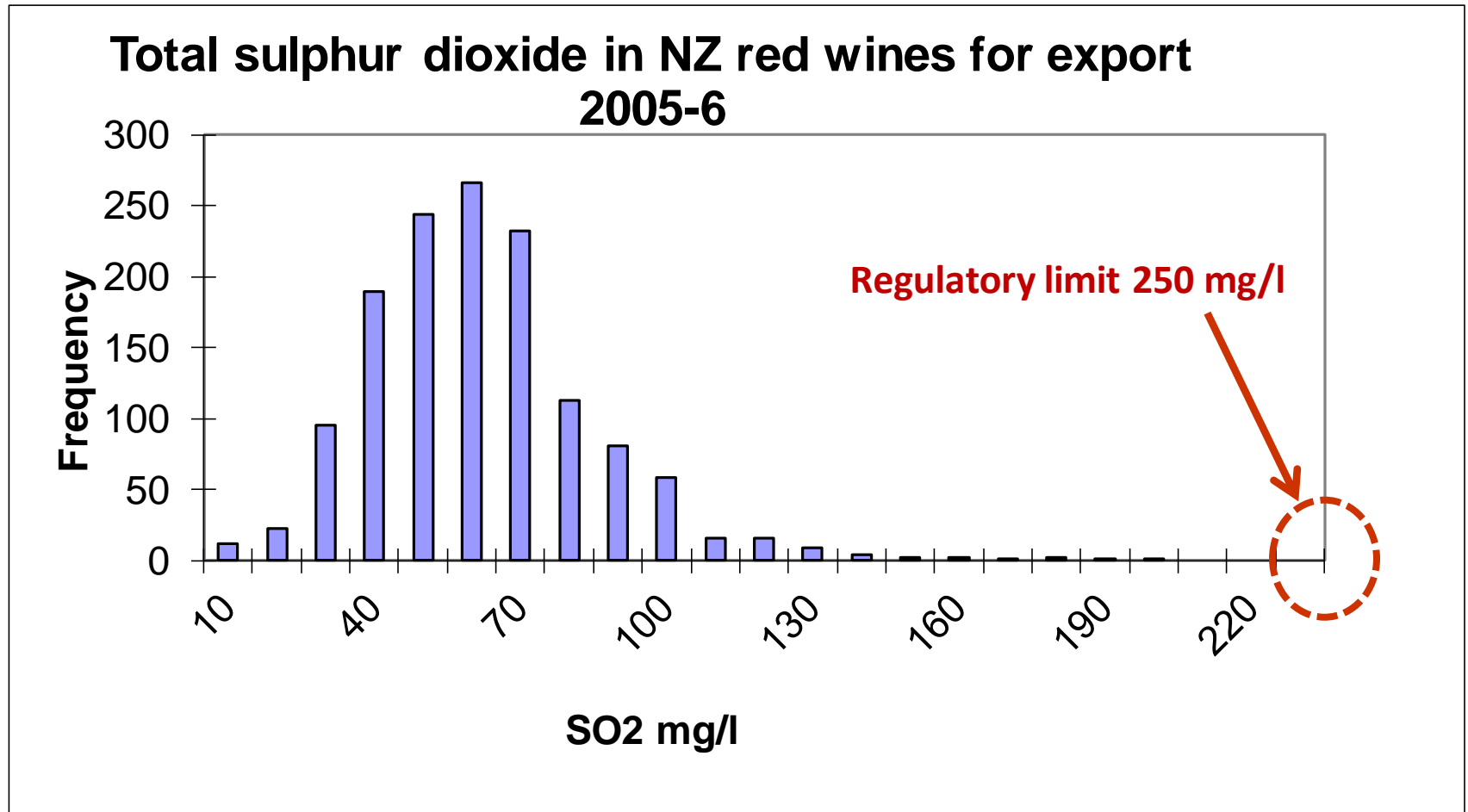


Asia-Pacific  
Economic Cooperation



## Dialogue on Risk Management in Wine Trade

5-6 November, 2012 - Auckland, New Zealand







## **Regulatory risk**

Failure to comply with rules of the exporting and importing countries can result in commercial loss for producers. Compliance to all export market rules is closely managed with reference to information resources.



# Regulatory risk

Key importing country requirements:

- Certification
- Analytical requirements
- Winemaking practices & compositional requirements
- Labelling requirements



## **Regulatory risk**

Compliance risk is multiplied in the market by:

- lack of consistent interpretation & application
- unpredictable changes in regulation



## **Fraud risk**

Intentional adulteration can present very grave risks for producers and consumers. For producers, the consequences can be shared by all those that share the region/ country name e.g. the 1985 Austrian glycol scandal.



Asia-Pacific  
Economic Cooperation



Dialogue on Risk Management in Wine Trade

5-6 November, 2012 - Auckland, New Zealand

**“The adulteration did not pose any health hazard, but the scandal had grave consequences for the Austrian wine industry. Whereas consumers were the immediate victims of the fraud, the implications were in fact much more grave for the many Austrian wine producers who did not partake in the adulteration, since the general reputation of Austrian wine suffered tremendously. In the aftermath of the scandal, the Austrian wine export was nearly wiped out...”**



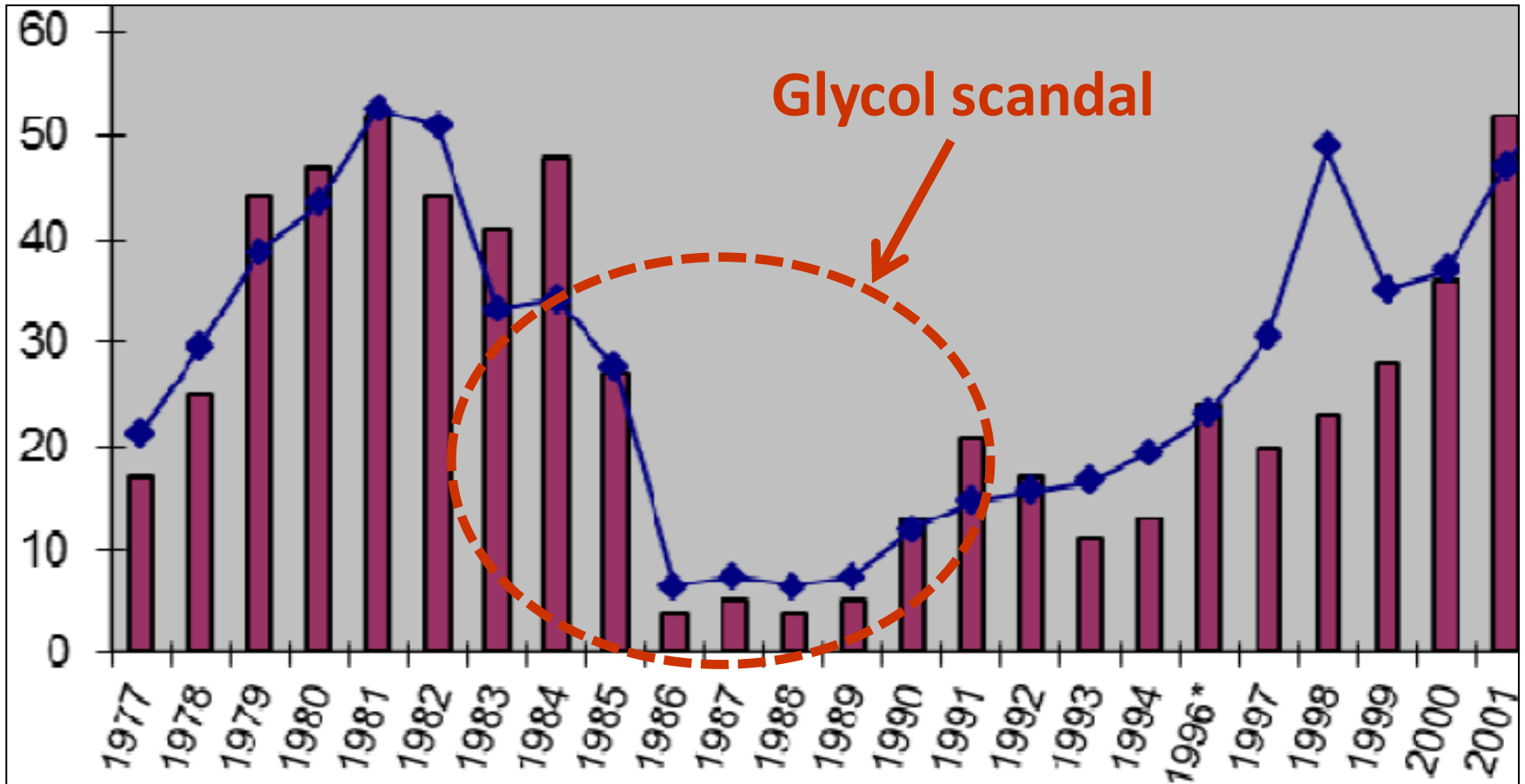
Asia-Pacific  
Economic Cooperation



Dialogue on Risk Management in Wine Trade

5-6 November, 2012 - Auckland, New Zealand

## Austrian wine exports 1977-2001: volume & value





## Fraud risk

Counterfeiting can create significant financial loss to producers and consumers. In extreme cases it can also create very serious health risks for consumers.



# Fake labels produced in the Kurnawian case







Asia-Pacific  
Economic Cooperation



Dialogue on Risk Management in Wine Trade

5-6 November, 2012 - Auckland, New Zealand

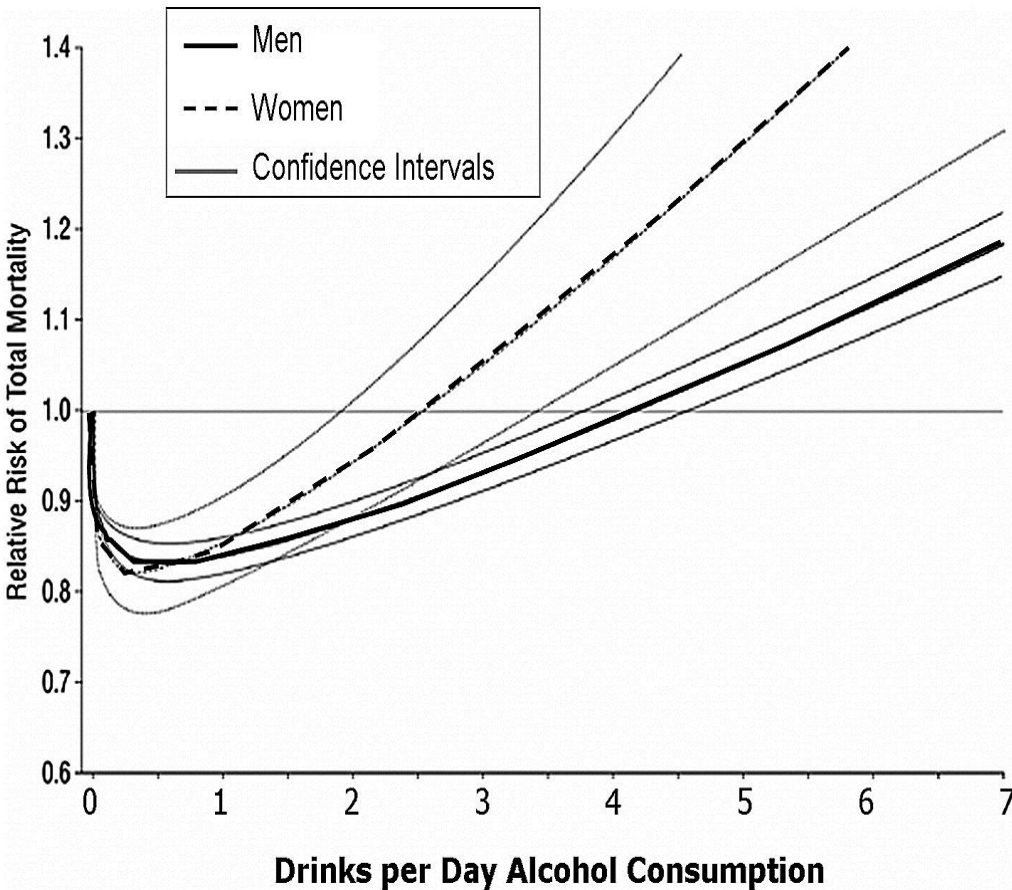
# **Czech spirits ban tightened after bootleg booze kills 19**

The Czech government bans sales of spirits containing more than 20 per cent alcohol following the deaths of 19 people from methanol poisoning.



## **Risk of harmful use**

Harmful use of alcoholic beverages is a serious problem globally. Wine consumed in moderation can produce health benefits; but improper use creates harm.



**“An average daily intake of one to two alcoholic beverages is associated with the lowest all-cause mortality and a low risk of diabetes and CHD among middle-aged and older adults... The J-shaped curve, with the lowest mortality risk for men and women at the average level of one to two drinks per day, is likely due to the protective effects of moderate alcohol consumption on CHD, diabetes and ischemic stroke.”**



## **Risk of harmful use**

Producers support WHO strategy on harmful use of alcohol and participate in numerous initiatives: consumer education, community programmes, advertising & labelling codes etc.



## **Conclusion**

- When produced and consumed as intended, wine is a low risk product.
- Main categories of product risk are effectively managed by legitimate producers using GMP.
- Predictability and consistency in regulatory environment minimise costs to producers.
- All legitimate stakeholders share an interest in managing illegitimate products and harmful use.