

ALL INDIA WINE PRODUCERS ASSOCIATION

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*Indian Wine Industry current
scenario*
&
Proposed corrective measures

Introduction / Background

- Agro-based industry.
- Value addition to Agri.- produce.
- Food Processing Industry.
- Converts highly perishable grapes in to non-perishable with value addition.
- Major rural employment generating tool for unskilled labours.
- Food based (part of food) alcoholic beverage.
- Tiny Industry.
- Encourage first generation entrepreneurs amongst the farmers.
- Promote agro-tourism.
- Overall rural development

Key statistics

Statistic	Present	Year 2020 estimate
Wine consumption	1.1 crore litres	7.2 crore litres
Industry size (revenues)	Rs 1,050 crore	> Rs 10,000 crore
Land under cultivation	10,000 acres	21,000 acres
Farmer families dependent on grape cultivation	10,000	21,000
Families employed by the wineries	6,750	13,500
Grape dues of 2009 and 2010 (Maharashtra)	Rs 208 crore	NA

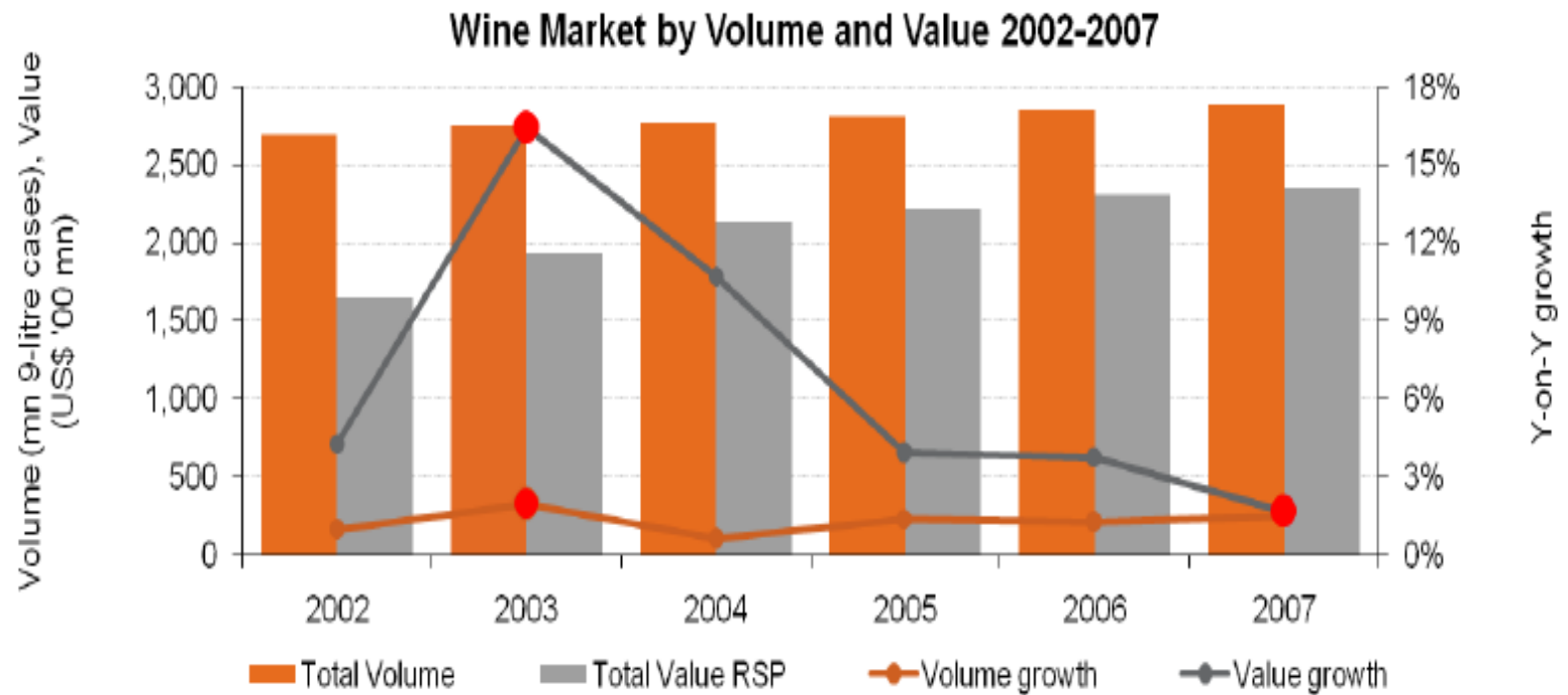
In addition to the above, the wine industry over the years has contributed substantial revenue to the State and Central exchequer

Source: Industry association estimates

World wine scenario

- Largest fruit processing industry in the world
- Aggregate wine consumption is 26 billion Litres .
- Per capita consumption of wine in major countries varies from 1 to 60 litres.
- World wide, the wine is treated as part of food and health drink.
- Many wine producing countries economy is based on wine industry.

An overview of the global wine industry



Source: Euromonitor International

Globally, wine consumption aggregates 26 billion litres. However, volumes are declining in major wine-producing countries.

Governments across the world have extended support to their local wine industry. Excess production is absorbed by the Government and utilized to produce ethanol.

If the vineyards are not making profits, they get subsidy to support their operations. If wine is exported, the wineries receive export subsidy

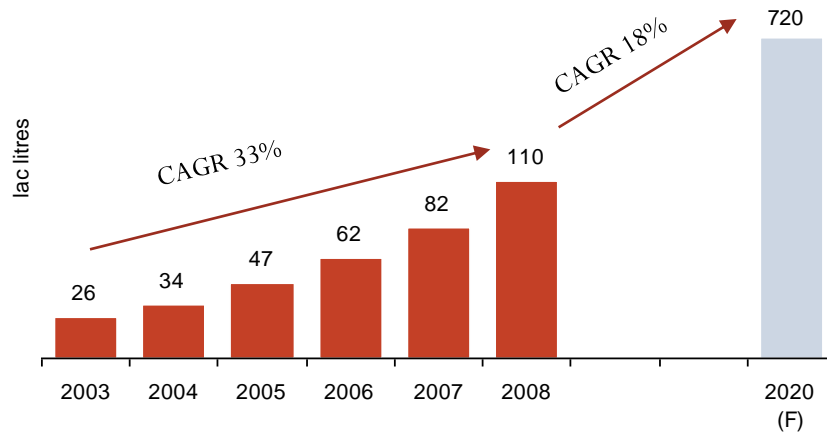
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Indian wine scenario

- India produce 15 million liters per annum. Present stock 30 million liters.
- Consumption 1.5 million cases i.e. 13.5 million liters per annum .
- Grape Plantation on 4000 hectares.
- Around 80 wineries in the country.
- Out of 80 in the country 70 in Maharashtra.
- Maharashtra State Produce 90% of Total Production.
- Total investment in the sector INR 2000 Corers.
- Present Employment in the sectors is 45000 nos.

An overview of the wine industry in India

Consumption of Wine in India



Source: Euromonitor, Industry association estimates
F = Forecast

- The size of the wine industry in India is estimated at Rs 1,050 crore and has grown at a compounded annual growth rate of 33% between 2003 and 2008.
 - Volume of wine consumed in India has grown from 26 lac litres in 2003 to 1.10 crore litres in 2008.
- Consumption is mainly concentrated in the major metropolitan areas, which account for nearly 80% of wine demand.
 - The biggest consumption areas are located in Mumbai (37%), Goa (10%), Delhi (25%) and Bangalore (12%).
- The wine industry is estimated to achieve 7.2 crore litres of wine consumption by 2020 at a compounded annual growth rate of 18%
- Growth of the domestic wine industry has provided significant employment opportunities to unskilled labourers
- Demand for grapes for wine production has provided livelihood to a number of farmers

Present Situation of the Indian wine sector

- Excess Plantation. Excess Wine Grapes.
- Over wine production.
- Low wine consumption. Per capita 10ml only.
- Easily not available to the end consumer.
- Drop in sales due to Global Slump in the sector, slow down in Europe, More Imported Wines in India, Terrorist Attack in Mumbai, Drop in Tourism, Many state changed duty laws for wines.
- Financial crises or Liquidity Crunch.
- Wine Industry struggling to get survive.

Root causes of the situation

- Marketing Barriers – Easily not available to end consumer.
- High inter state registration fees, duties and Taxes.
- Different and uneven state Govt. policies.
- Promotion barriers - Ban on advertisement, under prohibition act .
- Duty free wine imports in star hotels.
- Wine is treated as liquor.
- High Retail Price of Wines.
- High cost of production
 - High Grape Prices .
 - Higher bank interest rates.
 - Heavy import duties on Machinery & Equipments, Oenological Products, Packaging Material.
- Undefined Quality standards.
- Global recession.
- Terror attack - Heavy drop in tourism.
- Lack of product awareness.
- Unable to cater the need of the different market segments.
- Dumping of imported wines at throw away prices.

Proposed Measures (Short Term Solutions)

- **Financial support from the Govt. for survival of the Wine Industry.**
- **Interest subvention or Soft Loan**
 - Interest Subvention @ 6% per annum for next 7 years to survive.
 - Interest Subvention @ 6% for Previous 5 years paid interest as incentive.
 - Govt. Support in terms of Interest Free Soft Loans to survive the Grape Processing Units.
- **Restructuring of the existing loans.**
 - Restructuring of all the existing loan accounts including NPA or Rescheduled/ restructured with 2 years moratorium period and repayment in another 7 years.
 - Sanction additional fresh working capital, considering 2 years working cycle.
 - Finance should be under agriculture norms with Low, fix and simple yearly rate of interest .
- **Liquidation of Surplus Wine stock to consume wine grapes.**
 - Permission for distillation of excess wine stock under same license with duty exemption on end product.
 - Export incentive to liquidate the present excess stock.

Proposed Measures (Long term Solutions)

- **Wine Marketing (Domestic)**

- Centralized National policy for wine.
- De-link or differentiate wine from liquor.
- One window Registration and Label Registration throughout the country.
- Simplified wine marketing regulations.
- Tax, Duties and levies holiday throughout the country for next 10 years.
- Promotion of wine at Govt. corporate (Defense, Air lines & Embassy).
- Serve Indian Wine in National Flag Carrier Airlines.
- Promote wine tourism and vino therapy.
- Wine should be easily available to end consumer.
- Permission to sale in super markets, malls, and should grant easy license on demand to sale wine.
- Liberalized uniform policy throughout the country for Wine Bar & Restaurants, Wine café, Wine tasting room and Wine Shoppe.
- Wine advertisement to be liberalized.
- Control on selling price of wines in Hotels, Restaurants & Bars.
- To promote Health Benefits of Wine in the interest of social aspect.
- Control on duty free import of wines in Hotels and insist them to promote domestic wines.
- Common marketing.
 - Umbrella Branding
 - Common Selling retail outlets at different places.

Proposed Measures (Long term Solutions)

- **Wine Marketing (Overseas)**

- To set up Marketing offices in different continents.
- To promote “Wines of India” Under the Umbrella of “Brand India” abroad.
- Mutual agreement in-between the countries to promote “Indian Wine” and their product.
- To create our own Indigenous Identity.
- Define Wine Quality standards.
 - Establish Regulatory body to define and control Quality Standards for vine and wine.
 - Authentic Certifying agency for monitoring the Quality Standards of Wines.
 - Region wise Geographical Indications and wine appellation.
- Wine Institute & R&D center for vine and wine.
- Technology Transfer Program.
- Promote group / Mechanized and Organic farming.
- Agricultural norms for Finance, Electricity etc.
- Gestation period of the wine business cycle to be defined.
- Lower duties on imports of Wine Grape Plants, Farm Equipments, Oenological Products, Wine Machinery & Equip., Packaging Material, etc.
- Control / Restrict wine dumping from abroad on throw away prices.
- Stop duty-free wine imports.
- Wide product range to cater the need of different market segments.

Proposed Measures (Long term Solutions)

- Wines to be produced for different classes and masses such as Still Wines, Sparkling wines, Carbonic wines, Organic Wines, Herbal Wines, Fortified Wines, Cooking wines, Wine coolers, Drakshasav, Wine vinegar at different price points.
- **To develop wine cluster For**
- Alternative arrangement to consume surplus Grapes.
 - Permanent Pot still distillation to produce Grape spirit under the same winery license.
 - Allow to produce Fortified wines, Grape Brandy and Liqueurs (Not Liquor) out of Grape Spirit Only.
 - The word “Brandy” has to define as per the World Standard.
- Encourage Bi-product & waste processing for value addition.
 - Pot still distillation to extract the spirit out of lease and pomas.
 - To produce Grape Seed Oil.
 - To produce compost fertilizer.
 - To produce cattle feed.
 - To produce colour pigments.
 - To produce tannins.
 - Fuel for co-generation.
- To Provide Central facility or service provider to wine units.
- To set up Juice concentration plant.
- Provision for Substantial budget to develop and Encourage Indian Wine Industry.

Expected Output (Results)

- Boost Agro Economy.
- Promote Contract Farming & Assured income source to farmers.
- Minimize wastages of perishable crop.
- Survival of present industry.
- Retain & Increase direct & indirect Employment .
- Sustainable Growth of the industry.
- Increase in Govt. Revenue.
- Earn foreign currency.
- Health drink habit in society & prevent consuming hard liquor.
- Promote food processing.

Implication

- In the absence of timely support, grape growers are left with no option but to up-root their vineyards and search for alternative crops.
- Clearly, the grape growers may be unable to repay their loans and may result in avoidable casualty amongst poor farmers.
- Since development of land for vineyards requires minimum three years, up-rooting of vineyards will result in nearly an end of the domestic wine industry.
- On account of the above, the domestic wine industry will be forced to shut down their operations resulting in:
 - Loss of employment as a number of wineries will be forced to lay-off its workers (around 7,000 families will be affected)
 - Farmer families (around 10,000 families) dependant on wineries would be saddled with mounting debts
 - Significant losses in terms of state and central taxes to the Exchequer
 - Foreign companies with their imported wine would be largest beneficiaries with the closure of the domestic wine industry. Estimated forex outgo will be over USD 2 billion by 2020.

- **This entire presentation will help to serve the purpose of AIWPA and IGPB to foster sustainable development of the Indian Wine Industry with special focus on Research and Development, Extension, Quality Up-gradation, Market Research and domestic and international promotion of Indian Wine.**



Thank you