

## “A Critical Study Of Wine Industry : A New Hope For Sustainable Development For Grape Producers In India .”

**Dr.Rajendrasing Pardeshi**

Associate Professor, PDVVVPF's IBMRD, Ahmednagar,414111.Maharashtra, India

Contact no : 9762573384 Email id: [kavirajthakur@yahoo.co.in](mailto:kavirajthakur@yahoo.co.in)

### ABSTRACT:

Perishability is a major challenge faced by grape producers in India along with low rates offered by market during Grapes season. In this scenario Wine industry has opened a new window for such Grape producers. Competitive rates for grapes throughout season along with constant demand can lead to sustainable 360 degree development of grape producers of India. In this paper researcher tried to study and describe the nature, growth, challenges and opportunities for Wine industry in the context of developing Indian economy and its emerging Middle class .

**Keywords:** Wine, Sustainable development, Grape producers, Developing economy

### Introduction

Wine is not just a drink; it's a complete lifestyle drink, a survey into history, a gourmet adventure, a study in viticulture and experiencing different lifestyle. Until recently most of the Indian consumers were unable to relate themselves to wine but off late a few have been able to associate with it. Wine is directly related to health which is an extension of the consumer's persona. Increasing health consciousness and spend on corporate and personal entertainment has given a boost to wine industry. Indians, comparative to other Western countries, barely consume wine; they prefer to have liquor which has a higher percentage of alcohol. A report by the US Department of Agriculture's Global Information Network says that Indian wine production was at 4.7 million liters in 2004 and it will touch around 31 million liters (ML) by 2016. Indian wine market is growing at 30% per annum and metros like Delhi, Mumbai and Bangalore produce 80% of wine consumers in India. Another research report by London-based market researcher states that the Indian wine market is currently selling 1.2 million cases plus another 200,000 imported cases (a case has 12 bottles of 750 ml each) which is around 1% of IMLF market. The consumption of wine is increasing regularly and is predicted to grow in three-fold, reaching around 2.4 million cases by 2020.

### Indian Wine Segment

The summation of wine consumers without the limitations is demonstrated in the chart below:

Population Aspect	Number of people	Percentage	Number of people
Total Population		100.00%	1,229,866,154
Those with no religious prohibition		85.00%	1,045,386,231
Those of the Legal Drinking Age or Older		42.00%	439,062,217
Those residing in States allowing alcohol consumption		87.20%	381,984,129
Those with sufficient wealth to afford wine*		10.00%	38,198,413
Those listed above and have also been Educated/Exposed to Wine		85.00%	32,468,651
Potential wine consumers		2.4 %	32,468,651

*This information was based on the 2011 Indian Census' growth estimation for 2015*

Outside India, wine drinkers are usually over 30 but in India wine enthusiast are younger and are about 25 to 30 year olds. Various factors have been projected for the rising consumption of wine in India, which include global travel, a great exposure and experience of western culture where wine drinking is a part of the lifestyle, rising disposable incomes among the urban people imply that a greater part of the population can afford such products and also many state governments have reduced duties on wine, relaxed restrictions on distribution permitting wine to be sold in supermarkets .

As per ASSOCHAM “The wine market in India is growing faster than that for any other alcoholic beverage, at the rate of 30% annually. It is becoming more acceptable among women to drink wine. More women are joining the workforce and they are economically independent”. No wonder the world's biggest champagne house, Moet Hennessy, has launched Domaine Chandon India NV (non-vintage) Brut, its first “made in India” sparkling wine. With this it seeks to capture the urban youth between the ages of 25 to 35 who have become increasingly sophisticated

market of wine drinkers in India. Moet's Chandon India NV is made from a combination of Chenin Blanc, Chardonnay and Pinot Noir. The new winery is located in Dindori near western Maharashtra state's Nashik region.

### Indian Wine Maker

The per capita consumption of wine in India is only 0.07 liter/person/year as against 60-70 litres in France, Italy and German, 25 litres in US and 20 litres in Australia. Consumption of wine in India is low when we compare it with the consumption of other alcoholic beverages like whiskey, vodka, beer and rum. However, given the healthy status and growth of the alcohol beverage industry on the whole there is tremendous potential for wine. Currently the highest wine consumption is confined to major cities like Mumbai which has around 40% of total wine consumption in India followed by Delhi (23%), Bangalore (9%) and rest of India has only 20% consumption.

In India, Nashik in Maharashtra is known as the Napa Valley of India, most of the renowned vineyards of the country are located in this belt. Over two-thirds of the Indian wine estates are situated in Maharashtra. There are over 50 vineyards in and around Nasik with 40,000 hectares of grape cultivation and 1,100,000 tonnes of annual production out of which only 2% is used to make wines. The most famous vineyards in Nashik are Sula vineyards (One the most popular and profitable winery in India), York winery, Chateau d'ori, Reveilo, Mountain View, Zampa Valley, Fratelli wines and Four Seasons from UB Group.

Other popular wine growing regions are found in southern India, in the state of Karnataka (Grover Vineyards Limited, Bangalore) and a small number of vineyards are available in Andhra Pradesh, Tamil Nadu and Himachal Pradesh. Sauvignon Blanc, Chenin Blanc, Rose, Chardonnay, Sparkling Brut and Rose, Shiraz, Merlot, Zinfandel, Cabernet Sauvignon, Viognier, Reisling are the most common variety of grapes cultivated in India.

### Opportunities for Wine Industry

#### India's Emerging Wine Industry

India's expanding wine industry is in the midst of a vital transition. Last year, the country's wine production hit a record 17 million liters, with export sales rising 40 percent year-on-year to reach US\$4.4 million in the first 7 months. With a rapidly growing export sector, expanding domestic consumer market and increasing industry support in major wine-producing States, the Indian wine industry has potential to be a global market competitor.

This year, the Indian Government, in conjunction with the newly formed Indian Grape Processing Board (IGPB), is aiming to finalize the harmonization of Indian wine standards with the International Organization of Vine and Wine (OIV) guidelines. Set to be a catalyst for state reform, the new standards are good news for producers, investors and traders alike, who have eagerly anticipated the industry's rise for the past decade.

### A Decade of Success

Since the early 2000's, India has been hyped as an important emerging market for wine. The country has the optimum climate for grape cultivation and its main wine-producing states, Maharashtra and Karnataka, are leading producers of world class high-quality grapes.

In 2001, implementation of the 'Maharashtra Grape Processing Policy' stimulated a boom in the State's wine production from 712 kiloliters in 2002 to over 20 million liters in 2008-09. In 2008, the 'Karnataka Wine Policy' simplified the process for, and reduced the cost of, obtaining a winery license to significantly expand the market.



In addition, to further promote investment and production, the States established a number of integrated wine parks which provide basic infrastructure facilities and offer incentives for new units such as: a 100 percent exemption from excise duty for 10 years, relief in sales tax levels and subsidies for production duties. As a result, many new

wineries have since commenced production. However, industry competition remains low, with 80 percent of the market occupied by three major players.

In recent years, several additional measures have been taken to facilitate production, improve quality, increase awareness and encourage investment. State governments have begun to promote viticulture as an economic development tool and a tourism revitalization tactic, highlighting foreign investment as the key to honing industry potential. In addition, the IGPB has assisted producer participation in several international Wine Fairs and the National Research Centre for Grapes has undertaken numerous projects to develop improved production technology and management techniques.

### **Rising Export Sector & Progressive Retail Market**

In 2013, India exported almost 1.8 million liters of wine, rising 41.82 percent year-on-year to reach US\$6.88 million. Last year, the wine total production estimate for the states of Maharashtra and Karnataka was 14.2 million liters (1.58 million cases). Furthermore, production in Karnataka was predicted to increase to 5 million liters (555,000 cases), a rise of 1.3 million liters (145,000 cases) year-on-year. In addition, supermarket sales are increasing as high-end chains have begun to allocate spaces for fine wine. However, sales are largely of domestic wines, as imported wines suffer from high retail prices due to import tariffs and consumer unfamiliarity.

### **Broadening Consumer Palate**

Indian wine drinkers are largely upper income earners with high levels of disposable income. Thus, wine is primarily an urban drink with the States of Maharashtra and Karnataka, the Delhi metro area and Goa accounting for approximately 75 percent of consumption.

Despite the touted emerging market, growth in domestic wine consumption has been gradual. India is the world's largest whisky market, with over 200 million consumers of hard liquor. Indian consumers invariably prefer sweeter drinks with higher levels of alcohol. Encouraging the transition to wine will therefore be no easy feat.

However, over the next five years, 100 million consumers will reach the legal drinking age of 25 and, by 2017, Indian wine consumption is estimated to rise to 2.1 million cases of wine per year, increasing 73 percent from 1.21 million in 2013.

In addition, wine is becoming increasingly popular among younger generations and women. Furthermore, the recent education push has led to a growing awareness of health issues surrounding consumption of hard liquor.

Therefore, while only a very small percentage of India's total population has the right combination of religious views, age, location, income and exposure, this amounts to 24 million people, a significant and potentially lucrative emerging market.

### **Prospects for Foreign Investment**

Indian State Governments have exclusive competence to levy excise duties on alcohol and determine their rates. As a result, each state has differing and complex licensing, taxation and registration procedures with regard to manufacturing, labeling, registration, distribution and sale of wine. Furthermore, in many states wine is grouped with other alcoholic beverages such as spirits with regard to taxation and prohibition. Consequently, foreign investment in the industry is marred by difficulty in navigating the fragmented market.

However, India is on track to reduce barriers to investment in wine-producing States in the coming years. Promotion of foreign direct investment (FDI) in India's wine industry is on the rise, and international cooperation can provide vital market solutions in the form of capital, technology, and expertise.

India's viticulture industry currently allows 100 percent FDI through the automatic route. Access to reasonably priced quality wines is considered by some to be the key to speeding the development of a wine culture in India. Consequently, some local wineries are working to produce inexpensive sweet wines to cater to the palate of the Indian consumer and expand the market to those with moderate incomes.

While significant challenges remain, investors can expect the industry to become increasingly inviting in the short to medium term and should prioritize the Indian consumer in any attempt to enter the market.

### **Challenges faced by wine industry**

There are still a lot of challenges that the winemakers face in India.

- Different taxes are levied on the wines such as the state tax and excise tax, adding to this, is the cost of real estate for on-premise outlets / license fees. This makes wine far more expensive and out of reach for the first time drinkers and the middle class which is a big segment of our population. In Delhi the tax on wine is at a rate of Rs. 200 per liter whereas in Karnataka the tax is around Rs. 630 per case of 9 liters. Such uneven tax rates pose a huge challenge for the smooth sale of wines across the country

- Demand-supply mismatch: As per Times of India that “In 2012, 50 lac liters of wine remained unsold in India.” Quality grape supply could become a major problem in a year or two. Farmers are already switching back to table grapes.
  - There is a huge scarcity of local technical expertise and a lot of bottlenecks in marketing and distribution in wine Industry.
  - Poor storage and transportation facility: Wine production is concentrated in and around Nasik region, so reaching to the distant markets like Delhi and Bangalore causes the wines' shelf life to reduce due to the poor transit condition. So the consumer does not always get the wine in the best condition
- Complex system : Further industry growth is hampered by a complex system of excise taxes, licensing processes and distribution procedures, which serve to dramatically increase retail prices on imports and limit interstate trade. In addition, the market is constrained by inadequate storage options and an enduring consumer preference for hard liquor.
- Furthermore, India’s grape processing facilities are inadequate and feature poor price realization on produce. The international demand for adherence to quality parameters, coupled with a severe lack of infrastructure to support the high investment crop, has seen many producers suffer severe economic loss due to an overexpansion in supply. As a result, many domestic wine companies are struggling to recover, with over 50 percent of Maharashtra’s wineries closing, lying dormant or reverting to the production of table grapes.

### Conclusion

Wine industry in India is in the formative stage and is catching up with the Indian customers; the per capita consumption still needs to increase. This can be done by, educating the consumer on type of wine, year of harvest, grape variant, origin, and brand. One sign of the changes happening is the emergence of Wine Clubs in a number of cities like Delhi Wine Club, Indian Wine Academy, Mumbai Wine Clubs, Wine Society of India, Hyderabad Wine Club, Bangalore Wine Club, and Indian Wine Academy. Apart from this, wine vineyards are creating an experiential journey for the customers with different mediums like events, sponsorships and tastings to promote wines and vineyard tours as they have realized that proper consumer knowledge serves as the primary sales trigger. The consumer buys what it sees in the menu, with the right marketing strategies and increased awareness Indian wine industry can conquer Indian hearts. To conclude we can say that there is a tremendous potential for wine industry provided that it should be supported by factors such as education ,training ,modern technology, tissue culture ,biotechnology, political willpower of government for sustainable development of grape producers in India

### References:

- The Wines of India by Peter Csizmadia Honigh  
[http://articles.economictimes.indiatimes.com/2008-09-18/news/27712885\\_1\\_wine-consumption-wine-market-wine-industry](http://articles.economictimes.indiatimes.com/2008-09-18/news/27712885_1_wine-consumption-wine-market-wine-industry)  
<http://timesofindia.indiatimes.com/business/india-business/Wine-industry-in-Maharashtra-losing-its-high/articleshow/31247422.cms>  
[http://www.indialawoffices.com/ilo\\_pdf/industry-reports/wineindustry.pdf](http://www.indialawoffices.com/ilo_pdf/industry-reports/wineindustry.pdf)  
[http://indianwine.com/cs/blogs/indian\\_wine/default.aspx](http://indianwine.com/cs/blogs/indian_wine/default.aspx)  
<http://www.chateaudori.com/pdf/ambrosia%20.pdf>

\*\*\*\*\*