Introduction

- Organic farming started after 1989 in CR
- More and more popular
- CR among top ten countries with the highest share of organic agricultural land
- Many wine producers in the conversion period

The ten countries with the highest shares of organic agricultural land in percentage (2010)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Falkland Islands (Malvinas)</td>
<td>35.9</td>
</tr>
<tr>
<td>2</td>
<td>Liechtenstein</td>
<td>27.3</td>
</tr>
<tr>
<td>3</td>
<td>Austria</td>
<td>19.7</td>
</tr>
<tr>
<td>4</td>
<td>Sweden</td>
<td>14.1</td>
</tr>
<tr>
<td>5</td>
<td>Estonia</td>
<td>12.5</td>
</tr>
<tr>
<td>6</td>
<td>Switzerland</td>
<td>11.4</td>
</tr>
<tr>
<td>7</td>
<td>Czech Republic</td>
<td><strong>10.5</strong></td>
</tr>
<tr>
<td>8</td>
<td>Latvia</td>
<td>9.4</td>
</tr>
<tr>
<td>9</td>
<td>Slovakia</td>
<td>9.0</td>
</tr>
<tr>
<td>10</td>
<td>Italy</td>
<td>8.7</td>
</tr>
</tbody>
</table>

Source: FiBL and IFOAM 2012; based on information from the private sector, certifiers, and governments.

Aim of the paper

- evaluate the situation in the organic wine sector in the Czech Republic
- identify the key factors influencing the current situation
- predict future development
Material and Methods

- Industry analysis
- Key factors identification such as:
  - Industry life cycle
  - Size and segmentation of wine market
  - Substitution
  - Market demand
  - Market supply
- Grove’s model

Organic production

- 162 countries have data on organic agriculture
- 37.2 million ha of organic agricultural land in 2011
- Raised more than 3 times since 1999
- Regions with the largest areas:
  - Oceania (12.2 million ha)
  - Europe (10.6 mill ha)
  - Latin America (6.8 mill ha)

Organic Viticulture

- 4.4% of the harvested grape area in Europe is organic
- Largest organic areas:
  - Spain
  - Italy
  - France
- Since 2004 grape area has more than doubled

Figure 2 Organic grape area development (2004-2012) in the world

\[ y = 72681e^{0.1526x} \]
\[ R^2 = 0.9786 \]
Organic Viticulture

- 978,34ha organic agricultural grape area in 2011 in CR

<table>
<thead>
<tr>
<th>Organic vineyards</th>
<th>Number of Ecofarms</th>
<th>Conversion period (ha)</th>
<th>Fully converted (ha)</th>
<th>Total (ha)</th>
<th>Organic production (t)</th>
<th>Organic yeald (t/ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>45</td>
<td>536,03</td>
<td>442,31</td>
<td>978,34</td>
<td>1494,63</td>
<td>3,38</td>
</tr>
</tbody>
</table>

Source: Statistical research ÚZEI 2011, Yearbook 2011, Organic agriculture in the Czech Republic

Organic Market in the Czech Republic

- Czech consumers spent aprox. 1.6 billion CZK for organic food
- Prices in organic food aprox. 100-120 % higher than the prices of conventional food

Organic wine market in CR

- Major development
- Production of organic wine increased by almost 70 % year-on-year

REASON?
Unsaturated market for these products in CR and mostly abroad!

Opportunity to export

• Germany
• Switzerland

REASON?

Consumption of organic wine is there the biggest among the European countries!!!
<table>
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</thead>
<tbody>
<tr>
<td>Wine consumption</td>
<td>1648</td>
<td>1684</td>
<td>1751</td>
<td>1730</td>
<td>1888</td>
</tr>
<tr>
<td>Wine production</td>
<td>495</td>
<td>560</td>
<td>570</td>
<td>438</td>
<td>434</td>
</tr>
<tr>
<td>Wine export</td>
<td>21</td>
<td>30</td>
<td>43</td>
<td>41</td>
<td>83</td>
</tr>
<tr>
<td>Wine import</td>
<td>1049</td>
<td>1098</td>
<td>1341</td>
<td>1378</td>
<td>1471</td>
</tr>
</tbody>
</table>

<table>
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</thead>
<tbody>
<tr>
<td>Wine production</td>
<td>820</td>
<td>840</td>
<td>564</td>
<td>390</td>
<td>650</td>
</tr>
<tr>
<td>Wine export</td>
<td>177</td>
<td>182</td>
<td>222</td>
<td>250</td>
<td>270</td>
</tr>
<tr>
<td>Wine import</td>
<td>1585</td>
<td>1420</td>
<td>1540</td>
<td>1774</td>
<td>1850</td>
</tr>
</tbody>
</table>

Source: Mze, CSO, SV ČR

### Industry analysis

- Industry life cycle
- Size and segmentation of wine market
- Substitution
- Market demand
- Market supply
- Competition

Industry analysis

- Industry life cycle
  - Between introduction and growth stage
- Size and segmentation of wine market
  - Wine is drunk more by:
    - women than men
    - People with secondary or higher education
    - Households with income over 20,000CZK (=800Euro)
  - Customers prefer domestic wines
  - Loyalty to the branch is average
Industry analysis

• Substitution
  – Beer wins (draft) – drunk by 49.6% of respondents

• Market demand
  – Great possibilities
  – Increasing demand and consumption of organic wine – increased annually by 10% 

• Market supply
  – Czech supply doesn’t meet the requirements of the demand for wine (it satisfies the demand only from less than 32% in 2011/2012)
  – The percentage should increase in the next year
  – CR dependent on imported wine (58% of total supply)

Industry analysis

• Competition
  – 77 wineries – increasing trend

<table>
<thead>
<tr>
<th>Organic wine producers in the years 2008-2011</th>
</tr>
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<tbody>
<tr>
<td>Number of organic wine producers</td>
</tr>
<tr>
<td>------------------------------------------</td>
</tr>
<tr>
<td>Number of organic wine producers</td>
</tr>
</tbody>
</table>

Source: Zpráva o trhu s biopotravinami 2011

Competition

• Small family wineries
• Selected wine shops; directly to consumer
• Supply chains (different marketing strategy)

• Small competition
PROBLEM?

1. Lack of uniformity and good business policy!

2. Very weak marketing!

3. Low rising of public awareness on organic food!
4. Large variations in quality!

<table>
<thead>
<tr>
<th>Strength of existing competitors</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Relatively small</td>
</tr>
<tr>
<td>• Small and medium sized enterprises</td>
</tr>
<tr>
<td>• Barriers – complicated and time-consuming administration</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Strength of potential competitors</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Large number of producers in integrated production</td>
</tr>
<tr>
<td>• Relatively high number of potential competitors</td>
</tr>
<tr>
<td>• Many barriers (administration, financial crisis, higher need of employees, 3-5 years transition after registration)</td>
</tr>
</tbody>
</table>
Strength of buyers

- Specialized shops, specialized organic food stores, private wine cellars, e-shops
- Big problem – bargaining position of retail chains

Strength of suppliers

- Two groups:
  - Suppliers to the branch of viticulture
    - Their position strengthened by the fact that they cannot be replaced by any substitutes
    - Wine branch is not their only customer
  - Suppliers to the branch of winery
    - Higher bargaining power

Possibility of fundamental change in the way of business

- Very little possibility of change, producers always the same
- They may differ in the environmental input and the use of other methods of cultivation
- Greater opportunities for promotion of organic wine delivery to specialized shops and proactive approach to customers
Strength of general partner

• No company dependent on any particular company
• Most dependent on suppliers, but none of them is a monopoly

Conclusion

• Organic wine production is still developing in CR
• Organic viticulture industry is worldwide in the development stage and it can be expected a positive development in the future

If you are interested in this topic, please contact:

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Thank you for your attention!