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MEASURES AGAINST ILLEGAL PRACTICES IN WINE BUSINESS

1

BACKGROUND

- Wine industry makes a traditional and inseparable part of Czech agricultural production.
- The viticulture in Czech Republic is focused mainly on high quality wine production.
- Higher quality is connected with higher costs that are reflected in higher prices of these wines.
- Czech wines´ have to face a threat from two different points of view: cheaper wines imported from abroad and **competitors using illegal practices.**

2

BACKGROUND

One of the main problems –

❑ Adulteration of wine origin

The good name of Czech and Moravian wine industry has been significantly threatened and domestic wines lose their competitiveness and economic profitability

3

BACKGROUND

➤ The importance of protected designations of origin of wines studied:

- Bruwer, J., Li, E., Lang, S., Chaumont, S. 2012. Perspectives on Consumers' Attitudes to Wine's Region of Origin in a Restaurant Setting. Journal of Foodservice Business Research. Vol. 15 Issue 3, p300-318.
- Ditter, J. G., Brouard, J. 2014. The competitiveness of French protected designation of origin wines: a theoretical analysis of the role of proximity. Journal of Wine Research. Vol. 25 Issue 1, p5-18.

The origin of the wine is a significant factor for consumers' decisions to purchase wine.

4

OBJECTIVE

- To evaluate the legislative measurements in the neighbouring countries (Germany, Austria) to the protection against the illegal importation and sales of adulterated wine.
- To find impulses and ideas for the modification of Czech law.

5

METHODOLOGY AND DATA

- Wine legislation
 - Excise tax
 - Import
 - Wine business practices
 - Bulk/keg wine sale
 - Sanction system
- Secondary data - desk research of legislative documents; statistics and annual reports.
 - Primary data – qualitative research. To get a deeper awareness about the practices experts in this field (from academic area, government and appropriate institutions such as board of customs) were contacted and interviewed.

6

RESULTS - WINE LEGISLATION, EXCISE TAX

The situation in the Czech Republic is the same as in Austria and Germany.

- Excise tax on still wine is 0 %. It means that wine is part of the products that are subject to the excise tax with the rate of 0 %.
- From the point of view of recording tax, the wine-makers must submit the excise tax return ⇒ it is possible to use the system EMCS for import of goods in all three countries.
- **BUT** the use of the EMCS is not obligatory

7

RESULTS - WINE LEGISLATION; IMPORT

- The whole system of wine imports in the Czech Republic, Austria and Germany is very similar.
- The legislation is based on the EU Directives.
- It is possible to import wine from the Member States of the EU, just as in the Czech Republic.
- Either in a free circulation or under the duty suspension arrangement.

8

RESULTS - BULK/KEG WINE SALE

The major difference between the Czech Republic, Austria and Germany from the viewpoint of production and sales of wine is mainly in two areas.

- In the area of control
- In the area of poured wine (bulk wine) selling.

9

RESULTS - BULK/KEG WINE SALE

The area of control:

- The pillars of Austrian and German wine law consist of controlled origin of wine, limitation of yield per hectare, quality designation and state quality control.
- In the Czech Republic, the control is also based on the wine law and the principles are very similar in both observed countries. **The problem is, however, in application and fairness of performed controls.**

10

RESULTS - BULK/KEG WINE SALE

The area of keg/bulk wine or poured wine selling:

- In Germany - not common to provide this kind of wine to a final consumer. Only some stores offering wine of any quantity to a customer, it is never directly from the keg/tank/bulk. Most of the traders are selling solely bottled wine or in case of so called Wein vom Fass, it is sold in bag in box.
- In Austria - very limited. The main share from the sales of wine directly from the wine producer is from the bottled wine, poured wine can be offered only in the local places of business that are bound to a particular winemaker – so called “Heuriger”. (the strict rules for functioning)
- In the Czech Republic – common sales, no restrictions for sales

11

RESULTS - SANCTION SYSTEM

In the Czech Republic

- sanction system in the administrative law as a whole is considerably unclear and disorganized.

12

CONCLUSION

The possible solutions to the problem of black market with wine in the Czech Republic:

- Introducing an obligation to use the system EMCS.
- Consistent and frequent inspection.
- Rules for poured wine selling.
- The modification of the sanction system.

13

Thank you for attention

14