



Market and Trade Data

Swedes Develop Palate for Wines

By Bettina Dahlbacka

With a tradition of restricting alcohol consumption through high taxes and limited distribution, Sweden is still coming to grips with commitments made when it became a member of the EU (European Union) in 1995.

The country did meet initial EU accession requirements, easing taxes and some import regulations on alcoholic beverages.

After years of enacting high taxes on alcohol to limit sales for public health reasons, the Swedish government is now facing a dilemma. Though granted leeway initially, Sweden is now being pressured by the EU to conform to EU regulations concerning market access for alcoholic beverages from other countries.

Systembolaget Under Fire

Before EU accession, Sweden's state-owned agency, Systembolaget, handled all sales of alcoholic beverages, importing products through the state-owned Vin and Sprit, then Sweden's only importer and distributor of wines, spirits and beer.

Though Systembolaget still retains its retail monopoly with 400 liquor stores, restaurants and caterers can now import directly or through a licensed independent importer.

Since Jan. 1, 2004, when Sweden began complying with the EU edict to raise the limit on imports through the private sector, Systembolaget's retail sales have been falling steadily.

With the partial lifting of restrictions, consumers often cross the border to buy bargain alcohol from neighboring countries, Denmark and Finland, and new EU member states Estonia, Latvia and Poland.

Under Swedish law, however, consumers are prohibited from using independent importers to bring in alcohol for their private use. They must still request Systembolaget to arrange for importing, at added time and expense. The European Commission has decided to bring Sweden before the European Court of Justice to determine if this practice is in compliance with EU market access regulations.

Beset with falling sales, Systembolaget has further been rocked by a bribery scandal that surfaced in October 2003, which raised concerns over whether the agency had outlived its usefulness.

EU Enforcing Harmonization

As EU harmonization requirements have been met, Sweden has increased private alcohol import quotas, and equalized taxes on wines and beer. However, the EU is pushing the Swedish Government to make additional tax reductions as the Commission maintains that the current tax scheme still disadvantages imported wine.

In 2004, Systembolaget's retail wine sales were dominated by Spain followed by Italy. However, wines from New World countries, such as South Africa, Australia, Chile and the United States, are growing in popularity. Retail sales of U.S. wines increased in volume terms in 2004 as U.S. market share made an impressive gain from 3.7 percent in 2003 to 6.3 percent.

U.S. Wines Returning

Even before 2004, improved access in Sweden had led to a doubling of wine consumption since 1970, to 25 liters per capita in 2003.

Once considered primarily vodka consumers, Swedes are acquiring a taste for and knowledge about quality wines. U.S. wines are gaining a place on the Swedish palate.

In 2004, U.S. wine exports to Sweden increased to \$7.7 million and 2.1 million liters, from \$6.6 million and 1.6 million liters in 2003. By value, these sales reflected about 2.4 percent of all wines imported into Sweden last year. At this time about 150 different U.S. wines are available through Systembolaget's retail outlets throughout Sweden.

How To Market

In February 2003, a verdict by the Swedish Market Court cleared the way for once-banned advertising in newspapers and magazines. However, the Swedish government has since passed legislation, effective Jan. 1, 2005, forbidding advertising for beverages with an alcoholic content more than 15 percent. Table wines fall below this level.

Since advertisements were not allowed for many years, journalists writing about wines have acquired more influence over the wine marketplace than their colleagues in other countries. Their wine articles in newspapers and magazines are popular and can sway wine consumers and trends. Systembolaget also has a monthly news magazine that lists available wines and information about vintages.

The Wine Institute, which promotes California wines, with its information office in Stockholm, conducts wine tastings and "wine day" exhibits throughout Sweden. Several active Swedish wine societies also promote wine consumption.

Bettina Dahlbacka is an agricultural marketing specialist with the FAS Office of Agricultural Affairs in Stockholm, Sweden.
E-mail: AgStockholm@usda.gov

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