

PROSECCO KEEPS BUBBLING

The big sparkling success story of the past three years has been Italy's Prosecco. Michèle Shah says that new quality regulations are paying off. Yet while consumers have been quick to embrace the wine, they show little interest in the story behind it.

There is no doubt that Prosecco is the hot success story of Italy's current wine production, with a continuous rise in domestic and export sales. It is the 'must have' Italian sparkling wine, which almost every international importer carries in its portfolio. But changes to its appellation laws have raised production prices. How has the market responded?

Change in status

Prosecco is a sparkling wine made using the charmat, where wine is made in large steel tanks that keep the wine under pressure. The result is a light, delicate wine of medium structure, not more than 11 degrees of alcohol, which is usually non-vintage. Prosecco comes in a variety of styles, but the most popular of styles is the dryer Brut version with lower sugar levels, which over the past 10 years has increased from 10% to 35% of overall production.

The name 'Prosecco' once referred to the grape; since 2009, however, the name can only refer to wine made within the designated area. Anyone making it beyond these borders needs to call the grape (and wine) 'Glera', the historic name for Prosecco. That was also the year when Prosecco's status rose from the basic IGT appellation to DOC, and from DOC to the prized DOCG Superiore. New plantings and the expanded areas have made it possible for Prosecco to reach new production heights, which will continue to grow throughout 2013 and 2014. The long-term strategy of Prosecco producers is to increase supply to the main markets of Germany, UK and USA, and to be able to cater to increased demand in new, emerging markets.

At present, the DOC - the lower areas of the Provinces of Treviso, Belluno, Venice, Padua, Vicenza, Udine, Pordenone, Trieste and Gorizia - is 19,700 ha, making it the largest Italian DOC, estimated to reach its full potential production of 20,000 ha by 2014. This would make it almost four times the area of the DOCG, currently at 5,647 ha. The prized hilly DOCG area of Conegliano Valdobbiadene has

Five top DOC producers*

*in value and volume

La Marca Vini e Spumanti

Contarini Vini e Spumanti

Casa Vinicola Zonin

Cantine Riunite e Civ (Maschio)

Mionetto



Five top DOCG producers*

*in value and volume

Valdo Spumanti S.r.l.

Cantina Produttori di Valdobbiadene
soc. agr. coop.

Contarini Vini e Spumanti S.p.A.

La Gioiosa S.p.A

Carpenè Malvolti S.p.A.

expanded steadily since 2003, increasing by 51.7% in volume and 60% in value, jumping from €250m to €400m in less than 10 years. The DOC results are even more impressive: since 2010, DOC production has risen from

156m bottles to 245m bottles in 2012, valued at €498m. These figures are predicted to rise further to 320m bottles by 2014.

Six years ago, Gruppo Zonin, which produces some 8m bottles of Zonin Prosecco DOC, began market research, monitoring demand for Prosecco in the US, Germany, UK and other countries. Questions were directed at consumers with knowledge of Prosecco as well as aiming at potential future consumers. "Prosecco's success is attributed to its quality to price ratio, along with its versatility, making it a very 'trendy and hot' product," explains Massimo Tuzzi, export manager. According to Tuzzi the outcome of the research shows that consumers see Prosecco as a 'treat': a trendy wine that's easy to drink, light and not too high in alcohol, easy to order at the bar as an aperitif, great to use in wine cocktails, and also able to be enjoyed throughout a meal. Tuzzi explains that, in some countries, Prosecco is seen as a classy wine that, while not as exclusive as Champagne, represents a young and dynamic choice. "It interprets a modern and metropolitan life style," he adds.

Steve Howard, Zonin's US importer, says that sales of Zonin Prosecco - sold at between \$14.99 and \$16.99 - have increased in the US alone by 300% since 2011, with an almost even split between sales in on-trade and off-trade.

While Prosecco's image is good, there are, however, internal concerns about it among its winegrowers' associations. Both Consorziios voice concern about maintaining and increasing the quality standards of production, which since vintage 2009 are guaranteed by its provenance and traceability. There have been, and there still are, cases of counterfeit Prosecco, especially coming out of Germany, with names such as Prisecco, Riesecco and Secco. Important to both Consorziios is the fact that, by being a recognised appellation DOC/G, they can join forces and appeal to the EU courts for support in legal battles to defend their product's name and image against counterfeit production.

Promotion is high on the list of forthcoming strategies. Innocente Nardi, president of Pro-

secco Superiore DOCG Consorzio, and owner of La Farra estate, is emphatic about communicating Prosecco Superiore DOCG's unique identity, soon to become a UNESCO heritage site. "Our uniqueness can be divided into three areas of genuine identity," explains Nardi. "Our history and therefore the area's experience in production; its terroir and therefore its typicality; its humanity and therefore its work force, which today encompasses some 5,000 employees in the DOCG area alone." There is a unique story to tell; the DOCG area is characterized by steep, terraced hillsides, where vineyard management and harvest are still done manually. According to Giancarlo Vettorello, director of the DOCG Conegliano Valdobbiadene Consorzio, yields in the DOCG area are comparatively lower and costs of production are three to four times higher than that of the lower DOC areas, therefore justifying DOCG's higher cost.

The challenge

Despite the work that's been done to give Prosecco a higher status, with the additional DOC/G, the value of the new appellation isn't yet clear to consumers. While producers and their consorzios see the DOC/G status as of vital importance in guaranteeing quality and the origin of the product, most importers, however, say that the only important name on the label is 'Prosecco'.

Terri Bruney, owner of WineTastic in Texas, which retails a stream of Proseccos, says that growing awareness about Prosecco, along with its availability and price are the reasons that its market share is growing. "The realisation that this is a non-complicated, easy-drinking, softer sparkler that fits any occasion makes it very attractive. The price point is less than other sparkling wines and Champagne, making it an affordable option," he says, adding that the availability of Prosecco by the glass has helped increase consumer awareness, while its use as a cocktail base has "engaged a whole new generation of fans".

Price may be an issue elsewhere. When Prosecco IGT upgraded to DOC status, a stressful situation was created with regard to pricing, agrees Paolo Bisol, managing director of Ruggeri, one of the main players in the DOCG Valdobbiadene area. "Lowering yields created higher grape prices," he says. "Finally, with the 2012 harvest, the price of grapes should go down."

Brian Larky, CEO of Dalla Terra Imports in the US, is one wine merchant who understands

there is a huge difference in quality between the DOC, DOCG and the Rive DOCG (hillside cru vineyards). "Most people don't realise that the DOCG area is one of the most expensive vineyard areas in the world, on par with top regions in France and the US, yet it's a relatively inexpensive product," he says. "While the grapes have been there for centuries and are perfectly adapted to the terroir and steep terrains of the top vineyards, most people don't realise that it's only recently that we are enjoying Prosecco as we do now – a sparkling with residual sugar." Moreover, the entire process and technology of using autoclaves, chillers to stop the fermentation, sterile filtration under pressure is a costly business.

Most consumers outside Italy, however, are not aware of what the DOC or DOCG status means, and how it impacts on the wine. Marco Fantinel, president of the Fantinel Group from the DOC area of production, argues that the changes aren't just important for the quality image, but have also helped to unify pricing, "which up until a few years ago was very uneven and confusing to the end consumer in terms of quality." He also says that the changes haven't hurt sales. "Our main market is the UK, which has risen by a steady 20% this year, and fortunately we are able to keep up with increasing demands. Since 2011, our new vines are coming into production as we now extend to 100 ha of production."

David Gleave, the managing director of Liberty Wines in the UK, on the other hand, says that the price changes have impacted sales, saying that Prosecco's success in the UK – it's now the sparkling wine of choice in many restaurants – has come from its drinkability and value, which has helped to break Champagne's sparkling wine monopoly. "[Prosecco] has a broad appeal that other sparkling wines have struggled to attain," he says. "Yet, it needs to consolidate its success. The increase in price last year hurt sales. We need a period of price stability, and we need to ensure that quality remains uppermost in producers' minds."

In Germany, according to Mack & Schühle, Zonin's German importers, the price of Prosecco has been increasing. Yet while Prosecco sales have dropped by 15%, value has only dropped by 5%, suggesting that the price rises made up for some of the volume loss. Nevertheless, there is not a lot of room for prices to move in Germany, as only 6% of total volumes are generated above €5.00 (\$6.40). So far, the changes to the quality designations seem to

have made no impression on German consumers.

Japan is a sophisticated market, where the major Prosecco players are well represented, along with some smaller quality producers. Yet the market is, according to Ned Goodwin MW, the wine director for Global Dining, oblivious to the importance of the new appellation status. "Outside of sommeliers (whose influence is declining as consumption moves in-home), the varietal 'Prosecco' brand is far more important than the DOC/G brand which is too ubiquitous, too confusing and not acknowledged at all by the end-consumer," he says.

Anastasia Shikanyan, the senior product manager of Russia's Alianta Group, also says most consumers are not aware about the change in Prosecco's status. "For consumers, it doesn't matter whether it is DOC or DOCG. The most important is the word 'Prosecco' on the label," she says. "As for 'Glera', it wouldn't mean anything to the majority of Russian consumers."

Not all of the world's opinion makers are so dismissive. "Years ago in Brazil, Prosecco was adopted by the fashion market. People in these markets use the term 'Prosecco' to ask generally for sparkling wines, even Champagne," says Christian Burgos, editor of *Adega* and other wine publications. "In my opinion, the increase in quality and the addition of DOC and DOCG on the label is the only way to increase Prosecco sales and its image."

Sales of imported wines to Brazil are increasing, but Prosecco currently has an image as a cheap sparkling – and this is a problem. "Prosecco is losing ground among good quality wines requested in Brazil. Nowadays we can see that Cava's wines are gaining ground rapidly as a more elegant alternative for Prosecco," says Giuseppe Russo, CEO of Siciliane imports in São Paulo. "The DOC status is an important seal for recognition of quality and origin; however it needs to be supported by an institutional campaign."

The campaign is coming, as education and promotional campaigns are at the heart of both Consorzios' future strategies. According to Vettorello, the DOCG Conegliano Valdobbiadene Consorzio has recently set up an observatory to monitor their main markets: Germany, USA, Switzerland, UK, Japan and Russia, and from 2013 they will be attending major international trade fairs in Hong Kong, Japan and Vinexpo and ProWein. At every turn, they'll be taking the opportunity to explain the value of the appellation changes. ■