

INSIDE THE GROWING LITHUANIAN MARKET

Wine producers that conquer Vilnius will find a gateway to the Baltics and Belarus, says Michèle Shah.

The Lithuanian wine market is by far the largest market in the Baltics, growing steadily at an annual rate of 10-15%; the volume is estimated at some 31m litres, double the size of the Estonian market and 40% larger than Latvia. While it looks very promising it is also a complex, confusing market as the official wine sale and import statistics from Statistics Lithuania draw an inaccurate picture. It is sometimes better to refer to it as the Baltic market as it is estimated that up to 75% of wine that enters Lithuania is re-exported to the other Baltic countries.

The market at a glance

The Lithuanian market is made up of a number of pan-Baltic companies, which during 2018 imported some 92m litres of wine, of which 61m litres were re-exported to eastern markets, particularly Russia and Belarus. Therefore, there is a mismatch between import statistics and the actual consumption of wine in Lithuania. Some wine imported into the country is also re-exported to Latvia or Estonia. In fact, all the large players in the wine market have a pan-Baltic structure, which means wine producers that enter the Lithuanian market have a good chance of thereby accessing Estonia and Latvia as well.

Market legislation was minimal until March 2017, when radical steps were taken by the new government to curtail the consumption of alcohol. The excise tax on alcohol was raised from 67 euro cents to €1.26 (\$1.39) per bottle, encouraging some consumers to switch to spirits and causing an increase in cross-border trade. Lithuania is said to suffer from some of the worst rates of alcohol-related diseases; it had the second-highest rate of cardiovascular disease in the EU in 2016, and the highest



Vilnius,
Lithuania

number of tuberculosis deaths in 2015 (alcohol abuse heightens the risk of contracting TB). Wine in Moderation, an EU-backed association of small distributors and producers of alcoholic drinks, was only recently formed in Lithuania to promote drinking responsibly.

Statistics issued by the State Tax Inspectorate of Lithuania show that the consumption of absolute alcohol per capita is decreasing, while wine consumption is not, which means that wine is the only category in the market which has constant sales.

"Since 2017 sales of alcohol have fallen by 15%," says Arūnas Starkus, CEO of importer Vyno Klubas. "The main loss was in beer and the cheap fortified wine segment, but some segments of the market, such as fine wine, are growing. Following the legislative changes of 2017 and 2018, the alcohol trade has adapted well, and the market has stabilised. The share in wine is expected to continue to grow."

Starkus, together with his wife Rasa Starkuvienė, are considered pioneers and key influencers in the Lithuanian and pan-Baltic wine industry. In 2003 they founded Vyno Klubas, a specialist wine shop that imports

fine wine, while in 2005 they founded the Sommelier School of Lithuania. This was followed by the Vyno Dienos international annual wine exhibition, the only one of its kind in the pan-Baltic countries, which appeared at a time when there were no sommeliers in the market and a mere ten wine professionals with 'adequate' wine knowledge. The initial exhibition, which was mainly for consumers, has since grown from six participants and 800 visitors in 2005 to 140 stands and 4,500 visitors in 2019. It is considered the main wine event in Lithuania and is the largest regional fair, being larger than other fairs in Poland, the Baltics and the Nordic countries. It also attracts the attention of buyers from Belarus.

According to CEO Starkuvienė, Vyno Dienos has matured alongside a community of professionals, which comprises some 1,500 graduates from the Sommelier School of Lithuania, as well as an increasing number of importers. "Now we see even supermarket chains and grocery shop chains participating in Vyno Dienos, while for producers it is the most efficient way to find a distributor and to check out how wine is accepted in the Baltics,"

says Starkuvienė, who most recently together with her husband Starkus launched a new project, the first and only Lithuanian wine magazine, *Vyno Žurnalas*.

When it comes to importing wine into the country, “legislation is minimal and import/export is very easy,” says Starkus. “There are no barriers to start importing; restaurants are also allowed to import wine. The main issue now is that since 1st January 2018, the advertising of alcohol has been totally banned.” He adds that advertising alcohol discounts in shops is banned, and “nobody is allowed to publish wine articles, except the specialist press, of which there is no real sector”. This means that shop staff and sommeliers remain the main and often only channel of communication with consumers.

Big changes in the Lithuanian market took place after Lithuania joined the EU and over a very brief period of time in 2005-06. This is when the wine market took shape, with the founding of small importing companies, the sommelier school, the Lithuanian Association of Sommeliers and a wine competition. It was also the period when foreign wine companies established themselves in Vilnius, all of which resulted in the rapid growth of a professional community, which in turned helped build consumer knowledge.

A market matures

Wine was initially introduced to Lithuania by large importers, namely Bennet Distributors and Mineraliniai Vandenys, which opened the door to major brands such as Torres, Antinori, Frescobaldi, Concha y Toro, Moët & Chandon and Freixenet. Today there are some 50 importers, of which about 25 are active. Supermarket chains are now importing wine, and sommeliers are playing a growing role in the on-trade sector. Today the three largest importer-distributors are Bennet Distributors, Maxima, and Mineraliniai Vandenys, which between them are responsible for 51% of the off-trade market; Prike is another important name, as it represents LVMH.

“The appearance of *Vyno Klubas* introduced the concept of fine wine,” says sommelier Martynas Privilonis, who has won local and regional championships, and came fourth in the ASI’s Best Sommelier of the World 2019 competition. “They have

been importing some of the most sought-after wines in the world,” and developing the market, he says. Privilonis works as head sommelier at the Grand Hotel Kempinski Vilnius and is responsible for the beverage lists of its restaurant, wine boutique and other outlets. “I think that all three Baltic countries are developing very similarly, because the major wine importers are operating throughout Lithuania, Latvia and Estonia, so the assortment of wine on offer is also similar with sommeliers of all three countries sharing their knowledge,” he says.

The wine market in Lithuania follows the global market trends, thanks to curious and increasingly interested consumers. Wine courses and tastings are popular, and the consumption of cheap wines is diminishing. Tastes are also becoming more diverse, with lighter reds and wines from countries such as Portugal, Hungary and Armenia finding their place on restaurant lists. Organic, biodynamic and natural wines are becoming increasingly popular and a growing number of smaller, more specialised wine importers are bringing more diversity to the market.

“The market’s relatively small number of importers means that they have quite large portfolios and are effective in stock management,” says Starkus. “It is crucial to

understand if an importer really needs your wine; therefore if producers intend entering the market it is necessary to properly research the portfolios of importers when approaching them, creating a well-tailored proposal.” Starkus has made it his strategy to constantly introduce new products to the market. “We now work a lot with Piedmont, luxury California and natural, orange wines. We have the largest portfolio and the most premium selection of wines in the Baltics.”

As for trends, no-alcohol wine is a growing category, while red wines tends towards Primitivo, Zinfandel and Monastrell from Southern Spain. When it comes to less oaky, less ripe reds, preferred styles included wines from Austria, Grenache from high altitude in Spain, Pinot Noir from New Zealand, as well as reds from Chile and Germany.

On a premium level, the market prefers Burgundy, both in the red and white segments, as well as wines from Tuscany and Champagne. Sparkling wine sales account for one-third of the market, with consumers embracing Prosecco, Crémant and Cava as well as Champagne; sparkling wines made locally from imported bulk are also in demand. Natural and orange wines, which appeared some three or four years ago, are in growth, though mainly in premium restaurants. ■

