

# Supporting wine production & enotourism in Slovakia

## Successful projects (case studies)

Comrat / Gagauzia, July 3, 2018

### **Vladimír Benč**

Research Centre of the Slovak Foreign Policy Association, n.o.

Hlavná 11, 080 01 Prešov, Slovak Republic

e-mail: [benc@sfpa.sk](mailto:benc@sfpa.sk)

tel./fax: +421 51 7721 018

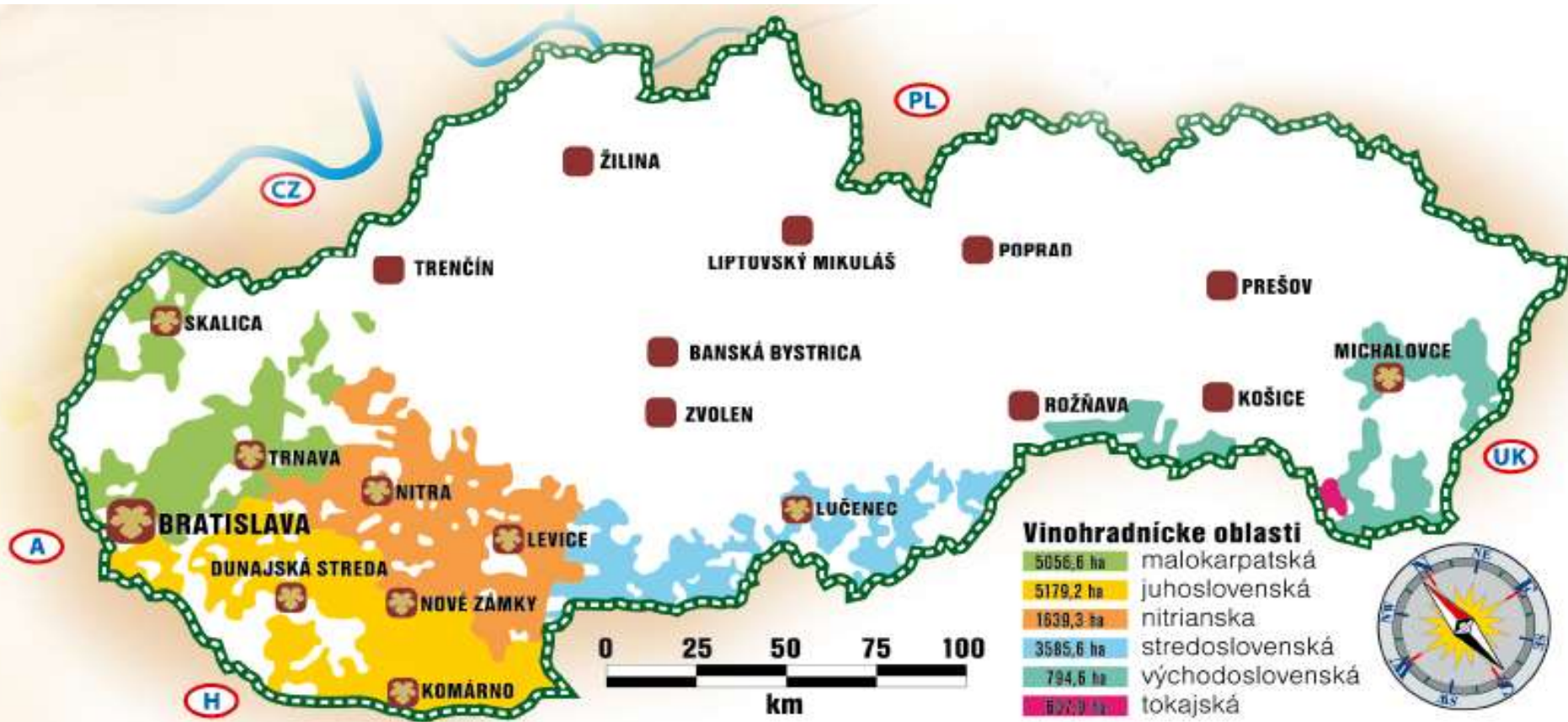
web: [www.sfpa.sk](http://www.sfpa.sk)



**SFPA**

Slovak Foreign Policy Association

# Wine-growing areas of Slovakia



- Small-Carpatian, South-Slovak, Nitra region, Central-Slovak, East-Slovak, Tokaj

# Key problems of the wine making industry I.

- The share of Wine industry in the total food production industry is 2.93%. Share of the food production industry on GDP is 1.7%, while total agriculture is app. 3.5% of GDP.
- In '90: a massive slump in the production and decline of vineyards. The area of cultivated vineyards has fallen by almost half.
- The historical problem of Slovak winegrowers is the unsolved ownership of vineyard lands created by the previous decades of ongoing confiscations, arizations, nationalizations, collectivization and restitutions. With 1 year or 2 year lease agreement, there is no reasonable planting or restoration of the vineyards.
- In 2004: high expectation from the EU membership, e.g. direct subsidies to farmers, but only 53.3 EUR per ha and complicated procedures regarding the EU funds. On-the-other-hand, huge competitiveness and overproduction on the EU market, especially Italian, French and Spanish wines - at prices that do not correspond to real costs, because of huge national and EU support for farmers in those countries.
- In '80s: 38,000 ha of vineyards in Slovakia, agreed quota when joining the EU: 22,226 ha. Reality in 2018: 8,873 hectares (ha) of productive vineyards. The cultivated area of the vineyards is approximately 11,159 hectares and the registered vineyard area is 17,598 ha.

# Key problems of the wine making industry II.

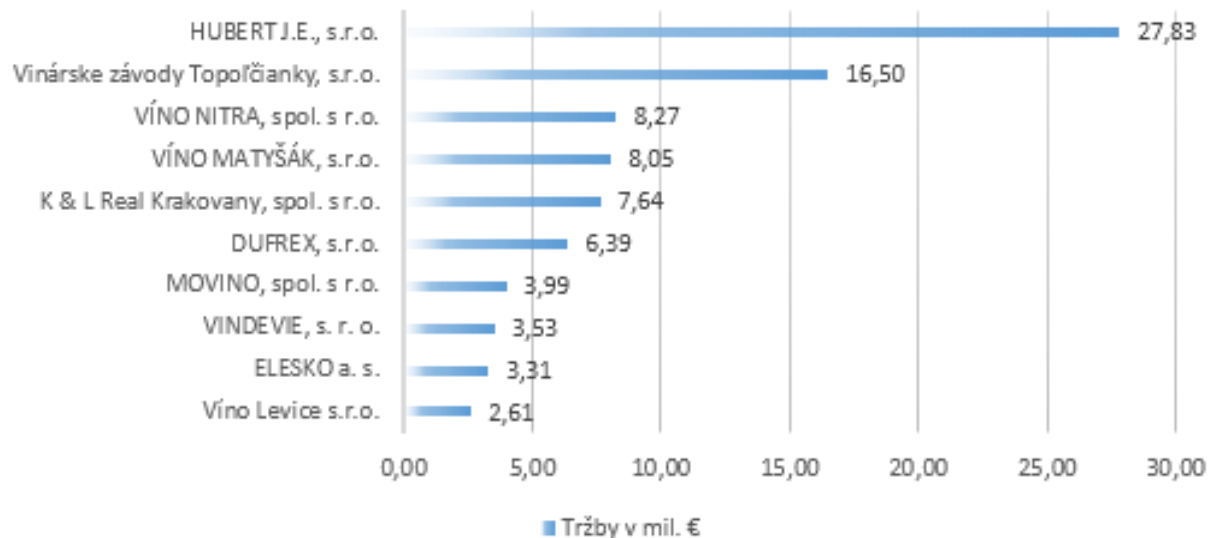
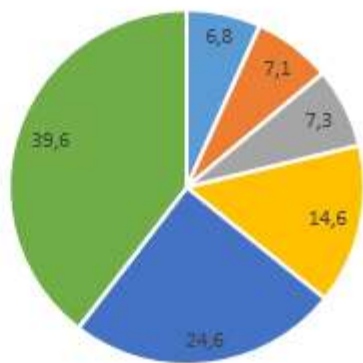
- The production of grapes in the Slovak Republic reached approximately 45,000 tones in 2017 and wine production of about 312,000 hectoliters (hl). 190,000 hl of wine was exported and about 700,000 hl of wine were imported.
- Slovakia, due to the historical development, still has separated the growing of grapes and the production of wine - organizationally and financially. Different developments in primary production and processing led to a fundamental difference in the current level of these two components. While wine-production experienced technological revolution during last 15-20 years, wine-growing is in a position of "endangered species". The situation in vineyards is today the main limiting indicator of the development of wineries.
- The production of grapes for wine production is gradually decreasing in Slovakia as a result of the decrease of vineyard production areas. The share of wine produced from domestic raw material is reduced to about 50%, which results that the Slovak wineries are not self-sufficient in the production of grape must as key input into wine production.
- At the same time, capacities of the wine industry, as in other food industries, are under-utilized, on average 42.8%.
- The structure of the producers is as follows: there are 400 registered wine producers in Slovakia, of which 14 are enterprises with a production of more than 5,000 hl, together they produce 80% of Slovak wines. 300 small producers produce 1% of Slovak production, 86 producers of medium 500-5,000 hl produce about 19% of official production.

# Top wine producers in Slovakia

- The company with the highest revenue of 27.83 mil. Euros in the wine industry is HUBERT J.E., s.r.o. Followed by Topoľčianky Winery with revenues totaling 16,50 mil. EUR. The first trio joins VÍNO NITRA, Ltd. with revenues of 8.27 mil. EUR.
- HUBERT J.E., s.r.o. accounts for up to 24.6% of total industry revenue. The top 10 companies with the highest revenue generation account for almost 80% of sales in the wine industry.

## TOP 10 VINÁRSKYCH PODNIKOV PODĽA TRŽIEB

Podiel na celkových tržbách v odvetví v %



Tržby v mil. €

# Key problems of the wine making industry III.

- We are lacking particularly big grape processors / wine producers who provide for the purchase of grapes from small producers.
- We are missing sales associations, as we know them abroad (e.g. in neighboring Austria and/or Hungary), so they can support sale of the production of small growers.
- Positive is that in 2015 the Union of Slovak wine growers & wine producers merged with the Union of wine growers ...
- and wine-growers and wine-producers started to gather together in “wine-routes” / associations to promote & market their products:
  - Small Carpathian Wine Route: <http://www.mvc.sk/>
  - Tokaj Wine Route: <http://tokajregion.sk/>
  - Wine Route Zahorie: <http://www.vcz.sk/>
  - Nitra – Royal Vine Route: <http://www.nkvc.eu/>
  - Velky Krtis Vine Route: <http://vkvc.sk/>
  - Kamenin Vine Route,
  - Vine Route of Modry Kamen,
  - Vine Route of Pozitavie: <http://www.zitava.sk/udalosti-a-reportaze/pozitavska-vinna-cesta>
  - Turna Vine Route: <https://tvcesta.webnode.sk/>
  - Strekov Vine Route: <http://strekovin.sk/sk/>

# Case: National Collection of wines of Slovakia

- <http://salonvin.sk/>
- National collection of wines of Slovak republic is the highest wine competition from the wines made in Slovakia from the grapes coming only from Slovakia. It is organized as a final competition from the local Slovakian competitions.
- The National collection of wines of Slovak Republic is a representative collection of the top Slovak wines. The wines, which gain 100 points can use the mark: National collection of wines of Slovak Republic. Wines are placed for the whole year in the historical Museum of Viticulture in Bratislava and Pezinok Castle and are available to taste and to buy.
- National Collection of wines of Slovak republic also organizes wine events, wine tasting, which represent Slovak wine producers and their wines.



# Concept of the development of the food industry 2020

- Target (wine industry) - increase of domestic production by 1.0 mil. liters per year, so self sufficiency will be increased in 2020 from 53.2% to 59.3%. To achieve 80% self-sufficiency in 2020, production would have to increase by 3.1 million liters per year.
- A. Investment measures (EUR 20-25 million)
  - in processing, in the modernization of buildings and production technologies, increasing efficiency and maintaining competitiveness, investing in creating alternative sales and marketing and promotional support actions, creating the conditions for the operation of laboratories, planting new vineyards.
- B. Technical, legislative and marketing measures
  - Supporting the Marketing Presentation of Wines (for the entire sector 300,000 EUR / year), a more rigorous control of the origin of the wines, promoting the diversification of the way the products are sold, marketing support for the sale of domestic products, creating conditions for increasing the protection of vineyards, creation of the Protected Designation of Origin (PDO) wine register with a connection to a vineyards.



# System of support for viticulture and winery

- **Direct payment scheme** for the vineyard surface:

This option is limited by the minimum size of the vineyard of one hectare and can consist of 0.3-hectare blocks. In 2017 a single payment per hectare was 109 EUR. The grower also receives an amount of EUR 31.45 per hectare, which is the vineyard payment.

If a grower enters integrated grape and wine production, the subsidy is up to 600 EUR per hectare, while in organic (bio) production support is even higher - 900 EUR per hectare. These are subsidies that a grower can obtain only because he has a vineyard that is registered and grows vineyard.

If the vineyard is located on slopes where the slopes are 3-10 degrees, the grower is entitled to an additional EUR 72.53 per hectare. With slopes ranging from 11 to 18 degrees, the aid measures 87.07, with an extremely high slope above 19 degrees, support for one hectare up to 103.83 EUR.

- **Rural Development Programme** (EU funds – project support)

In the programming period of 2007-2013, 36 projects were supported for the processing of grapes and wine production in the total amount of 23.8 mil. EUR.

In 2014-2020 app. 25 mil. EUR is allocated to focus on promoting employment, planting new vineyards, buying new technologies, and providing support to building business outlets (yard sale).

# System of support for viticulture and winery

- **Common organization of the market in wine** (5 mil. EUR a year)
- **Promotion** - a) in EU countries max 100,000 EUR,  
b) in 3<sup>rd</sup> countries max 15,000 EUR
- **Technology investment**, e.g. into new barrels for wine, or labeling new wine closures natural cork or glass with a protected designation of origin by "Districtus Slovakia Controllatus" (DSC) - 5,000 – 50,000 EUR, 50% of investment
- **Support for the restructuring of the vineyards**
- a measure linked to the restructuring of vineyards, aimed at changing the vineyard composition, while preserving the original size of the vineyard. This measure can be combined with a variety change, change of buckle, vineyard movement/transfer, or grubbing.  
Subsidy up to 25,361 EUR, depends on the region + the average number of individuals of vines planted within the vineyard under restructuring / ha
- **Crop insurance** – in addition to natural disasters, unfavorable weather conditions, (80% of the annual premium paid) support will also cover animal damage, viral diseases and pest infestations (50%).
- **State aid**
- Support for active participation in exhibitions.

# Case: HUBERT J.E., s.r.o. (FDI)

- <https://www.hubertsekt.sk/>
- HUBERT J.E. came to existence in 1825 as the 1<sup>st</sup> factory outside of France to produce sparkling wine (located in Bratislava).
- Production of 7.5 mil. bottles of sparkling wine a year. Sparkling wine comes from twice refined grapes. The end product, so called cuvée, which is made by merging wines of different varieties, undergoes secondary fermentation, and so-called tirage liquor is added.
- In 1952 company moved to Sereď in order to be closer to the wine country
- In 1995 company became a private joint-stock company



# Case: HUBERT J.E., s.r.o. (FDI)

- In 2000 company became a part of German group Henkell & Co Sektkellereien KG.
- In 2008 company added to its portfolio Vitis Pezinok wines and Karpatske brandy.
- Selected awards:
  - VINO Y MUJER 2018, MADRID, SPAIN
  - MUNDUS VINI 2018, NEUSTADT, GERMANY
  - THE GREAT AMERICAN WINE COMPETITION 2017, USA
  - EFFERVESCENTS DU MONDE 2017, DIJON, FRANCE
  - VINALIES INTERNATIONALES, PARIS, FRANCE



# Case: KARPATSKÁ PERLA, s.r.o. (Employees > Own Business)

- <https://www.karpatskaperla.sk/>
- In 1983, after the wedding, a young pair started to help with the production of the wine at one family winery.
- In 1991, they become independent and started doing business. The wine was produced in a cellar under the new building of their family house.
- In 1994, they moved to Pezinok and rented another cellar.
- In 1997, they bought the building of the former NUPOD cooperative in the village of Šenkvice and gradually reconstructed the building.
- In 1998, they invested into new technologies as a method of controlled fermentation, vinification, or into barric barrels.
- Another major step was the purchase of the land at St. Martin, vineyard Suchý vrch, with a total area of 28 hectares. Planting began in 2000.



# Case: KARPATSKÁ PERLA, s.r.o.



- In 2005, success with the EU projects – Construction of the company building, the planting of vineyards and the purchasing wine-growing and wine-production technology. On March 21, 2008, the ceremonial opening of the new premises with the majestic 21-meter panorama tower with a panoramic view of the Small Carpathian Mountains.
- In 2011, they won the First price of the Best Wine of the Year, which was awarded by the Union of Grape and Wine Producers in Slovakia.
- In 2016, additional premises were reconstructed – a new tasting area “Tančiareň” and an archive that originated from former wine tanks. Both premises are original from the NUPOD cooperative times (built in 1942).



# Case: Château Topolčianky

## (Employees > Own Business, but different story)

- Château Topolčianky is a wine manufacturer established in 1933.
- Rebirth of viniculture in Topolčianky started in 1993 when cellars become again a private company (4 friends working in another winery started to do a business together) with not more than 6 employees since its beginning.
- They started with a loan of 166 ths. EUR from a bank and put their houses/flats as a guarantee. They acquired small neglected warehouses, a little used mill and a small historical cellar.
- Since the beginning, the Italian vineyard expert Walter Biasi has been helping the vineyards.
- Today the company has 180 employees in winemaking and wineries and produces more than seven million bottles of wine per year. It is leading wine producer in Slovakia. And owns 560 hectares of vineyards: "Today's grape-processing technology can be bought by every company. What distinguishes is the quality of grapes and we can always manage it in our own vineyards better".
- Company acquired the unique underground cask cellar built in 1966, where the company has 100 oak casks capturing spirit of the old times. The content of particular cask varies from 3,000 to 11,000 liters. Company matures 560 000 liters of red wines in them.
- In 2006, company has put in place a fully automated bottle filling system, which allows to fill up to 4,000 bottles of wine per hour under the highest standards.



# Case: Château Topolčianky

- In 2015, company opened the restaurant in their premises. Company currently invests into a pension to be run soon in its neighborhood. It reconstructs over one hundred years old building of the former school.
- In 2015, company began to produce sects. One called the Sekt 1933 and the other the Sect President, named after the first Czechoslovak Republic president – Mr. Masaryk, who had a summer residence at the local chateau. So far, the company delivers only about a hundred thousand sect bottles a year, but expects further growth.
- Company strategy is different than a most of wine-producers in Slovakia. In the last decade, there are quite a few new wineries in the country, but they all focus only on smaller production of more expensive wines with an attribute. Company however focus on the more varied production of wines of different price levels and, thanks to greater sales volumes, they can also sell high quality wines at very affordable prices. The cheapest bottles of their table wines are in shops around 2.50 EUR , but also sells the good quality varieties of wine at a price of around 4 EUR per bottle, which represent up to 70 percent of its production. Altogether company sells up to a hundred different wines. The Topolčianky Wine Ranges are not geared towards only hotels, restaurants or wine shops as a smaller wine-making companies, but is present at supermarkets and in all local shop chains.





# Case: Orechova Winery

- <http://www.pivnicaorechova.sk/>
- Company Regia TT s.r.o. took over in 1994 the breeding station that was part of the Research Institute of Grapevine Breeding and Wine-growing in Bratislava and was established in Orechová in 1966.
- In the years 1967-1968, breeding vineyards with an area of about 54 hectares were planted with the world vineyard assortment and a plant for the production of seedlings was created. By the completion of the underground double-vault cellar in 1970, the foundations were laid for the development of a professional winery.
- The winery is dominated by the underground cellar built in andesite subsoil at a depth of 6-12 m, with an annual temperature in the range of 12-14 degrees. The current capacity of the underground cellar is 450,000 l. The cider house is followed by a newly-built white-brewed marshalling plant, a large wooden wine cellar for ripening red wines and an air-conditioned warehouse for storing flaky wines. Part of the underground cellar is a company archive.



# Case: Orechova Winery

- The modernly equipped tasting room, called the „Hodovoňa“, provides full equipment for wine presentations and for the field enotourism. It has a capacity of 50 visitors. Part of the tasting is an offer of homemade gastronomic specialties that are based on local biofarm with pigs and hens.
- The basis of grape processing technology is a newly built milling plant. The technology of the press is based on the traditional grape processing practices introduced at the Breeding Station.



# Case: Juraj Zápražný Winery

- <http://www.vinozaprazny.sk/>
- Winery was founded in 1999, following a family tradition in wine making and wine growing in the Small Carpathian village of Vinosady. Grapes are harvested from 3,5 ha of vineyards in the Malokarpaty region. Annual production accounts for up to 100,000 bottles of premium quality wine.
- Using state-of-the-art technology in manufacturing. White wines are stored in stainless steel tanks & red in classic wooden or barric casks.
- Wines are ranked among the best Slovak wines in the National Wine Salon of the Slovak Republic every year. Winery was the Champion of the Wine Salon in 2012 and 2013 in several categories.
- Won several gold and silver medals at world exhibitions, e.g. Vinalies Internationales Paris or Concours Mondial de Bruxelles.
- The pride of the winery is unique cellar built from 300 years old bricks that is used for maturing of red wine.



# Case: Pivnica Tibava

- <https://www.tibava.sk/>
- The first records on vineyards in Tibava region date back to 1413.
- In 1965 they established and built a state owned vineyard-winery plant for grape processing. Tibava, as one of the few wine-producing companies in Slovakia had a privilege to produce quality varieties of wine which were not normally produced in the Slovak Republic at that time (monopoly winery plants processed all the grapes and produced several mixed wines which they marketed in Slovakia). The opposite side of this coin is the fact that wine production from Tibava did not reach the Slovak market until 1990, as it was fully taken by the government in Prague, where Tibavian quality wines were used for representative purposes.
- In 2000 the private company PIVNICA TIBAVA s.r.o. took over the state owned company that was producing looses and started to plant new vineyards and modernize both vineyard and production capacities.



# Case: Pivnica Tibava

- Company grows grapes on nearly 200 hectares of vineyards in close proximity of the Tokaj wine region. It recultivates older quality vineyards and at the same time annually implements a new planting.
- In FEB 2014 obtained the International warranty certificate that guaranty the maximum safety of manufactured products.
- Two own wine-shops in Sobrance & Bratislava, FB shop, own communal hall & restaurant since 2006
- Several medals from the wine competitions in USA, Germany, France, Czechia, Austria, Spain, Poland, and many from Slovakia



# Key factors of success

- Hard work, entrepreneurship – business risk
- Investment into new technologies + later on to own land and property
- Diversification in the later stages of development – wine tourism (restaurants, hotels, tourism attractions)
- Targeting very high quality of wine + in few cases also “cheaper” wines
- Various sale / distribution channels incl. e-shops (e.g. joint e/shops <http://zpivnice.sk/>, <http://vinoguru.sk/kde-kupit-vino/>)
- Participation at wine competitions
- Joining “forces” in wine-routes / associations
- Use of the EU funds in some cases



Thank you for your attention

[www.sfpa.sk](http://www.sfpa.sk)